TORONTO STAFF REPORT

June 21, 2005

To: Economic Development and Parks Committee

From: Brenda Librecz, General Manager, Parks, Forestry & Recreation

Subject: Parks, Forestry & Recreation Revenue Review – Phase II
All Wards

Purpose:

To report on the revenue review of the Parks, Forestry and Recreation in consultation with the Chief Financial Officer and Treasurer as directed by Council that a comprehensive review of revenue types be done prior to the consideration of the 2006 Budget.

Financial Implications and Impact Statement:

Parks, Forestry and Recreation received a one-year adjustment of $2.5 million in its 2005 Operating Budget to address the revenue shortfall as a result of Welcome Policy. Further analysis provided by this report showed that the anticipated revenue shortfall as a result of Welcome Policy would be $3.25 million in 2006. Based on current service provision costs, $3.25 million will be required to continue to operate the Welcome Policy in 2006. This budget pressure will be incorporated into the program's 2006 operating budget submission.

The Deputy City Manager/Chief Financial Officer has reviewed this report and concurs with the financial impact statement.

Recommendations:

It is recommended that:

(1) Parks, Forestry and Recreation undertake Phase III of the Revenue Review that focuses on key revenue shortfall areas -- recreation program offerings, golf, ferry, and concessions, leases and agreements – for the purpose of developing remedial business strategies that include costing models, pricing thresholds and new revenue opportunities, as well as reflect the policy framework regarding user fees;

(2) An adjustment of $3.25 million to Parks, Forestry and Recreation's revenue budget to reflect revenue loss incurred as a result of Welcome Policy be considered during the program's 2006 Operating Budget deliberation;

(3) The General Manager, Parks, Forestry and Recreation, report back on an analysis on the administration and policies with regard to the Welcome Policy and priority centres;

(4) Parks, Forestry and Recreation include an analysis of the status of the variance between the revenue budgets and actuals in the 2005 third quarter operating variance report;

(5) This report be forwarded to Budget Advisory Committee for consideration;

(6) The appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Background:

During the 2004 Budget Process, the Budget Advisory Committee recommended that a review of the revenue assumptions in the Parks and Recreation budget be undertaken with Financial Planning staff and reported to the Economic Development & Parks Committee in preparation for the 2006 budget submission. In September 2004 Phase I of the review was reported on. The Phase I report looked specifically at the impact of the Welcome Policy on the Division's revenues from program registration. The report identified a revenue shortfall of $2.5 million attributed to the increase in usage of the Welcome Policy over the past five years.

As the Parks, Forestry and Recreation Division is undertaking a comprehensive review of its operations, services and organizational design, this revenue review will provide a co-ordinated division-wide analysis on revenue trends, budgets, and the impact of existing and proposed policies and practices. This phase of the report examines the revenue lines in the budget, compares the budgeted figures to the actuals and identifies strategies to address the variance.

The Our Common Grounds strategic plan and the Service Priorities Report, both approved by Council in 2004, will drive Parks, Forestry and Recreation's service delivery plans. In addition, the organizational structure review of the program will lead to changes in the provision of services in all functional areas. The comprehensive review of Parks, Forestry and Recreation's operation will incorporate the revenue analysis contained in this report as well as service plans determined through community and staff consultations.

Comments:

Analysis Framework

The analysis of Parks, Forestry and Recreation's (PFR) revenue is based on a framework that adopts both a historical perspective that examines revenue changes over the years, as well as structural reviews to determine if inherent programming challenges exist. The framework includes:

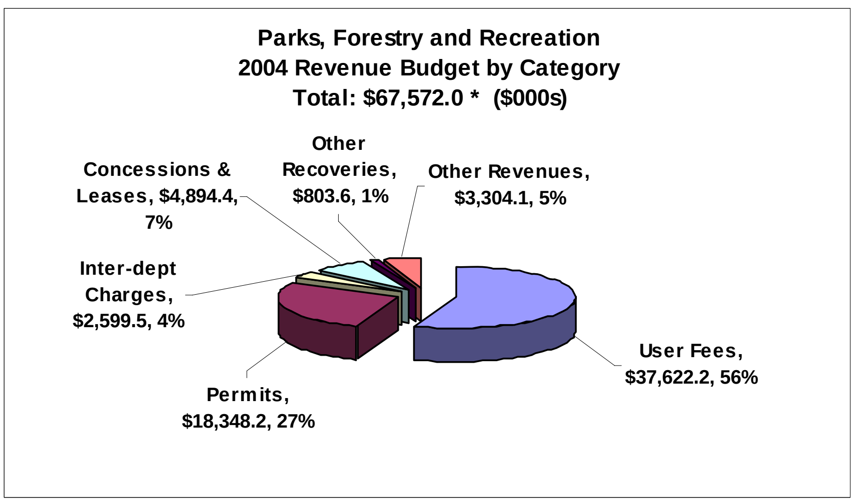
1. Analysis of PFR revenue budget by revenue type
2. Analysis of PFR actual revenue versus budget target, by revenue type and from 1999 to 2004
3. Review of Council decisions, either during policy decisions throughout the year or during annual budget deliberations, which impacted on the PRF revenue target.
4. Detailed analysis of each of the revenue categories, including registered recreation program user fees and related Welcome Policy revenue loss, golf and ferry revenue, permits, concessions, leases and agreements, other recoveries and other revenues.
5. Identification of areas where further review is required
6. Identification of potential new revenue opportunities

This report focuses on the review of the revenue side of the annual operating budget. Analysis of costs and expenditures is outside the scope of the review, and is not considered in this report, but will be considered in the next phase.

Parks, Forestry and Recreation Revenue by Category

The Parks, Forestry and Recreation revenue budget has been unrealized in a variety of revenue categories since the year 1999. This comprehensive review assesses and attempts to explain the variance between allocated budgets and actual revenues achieved for the period of 1999 – 2004.

The following chart shows Parks, Forestry and Recreation's revenue budget by category in 2004:



* The budget figures have been re-stated in order to eliminate from the analysis one-time zero net projects (e.g. Asian Longhorned Beetle, Ontario Works, West Nile Virus)

In 2004, Parks, Forestry and Recreation revenue budget was $67.572 million. Out of this amount, 56% of the revenue budget, or $37.622 million was generated from user fees, including fees for registered programs, memberships, passes, drop-in programs, ferry and golf. Permit revenue made up 27% of the revenue target, or $18.348 million. Additional revenue sources include inter-departmental charges (4% or $2.599 million), concessions, leases and agreements

(7% or $4.894 million), recoveries (1% or $0.804 million) and other revenues (5% or $3.30 million). The other revenues category includes donations, contributions, sponsorships, grants and subsidies from other levels of government etc.

Actual Revenue versus Budget Revenue 1999 to 2004

Attachment 1 compares Parks, Forestry and Recreation's actual versus revenue budgets from 1999 to 2004. The chart clearly shows that the program has consistently carried a negative variance in its revenue performance since 1999. In 1999, the budget target for the program was $60.327 million, while actual revenue was $55.249 million. In 2000, the budget target was reduced to $58.238 million, but actual revenue remained stable at $55.667 million.

The negative variance was amplified in 2002 and 2003 because of external macro conditions. In 2002, a strike by CUPE Local 416 and Local 79 employees led to the disruption of recreation programs, sports fields and facility permits, as well as ferry and golf services. In that year, Parks, Forestry and Recreation's actual revenue was $8.6 million below the target. In 2003, with the onset of SARS and the city-wide hydro black-out at the end of August, Parks, Forestry and Recreation revenue continued to be negatively impacted, and was $5.9 million short of the revenue target. In 2004, the revenue target was set at $67.572 million, while actual revenues were $64.074 million.

A historical analysis of actual revenue versus budget target per revenue category from 1999 to 2004 is shown in Attachment 2. The table demonstrates that overall, revenue performance for drop-in programs, memberships, inter-departmental charges, recoveries and other revenue sources have been meeting or exceeding budgets. Actual revenues for registration program user fees, ferry operations, golf courses, ski, permitting, concessions, leases & agreements, however, have not been meeting annual budgets.

Both internal systematic challenges as well as external uncontrollable factors impact the revenue generating ability of the Division. Given the outdoor – good weather nature of revenue generating channels such as golf and ferry services, Parks, Forestry and Recreation's revenue has been affected by weather conditions through the years. For example, in 2004, with a cool and wet summer, both the number of rounds of golf and the number of riders on ferries declined significantly. The program is also impacted by broad economic factors. For example, the value of the Canadian Dollar versus the U.S. dollar will impact on the number of tourists visiting Toronto, and in turn, would affect the number of riders on the ferry to the Toronto Islands, a tourist attraction.

General Observations

The following general observations provide a useful context in examining Parks, Forestry and Recreation's revenue performance through the years.

Prior to amalgamation, the former municipalities adopted different cultures and strategies with respect to levels of expenditures, revenue generating activities and revenue management. This varied from a full cost recovery model from the former North York and Etobicoke to the offer of free programs in the former City of Toronto. Amalgamation forced the need to implement a harmonized policy and strategy across the entire City. There were significant challenges and a lot of unknown factors with respect to a new user fee policy, nor the relations and impacts resulting from the implementation of the Welcome Policy, priority centres, revenues from former municipalities transferred into the amalgamated budgets, lack of harmonization. It was not possible during the early years of amalgamation to clearly identify the financial impact of each of these areas accurately.

An initial analysis of Parks, Forestry and Recreation's revenue through the years pointed to the following general key issues and challenges that have impacted on achieving planned revenues:

Welcome Policy
When Welcome Policy was implemented in 1999 together with the new user fee policy, there was no allowance for the revenue impact of the new policies on an ongoing basis. Council directed the enhanced promotion of the Welcome Policy in 2001, without adjusting the program's budget to accommodate the increase in the number of Welcome Policy users.

The significant increase in the number of users of the Welcome Policy and its corresponding financial impact was first reported in Fall 2004. Welcome Policy registrations increased tenfold from more than 3,000 in 1999 to more than 30,000 in 2004. Parks, Forestry and Recreation received a one-year funding of $2.5 million in its 2005 operating budget to address the revenue shortfall created by the Welcome Policy. The analysis in this report will show that the Welcome Policy will continue to create a budget pressure for the program. The take-up of Welcome Policy in 2006 is expected to continue its growth rate. With anticipated increase in Welcome Policy take-up, an adjustment to Parks, Forestry and Recreation's 2006 Operating Budget would be required.

External market factors
Parks, Forestry and Recreation programs and services operate within the general market place and are affected by external factors and consumer trends. For example, the trend of consumers moving away from registered fitness classes towards more flexible individualized fitness memberships is not reflected in the program's revenue structure. In addition, macro economic conditions, such as weather, strike, SARS, economic indicators, tourism and the U.S. dollar exchange rate all impacted on revenue generating activities. While we can address certain external factors, such as consumer trends, it would be difficult to precisely gauge the impact of uncontrollable macro events.

Setting revenue budgets
One of the difficulties in determining revenue budgets is the fluidity of the market place and the factors that impact on user behaviour. Often times, the same user level or even a growth in user volume was assumed when the budgets were set. This optimism often did not materialize, leading to significant variances between budgets and actuals. Sometimes, new sources of revenue (recoveries and other revenues) were found in order to compensate for the unachievable revenues in a given year. However, the budgets for the new sources were too optimistic as well.

Revenue structure
The revenue structure for Parks, Forestry and Recreation was set at the early days of amalgamation and has not been reviewed or adjusted since that period. This is particularly true in the area of user fees for registered programs, where changing demographics and consumer trends would have led to changes in programming. The further analysis in the report pointed to areas where more detailed review of the programming mix is required to remediate the situation.

Revenue Dependent Strategy
In an attempt to achieve net budgets, the program's focus tended towards increasing existing revenue (such as golf and ferry) and looking for new or enhanced revenue generating opportunities rather than cutting programs, without considering the impact of pricing on users or that pricing might create barriers.

In order that the program can conduct further analysis on areas where there have been historical under-achievement of revenue and review the possibility of implementing a cost of living increase on certain courses, it would be important that a temporary moratorium on the program's revenue budget be considered so that Parks, Forestry and Recreation's actual revenues can catch up to its revenue budgets.

Council Decisions Affecting Revenue Budgets

At the time of amalgamation and throughout the years, there have been many Council decisions that affected the revenue budgets for Parks, Forestry and Recreation. Some of these decisions were proposed during the annual Operating Budget process, while others were policy decisions with significant financial impacts.

Attachment 3 summarizes the various Council decisions from 1999 to 2004 that had a revenue impact. For example, the implementation of Option B in the Harmonized User Fee Policy led to a revenue adjustment of $800,000 in 1999, and a decrease of $5.1 million in 2000. Even with these changes, the revenue target was not achieved then. In 2001, a preliminary analysis of User Fees and Welcome Policy led to a new user fee plan with the implementation of a $25 fee for previously free instructional children and youth programs, and also increased fees for other programs with a fee attached. This policy change was expected to raise an annualized $5.1 million in revenue, thus reversing the previous year's revenue pressure. Other Council decisions included the approval of revenue increases for parking, golf, ferry, adult fitness programs, camps, etc. through the years. Some of these price increases significantly impacted the level of participation in programs and services, causing decrease in revenue and more alarmingly, the lost of residents using programs as was planned in revenue budgets.

User Fees – Registration, drop-in programs and memberships

Attachment 4 provides a trend analysis of registered recreation user fees. The chart shows that while registration user fees increased gradually from 1999 to 2004, revenue budgets were set with an even higher rate of increase. Therefore the variance between the actual dollars received from registration user fees and the budget target became wider and wider through the years. This suggests that when program fees were increased, the corresponding revenue budgets were set at very optimistic levels that did not reflect realistic evaluation of the impact of price increases on user volume. The result is an ever-widening gap between actual and revenue budgets.

Attachment 5 shows the composition of registered recreation program user fees in 2004 according to brochure category, number of registrants, actual revenue and revenue target. This chart shows that while some recreation programs are in high demand, such as camps, pre-school, swimming and skating, the participation rates for other programs require more in-depth analysis. Three program categories – Fitness and Wellness, Ski and Sports – showed the greatest variance between actual revenue and budget target, and warranted further analysis.

Preliminary review of the reasons behind the low participation rate of the Fitness and Wellness area revealed an interesting consumer trend away from structured registered fitness programs towards more flexible fitness club memberships and passes. This trend was probably enhanced with the enhanced flexibility of Fitness Club memberships in Parks, Forestry and Recreation Fitness Memberships. With a Type A Fitness Membership, users can access facilities at more than 20 fitness clubs across the City. This trend is confirmed by the financial performance of these two categories of revenue. In 2004, drop-in programs accomplished $1.831 million in revenue, compared to a budget target of $1.262 million. Similarly, in 2004, memberships achieved $1.951 million in revenues, compared to a budget target of $1.330 million.

Toronto operates two ski hills, the North York Ski Centre at Earl Bales Park (Bathurst and Sheppard), and the Centennial Snow Centre at Etobicoke Centennial Park (Renforth and Renfrew). As ski is a winter outdoor sports, part of the shortfall of ski revenue could be attributed to changes in Toronto’s winter conditions. With Toronto winters getting shorter and warmer, the ski season would be affected in terms of ski lift ticket sales and equipment rentals. However, ski registered programs would normally have been planned during the core ski season between the December holidays and early March. Thus, the low participation rate for ski programs could not be explained by weather alone. It is recommended that Parks, Forestry and Recreation undertake a detailed review of the types of registered programs offered at the two ski facilities, registration for each type of program and determine where the registration shortfall occurs. An adjustment of the program mix may be required to boost registration.

Registration for general sports programs is low and the corresponding revenue shortfall is high. It is recommended that Parks, Forestry and Recreation conduct a detailed review of sports programs offered, registration patterns and user profiles to determine where programming gaps exist and where remediation strategies are required.

User Fees and Welcome Policy

In the report to Economic Development and Parks Committee on September 29, 2004, titled "Parks and Recreation Revenue Review -- Status Report and Interim Findings related to the Welcome Policy", the revenue loss for Parks, Forestry and Recreation attributable to the Welcome policy was estimated at $2.5 million.

As part of this phase of revenue analysis, a more rigorous approach was adopted to calculate PFR revenue loss that can be attributed to the Welcome Policy. Under this approach, not every

Welcome Policy registrant is considered to have displaced a fee-paying registrant. Thus, the revenue loss for PFR would be less than a straightforward calculation of the waived registration fees for Welcome Policy participants.

This approach reviews all PFR registered programs in terms whether the program has a waiting list, or how full the program is, in terms of the percentage of registrants versus program capacity. Programs in Class and published in Toronto FUN are assigned one of 13 brochure categories. These same categories are used in the analysis.

Every Welcome Policy participant would be considered displacing a fee-paying registrant in all programs that have a waiting list. Moreover, because the presence of waiting lists does not necessarily reflect the demand for the program (many parents would not make the effort to put their child's name on a waiting list, but would seek alternative programming possibilities, including those outside of PFR programming). Therefore, using this assumption, for those programs that are at 75% or more at capacity, a percentage of Welcome Policy participants equal to the utilization rate is considered to have displaced a fee-paying registrant.

Attachment 6 shows the detailed calculation of the revenue loss attributable to Welcome Policy participants using this methodology. In 2004, while total waived fees under the Welcome Policy are $2.563 million, the actual revenue loss directly linked to the Welcome Policy was $1.817 million. This showed a revenue shortfall of $1.229 million that is related to user fees, but cannot be attributed to Welcome Policy. Three areas showed significant budget shortfalls – Fitness and Wellness, Ski and Sports. This confirms the registration numbers discussed in the previous section, and points to the need for further review of ski and sport programs.

Using this methodology, the anticipated impact of Welcome Policy on 2005 and 2006 revenue budget was calculated comparing between the rate of increase of Welcome Policy participants in January to May 2005 compared to the same period in 2004. A slightly lower rate of increase was applied for 2006. This showed a Welcome Policy-related revenue impact of $2.509 million in 2005. The projected revenue impact in 2006 would be $3.25 million.

Attachment 7 shows the tracking of user fee and Welcome Policy decisions by Council through the years.

As shown in the attachment, while the 1999 user fee report originally estimated a $800,000 budget impact of the user fee policy, the actual experience in 1999 was a much higher revenue shortfall, and the revenue reduction in the 2000 budget was $5.1 million. The report to Economic Development and Parks Committee, dated March 8, 2000, included this explanation:

“Original revenue projections of the new user fee policy were based on a number of assumptions. First, revenue loss due to the free programs was to be partially offset by setting new fees at a level that harmonized existing fees across the City and adding 20%. In addition, revenue loss in districts that formerly collected fees was to be compensated by revenue generated in the South and Central Districts (former City of Toronto), where no fees existed previously. Thirdly, projections were based on existing patterns of consumer usage and service levels …. Initial statistics demonstrate that the increase in paid usage and hence revenue in the paid programs did not offset the revenue loss generated by the free programs. ….

This substantial revenue impact was also the result of individual policy components that were modified in the final approved policy. .. Furthermore, the inter-relationships between these policy components created a situation whereby participation trends and revenue levels have had more dramatic impacts than originally anticipated."

In the same report, the program suggested reporting back after one full year of implementation of the User Fee policy. On March 6, 7 and 8's Council meeting, the report from the Commissioner of Economic Development, Culture and Tourism, titled "Recreation User Fees and Welcome Policies Evaluation" was adopted. The report approved charging $25 for all previously free instructional children and youth programs, beginning in September 1, 2001. The financial impact of the increased was $4.2 million annualized. Together with increases in program fees in other areas, the overall budget impact was $5.1 million, with $2 million impact in 2001. This decision basically reversed the previous year's revenue pressure.

It should be noted that the second component of the Welcome Policy, the priority centres, have not affected the user fee registration revenue budgets for the program, as the revenue lines related to registered recreation programs have been adjusted to zero for the priority centres.

User Fees -- Golf

Attachment 8 shows the historical trend of golf revenue from 1999 to 2004, as well as the trend of the various types of golf rounds sold. Actual golf revenue has exceeded budget from 1999 to 2001. From 2002 on, actual has not been able to meet the revenue target.

Golf rates have increased relatively sharply between 2000 and 2004, with a corresponding decrease in the number of rounds at the golf courses. This indicates that while the revenue per round of golf has increased from $25.66 per round to $30.31 per round, this increase has been negatively compensated by the decline in the number of rounds. In 2000, a total of 234,525 rounds of golf were played. This dropped to 204,468 rounds in 2004.

Part of the explanation of the year to year variance in golf revenue could be attributed to the weather conditions of the summer months each year, including the length of the summer season, and whether the majority of weekends were hot and dry or cold and wet.

It is important to note the lack of price elasticity for golf green fees. City golf courses face stiff competition from other golf courses in the Greater Toronto Area. As municipal public golf courses creep up in pricing to be comparable to or even exceeding the green fees for privately run public courses, the number of users of municipal golf courses will decline. Any future price increases for golf fees must take into consideration the competitiveness against surrounding golf courses and the perception of value for money. At the same time, the capital investment in golf courses have not kept pace with other competitor courses charging similar rates.

In addition, PFR will review innovative memberships and other promotional tools that will increase the usage at City golf courses, especially during non-peak hours and at the less premium courses. PFR will continue to monitor golf revenue closely, including any difference in the usage at the different golf courses to develop a business plan.

User Fees -- Ferry

Attachment 9 shows the historical trend of ferry revenue from 1999 to 2004, including the number of riders on the ferry, and the average revenue per rider over the years. To a certain extent, the trend in ferry revenue is similar to the trend in golf revenue.

Other than the year 1999, when actual revenue exceeded budget, ferry revenue has consistently not been able to meet the budget target. While the ferry rates for students/seniors increased from $2.00 to $3.00 between 1999 and 2000, and that of children increased from $1.00 to $2.00, the revenue target for ferry increased from $4.57 million to $5.17 million. This suggested that at the time, the budget target was adjusted based on the same number of riders. When in reality, the number of riders decreased from 1,231,000 to 1,168,000, ferry revenue stayed at the same level as 1999 at $4.66 million, while the budget target changed substantially.

A similar situation happened again in 2003, with the increase of adult ferry rates from $5.00 to $6.00, senior and student rates from $3.00 to $3.50, and children rates from $2.00 to $2.50. The ferry revenue budget increased significantly once more to$5.87 million. Complicated by the impact of SARS and blackout that year, ridership dropped to a bare 1,057,000, and actual ferry revenue was $4.97 million, despite the higher ferry rates. The budget was again increased to $6.01 million in 2004, despite the rates staying the same.

While there is no direct competitor to the ferry service to the Toronto Islands, this service is affected by the annual summer weather conditions and level of activity/special events on the Islands. In 2005, with a long hot summer predicted and the opening of a major attraction Franklin Children's Garden, it is anticipated that ridership will show an increase. The program will continue to closely monitor ridership and the actual revenue performance of the ferry service. It is perhaps realistic to adjust the ferry revenue target so that it is more realistic to accomplish.

Permitting

A preliminary review of permitting revenue versus budget target also showed a slight shortfall through the years from 2001 to 2004. The business process and fees framework for permitting for Parks, Forestry and Recreation facilities will be undergoing significant changes in the coming years, beginning with the implementation of new permit fees for outdoor sports fields, gymnasiums, rooms and dry pads in January 2006. The new permit allocation policy will be implemented in 3 years, with the no changes expected in the allocation of facilities in 2006. It is anticipated that these two changes will lead to changes to user patterns and volumes, and will have an impact on overall permitting revenue. Parks, Forestry and Recreation will be reporting back on any changes in usage pattern and the resulting impact on revenue every year, beginning with the first report in fall 2006. Given the significant changes that will be happening in the permitting area, it is decided that a detailed review of permitting revenue should be included in the first implementation impact report in fall 2006.

Concessions, Leases and Agreements

The revenue shortfall for concessions, leases & agreements in 2004 was $2.488 million (actual of $2.406 million compared to target of $4.894 million). This shortfall could be attributed to 3 main areas of new business revenues that were either not implemented, or were implemented but the actual revenue generated by the initiative fell far short of the anticipated target. The three areas are facility advertising, concessions contracting out, and privatization of snack bars.

In 1998, immediately following amalgamation, a facilities advertising initiative was projected to bring in $250,000 revenue in 1998, and an additional revenue of $750,000 in 1999. A private agency was retained with exclusive rights to sell facility advertising at Parks and Recreation facilities, including rinkboard advertising in arenas and at poster sites inside community centres. The actual performance of the agency fell far short of expectations and the City discontinued its contract in 2002. The revenue target related to this initiative, however, has not been adjusted.

Both the contracting out of concessions and the privatization of snack bars represented new business models in providing food service at Parks and Recreation facilities. They replaced previous operating models whereby the City directly delivered snack bar services. Both initiatives did not deliver the anticipated revenue outcome. To complicate matters, booking errors occurred when these two initiatives were adjusted in the revenue budget. Instead of reversing the revenue line of the previous direct city-operated model and adding revenue from the new model, revenue from the new business model was added on top of the old revenue lines. This created a corresponding significant revenue gap. This area will be reviewed in detail as part of Phase III.

When the overall financial performance of Parks, Forestry and Recreation is reviewed, the under-performance in leases and concessions has been compensated through the years by the over-performance in the other recoveries and other revenue categories. However, a more detailed analysis would be required to determine if similar positive performances in these two categories could be expected in the future. If these two categories remain stable and only meet their budgets, then the under-achievement in the leases and concessions area would lead to an annual budget variance.

Future Policy Decisions and Impact

In preparation for the 2006 Budget year, the Division has already identified the following policy items that will impact on its ability to achieve its revenue budgets:

Recommendation 42 **–** In approving “Our Common Grounds,” the Parks & Recreation Strategic Plan, Council requested that the Division report on options for free programs for children and youth. Council’s decisions on the options presented will affect the Division’s ability to achieve its revenue budgets for user fees for registered recreation programs.

New Permit Allocation Policy **-** Implementation of the new permit allocation policy will also impact on Parks, Forestry and Recreation's ability to meet the budget target in the area of permit revenues, if the Division is unable to maintain the current usage volume and pattern. Similarly, while the proposed harmonized permit rates for outdoor sports fields, gymnasiums, rooms and dry pads are expected to be revenue neutral, the implementation of the new harmonized permit rates in 2006 may impact on usage rates and associated revenues.

The Welcome Policy Pilot Project **–** A pilot project with Toronto Social Services will streamline the administrative process for Ontario Works clients applying for the Welcome Policy. The pilot will be introduced this fall for clients at two social service offices and will be closely monitored during the major registration period in September 2005. If the pilot is successful, the process will be introduced city-wide in 2006. It is expected that through this facilitation, an increased number of Ontario Works recipients will apply for the Welcome Policy and participate in registered recreation programs. The increased number of Welcome Policy participants in recreation programs will lead to a further decline in the Division's actual revenue in its user fees for registered programs.

Remedial Strategies/Next Steps

Parks, Forestry and Recreation will undertake the following immediate steps:

Detailed Program Analysis

Detailed program analysis will be conducted in the areas of registered programs, commencing with ski, and sports programs. For each program category, the analysis will include an examination of internal factors such as the programming mix and the pricing levels. The review will also examine external factors such as consumer trends, marketing and promotional effectiveness and market competitions and benchmarks.

Further analysis will be conducted on the operation of golf courses and ferry services to identify where the issues and challenges are for these areas. Based on the issues identified, corresponding remedial strategies would be considered.

A detailed analysis of the concessions, leases and agreements will determine the future business models, resources, revenue budgets and corrective actions required.

Alternative Revenue Generation Possibilities

After reviewing the revenue budgets and the current programs and services offerings available to PFR to achieve those budgets, it is clear that other options must be identified by PFR to provide avenues for generating a more stable stream of revenue.

The division has demonstrated its ability to establish successful private-sector community partnership, such as the Information Pillar Project, Nike RunTO, Neutrogena Suncare Sponsorship, Dunlop Lifeguard Team Sponsorship, NHLPA and Bell Community Grants, Tree Advocacy Planting Program as well as many other special event and promotional partnerships.

Identification of additional resources in this area will afford the Division the opportunity to pursue additional revenue generating partnerships and special initiatives.

Complementary uses of PRF facilities should also be considered as potential source of revenue. A review of these types of initiatives in surrounding municipalities revealed that municipalities have entered into partnerships with private interests to construct and/or lease space for uses complementary to recreational facilities. Potential uses that would be complementary to the function of the Division include private recreational uses and leisure activities, retail stores, services, restaurants, offices related to health and wellness, sports injury clinics, and amusements.

Conclusions:

This report provides a detailed analysis of the Parks, Forestry and Recreation revenue budgets and actuals from 1999 to 2004. The analysis pointed to areas where further reviews are required. The analysis also highlighted the need for the revenue target for the program to be frozen so that the significant variance between revenue budgets and actuals does not continue.

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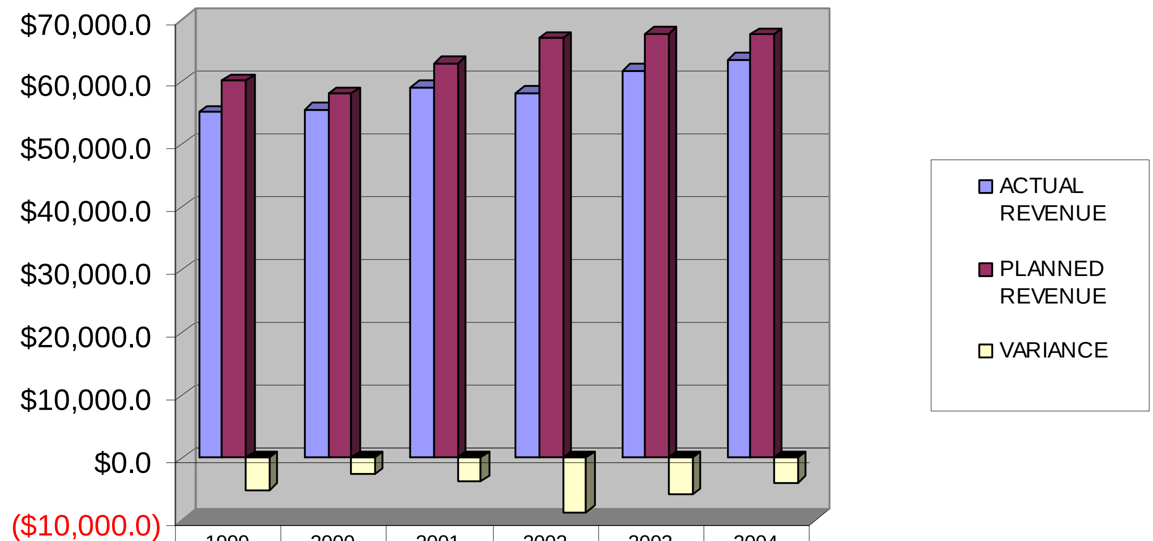
List of Attachments:

Attachment No. 1	Parks, Forestry and Recreation Revenue Analysis, 1999 to 2004
Attachment No. 2	Parks, Forestry and Recreation, Revenue Sources In '000's, for the years 1999 to 2005
Attachment No. 3	Parks, Forestry and Recreation, Major Revenue Changes 1999 to 2004
Attachment No. 4	Parks, Forestry and Recreation Revenue Analysis, User Fees – Registration Analysis 1999 to 2004
Attachment No. 5	2004 Program Registration by Program Category
Attachment No. 6	2004 Welcome Policy, Financial Impact by Activity
Attachment No. 7	User Fee and Welcome Policy Council Decision – Tracking
Attachment No. 8	Golf Revenues In '000's, for the years 1999 to 2004
Attachment No. 9	Ferry Revenues In '000's, for the years 1999 to 2004

Attachment 1

Parks and Recreation Revenue Analysis, 1999 to 2004



	1999	2000	2001	2002	2003	2004
ACTUAL REVENUE	$55,249.1	$55,669.7	$59,219.1	$58,351.7	$61,858.1	$63,637.9
PLANNED REVENUE	$60,327.7	$58,238.2	$63,057.6	$66,982.4	$67,736.6	$67,572.0
VARIANCE	($5,078.6)	($2,568.5)	($3,838.5)	($8,630.7)	($5,878.5)	($3,934.1)

Attachment 2

PARKS, FORESTRY AND RECREATION
REVENUE SOURCES IN '000'S
FOR THE YEARS 1999 TO 2005

Revenue Source	2005	2004		2003		2002		2001		2000		1999	
	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget
USER FEES - REGISTRATION	$20,329.5	$19,451.4	$22,497.3	$18,050.8	$22,670.3	$16,810.0	$22,446.6	$15,638.0	$19,306.9	$12,881.9	$16,049.5	$16,644.3	$19,599.6
USER FEES - DROP-IN PROGRAMS	$1,599.5	$1,830.2	$1,262.3	$1,969.8	$1,167.4	$1,845.3	$1,275.1	$1,782.3	$1,273.2	$1,740.9	$2,063.3	$1,727.9	$1,831.1
USER FEES - MEMBERSHIPS	$1,338.8	$1,950.7	$1,330.0	$1,597.3	$1,094.0	$1,541.7	$1,093.8	$1,279.9	$1,098.1	$1,290.8	$1,349.6	$684.9	$1,214.5
TOTAL - USER FEES - REGISTRATION / MEMBERSHIPS & DROP-INS	$23,267.8	$23,232.3	$25,089.6	$21,617.9	$24,931.7	$20,197.0	$24,815.5	$18,700.2	$21,678.2	$15,913.6	$19,462.4	$19,057.1	$22,645.2
USER FEES - FERRY OPERATIONS	$5,924.7	$5,108.1	$6,005.2	$4,970.2	$5,870.2	$4,348.7	$5,170.2	$5,094.0	$5,170.2	$4,666.9	$5,170.2	$4,642.0	$4,570.2
USER FEES - GOLF COURSES	$6,527.5	$6,197.0	$6,527.4	$6,033.0	$6,527.4	$5,208.9	$5,837.4	$6,309.6	$5,837.4	$6,017.5	$5,437.4	$5,726.3	$4,720.4
GRAND TOTAL - USER FEES	$35,720.0	$34,537.4	$37,622.2	$32,621.1	$37,329.3	$29,754.6	$35,823.1	$30,103.8	$32,685.8	$26,598.0	$30,070.0	$29,425.4	$31,935.8
PERMITS	$18,892.0	$17,981.4	$18,348.2	$17,002.6	$18,153.3	$16,259.9	$17,811.0	$15,717.8	$17,019.7	$15,832.4	$14,788.9	$13,464.6	$15,156.3
INTER DEPT. CHARGES	$2,955.3	$3,048.7	$2,599.5	$3,842.6	$2,975.7	$4,434.5	$2,660.7	$4,420.0	$3,002.7	$3,738.0	$2,780.2	$1,438.3	$1,839.6
CONCESSIONS AND LEASES	$4,775.4	$2,406.8	$4,894.4	$2,532.7	$4,990.4	$2,228.9	$4,990.4	$3,349.3	$4,929.9	$3,671.5	$5,212.8	$3,119.5	$3,647.1
OTHER RECOVERIES	$772.6	$1,970.6	$803.6	$2,778.0	$1,146.0	$2,269.0	$1,152.0	$1,649.5	$909.7	$1,406.3	$948.2	$1,216.4	$1,034.4
OTHER REVENUES	$2,853.0	$4,129.2	$3,304.1	$3,081.2	$3,141.9	$3,404.8	$4,545.2	$3,979.2	$4,509.8	$4,420.7	$4,438.1	$6,585.7	$6,714.5
TOTAL PARKS, FORESTRY AND RECREATION REVENUES	$65,968.4	$64,074.1	$67,572.0	$61,858.1	$67,736.6	$58,351.5	$66,982.4	$59,219.6	$63,057.6	$55,666.9	$58,238.2	$55,249.9	$60,327.7

Note:
The budget figures have been re-stated in order to eliminate from the analysis one-time zero net projects (i.e. Asian Longhorned Beetle, Ontario Works, West Nile Virus.

Attachment No. 3 –
High-Level Analysis of Preliminary Options for Free Programs for Children and Youth

Option Description & Rationale	Scope of Improved Access to Services	Financial Impacts (Preliminary)	IT System and Registration Impacts (CLASS System)	Service Impacts – Issues and Drawbacks
1. Maintain the Current User Fee System, including Financial Assistance Programs: Fundamental ("public" / "leisure"), drop-in & subscriber programs are free. Fees are charged for introductory and specialized instructional programs. Financial assistance programs (Welcome Policy, Priority Centres) in place for those who qualify. ***Rationale:*** ▪ Variety of free options to choose from, including some instructional programs ▪ No fees for basic/universal programs, and a range of fees for instructional and more specialized programs ▪ Low-income children and youth can access programs using financial assistance programs	Based on 2004 registration data: ▪ Out of the 49,966 courses offered for children and youth 3,025 of them were free (6%) ▪ Out of the 353,860 registrations in these courses, 46,524 registrations were in free programs (3%) (above does not include data for fundamental, subscriber and drop-in programs) Financial Assistance Programs: ▪ 8,895 children and youth annually access Welcome Policy ▪ 11,314 children and youth participate annually in free programs at Priority Centres	Current revenues and expenditures remain the same ▪ Welcome Policy – $2.5 million in foregone revenue annually (uptake up this program is currently growing at 18.5% annually) ▪ Priority Centres – $1.6 million in direct program costs annually (uptake of this program is currently growing at 32% annually)	None – current CLASS registration systems capable of processing registrations	▪ Low percentage of the youth population is participating in registered programs ▪ User fees have been identified as a barrier for some in many of the Reactivate TO public consultations ▪ Few "free" program opportunities available for instructional and specialized programs ▪ Not meeting the current service demand for children and youth in certain program sectors (e.g., swimming, skating, camps and pre-school programs) ▪ Some barriers posed by current financial assistance programs
2. Abolish All Recreation Program Fees for Children and Youth: ***Rationale:*** ▪ If fees are eliminated AND more programs are offered to meet increased demand, should create more access to programs (more children and youth participating in recreation programs) ▪ Affects all age groups for all children and youth ▪ Enables more children & youth from low income families to participate ▪ Wide variety of free programs to participate in to meet individual interests	Based on 2004 registration data: ▪ Approximately 39,039 programs would now be free ▪ Potentially 240,036 more registrations in the new free programs	Based on 2004 registration data and 2005 fees: ▪ Revenue Loss: $20.4 million ▪ Additional program expenditures required to provide 10% more programs to meet increased service demand: $2.0 million ▪ Additional cost of consumables charged to expense budgets to provide same level of camp service: $0.6 million Overall financial impact: $23.1 million	▪ Unclear if current call centre capacity can handle the anticipated significant increase in registrations ▪ Current CLASS registration system cannot track program registration limits ▪ Administrative burden of tracking of program limits manually after registrations are done- problematic to enforce once clients registered ▪ If registration limits are required to ensure increased and equitable access, the IT system cannot enforce program limits	▪ Option will create larger waitlists and unmet demand if additional service capacity is not provided ▪ Needs to be determined if the Division has the resources to meet the anticipated increased service demand (e.g., staff, funding, facility space) ▪ Option could possibly limit capacity/flexibility for program expansion as there would be no revenues to offset increased expenditures ▪ Past history shows commitment issues with free programs; low attendance and high drop-out rates taking potential spaces away from waitlist clients ▪ Will have to determine if Welcome Policy and Priority Centres need to altered or eliminated if this option is adopted

Option Description & Rationale	Scope of Improved Access to Services	Financial Impacts (Preliminary)	IT System and Registration Impacts (CLASS System)	Service Impacts - Issues and Drawbacks
3. Eliminate Fees for All Introductory Instructional Programs for Children and Youth: Adds Introductory Instructional programs to the current menu of free opportunities (i.e., fundamental, drop-in and subscriber programs). ***Rationale:*** ▪ More children and youth able to experience instructional programs at the introductory level; increased registration in these programs ▪ Large variety of choice of free programs to participate in ▪ Affects all ages ▪ Addresses programs identified in public consultations that parents wanted children to experience – swimming and a winter sport	Based on 2004 registration data: ▪ Approximately 27,825 programs would now be free ▪ Potentially 171,189 more registrations in the new free programs	Based on 2004 financial data and 2005 fees: ▪ Revenue loss: $9.0 million ▪ Additional program expenditures required to provide 10% more programs (all types) to meet increased service demand: $2.0 million ▪ Additional cost of consumables charged to expense budgets to provide same level of camp service - $0.4 million Overall financial impact - $11.4 million	▪ Current CLASS registration system cannot track program registration limits ▪ Administrative burden of tracking of program limits manually after registrations are done – problematic to enforce once clients registered ▪ Unclear if current call centre capacity can handle the anticipated significant increase in registrations	▪ Option will create larger waitlists if additional service capacity is not provided ▪ If registration limits are required to ensure increased and equitable access, the IT system needs to be retooled to enforce program limits ▪ Needs to be determined if the Division has the resources to meet the anticipated increased service demand (e.g., staff, funding, facility space) ▪ Division will need to develop system to prevent migration of programs from the free categories to the specialized "fee" categories to meet budget pressures created by this option
4. A) Provide Open-ended Free Programming for Children and Youth at Specific Ages: Four free program allotments per year (1 per season) for ages 2,5,8,12,13,14 and 15. ***Rationale:*** ▪ Free programs offered at key ages that are critical to children and youth development; aim is to develop broad range of skills and competencies throughout the critical years of development ▪ Element of choice with this option; participants can choose any program they want to take ▪ Does not require modifications to the current user fee system	Based on current participation trends from 2004 registration data (unique child and youth clients in registered programs in these age groups): ▪ Out of the City's total 362,795 child pop'n, approximately 32,256 children could register in 4 free programs per year ▪ Out of the City's 308,400 youth pop'n, approximately 10,120 youth could register in 4 free programs per year	Based on 2004 registration data and 2005 fees, anticipated revenue loss - $15.6 million ▪ Revenue figures are only estimates as it is difficult to predict the anticipated increased demand for this free program option ▪ 10% increase in 2004 registration figures was used in the above revenue calculation to factor in the anticipated increased demand	▪ Current CLASS registration system cannot process free registrations by targeted ages and cannot track the free allotments to ensure clients do not go over their limit. ▪ Until the CLASS registration system is retooled, free registrations for targeted ages would have to be processed manually, which customer service does not have the capacity to do.	▪ This option only has potential to increase access in free programming to the targeted ages vs. all age groups ▪ IT/ CLASS system cannot track free allotments to ensure participants don't go over the allotment and cannot process free registrations by ages ▪ Requires new IT registration software to accommodate this option in order to accommodate free registrations by specific ages ▪ Difficult to predict the increased demand - could have increased demand cannot accommodate or will create higher revenue impacts

Option Description & Rationale	Scope of Improved Access to Services	Financial Impacts (Preliminary)	IT System and Registration Impacts (CLASS System)	Service Impacts - Issues and Drawbacks
4. B) Provide Additional Introductory-Level Programs for Specific School Grades: Offering free programs such as swim lessons for grade 3 and skating lessons for grade 5 during school hours. Additional programs would be added to the current program complement only available to school boards and not the general public. ***Rationale:*** ▪ Targets the specific programs identified in public consultations parents wanted children to experience; swimming and winter sports ▪ Makes use of pools and arenas during daytime when there is significant down-time of permit usage ▪ This option can target any grade and any program sector ▪ Does not affect the current user fee system; provides free programs over and above the current level of service ▪ Ensures children in Toronto in these grades are exposed to specific recreation experiences ▪ Aquatic proposal creates recruitment benefit for Division by extending summer employment for youth	Based on 2005 data supplied by TDSB and TCSB (and not including private and independent schools): ▪ Could have approx. 26,231 grade 3 children in free swim lessons ▪ Could have approx. 26,768 grade 5 children in free skating	Examples of funding required to implement this option: ▪ Direct program costs required to provide additional aquatics programs - $1.0 million ▪ Direct program costs required to provide additional skating programs - $1.3 million	▪ CLASS files for these programs would have to be set-up in order to have participants officially registered and would have to figure out way to block registrations from general public into these programs ▪ Extra customer service staff required to process registrations from school boards. ▪ Account billing and waiver systems would have to be figured out	▪ Option requires full partnership with Toronto school boards in order to work ▪ Potential to increase access in free programs only for targeted grades and programs vs. all age groups and all program areas ▪ Significant part-time staff resources would have to be hired to implement this option to provide free programming for the school board's student population ▪ Significant recruitment/hiring issues already exist with skating instructors so would need to determine if instructor development program would have to implemented in conjunction with the skating option
5. Create a Child and Youth Participation Credit: One free program per year for all children and youth with family or individual recreation program registration numbers. ***Rationale:*** ▪ Affects all children and youth; more children participating in programs ▪ Large variety of choice of free programs to participate in ▪ Does not affect the current user fee system; provides one free program credit over and above current level of service	Based on current participation trends and 2004 registration data (unique child and youth clients in registered programs): ▪ Out of the 362,795 child pop'n, approximately 140,709 children could access the credit each year ▪ Out of the 308,400 youth pop'n, approximately 15,858 youth could access the credit each year NOTE – actuals for youth registrations are lower as large numbers of youth participate in free drop-in programs rather than registered programs	Based on 2004 registration data and 2005 fees, anticipated revenue loss - $13.8 million ▪ Program credit amount has not been determined yet but a value of $80 per person was used for this calculation ▪ Revenue figures are only estimates as it is difficult to predict the anticipated increased demand for this free program option ▪ 10% increase in 2004 registration figures was used in the above revenue calculation to factor in the anticipated increased demand	▪ Current CLASS registration system does not have the capacity for a "credit system" to be used for free program allotments ▪ Upgrade to the CLASS system is required so than an un-refundable credit can be assigned to each clients account ▪ New CLASS system should be able to implement a "credit system" for free program allotments for clients ▪ Increased demand on customer service staff to process and verify financials related to registration credits	▪ CLASS system cannot handle more than one credit system – determine how the proposed credit and Welcome Policy credits could coexist ▪ Would have to determine what the upper-end age limit is for youth with this option, as there are many youth and adult programs where ages overlap ▪ Difficult to predict the increased demand - could have increased demand we cannot accommodate or create higher revenue impacts

Option Description & Rationale	Scope of Improved Access to Services	Financial Impacts (Preliminary)	IT System and Registration Impacts (CLASS System)	Service Impacts – Issues and Drawbacks
6. A) Institute a Credit System for Welcome Policy Clients: Change the entitlement system to a credit system – increase the current average Welcome Policy subsidy from $244 to $500 per participant per year. The current user fee system would exist with above options. ***Rationale:*** ▪ Increases access by reducing registration barriers. Creates a "level playing field" for Welcome Policy clients – once clients qualify for assistance, the credit system will no longer require clients to register in person or by operator assisted methods thus allowing them to us all registration methods like other clients ▪ Removes staff monitoring obligations which allows families to make their own program choices; less administrative work for customer service & recreation staff	Based on 2004 participation data: • would allow 1,053 more children and youth to access free programs through the Welcome Policy annually	Based on 2004 financial and participation data: Overall financial impact (estimated revenue loss) - $3.2 million • 10% increase in current volume used to factor in increased demand • Credit amount of $500/person was used in calculation	▪ Current CLASS registration system cannot track WP allotments and has to be done manually ▪ For the above reason would have to determine if customer service and recreation staff can handle the increased volume of approving and processing welcome policy applications ▪ A credit welcome policy system would eliminate the need for manual tracking however the CLASS system needs to be re-tooled to handle un-refundable credits that are required for this option ▪ New CLASS registration systems being considered should include "credit systems" for free program allotments for clients ▪ Would have to be determined if both welcome policy credit system and family credit system could co-exist in the same IT registration system	▪ Would have to determine if there would be a need for Priority Centres if the Welcome Policy was expanded ▪ An appropriate balance needs to be established between all three program registration methods (fee-based, Welcome Policy and Priority Centres) to ensure there is equitable access for all clients and that there are no service shortfalls
6. B) Expand the Welcome Policy Program and Eliminate All Priority Centres: Expand the Welcome Policy program through greater promotion to high needs individuals and communities. Financial assistance would now focus entirely on individuals and families. Rationale: ▪ One financial assistance program in place instead of two ▪ Regain some lost revenue from clients able to pay for programs at former Priority Centres ▪ Increases access to individuals and families on social assistance as well as the working poor	Based on 2004 participation data and assuming 30% growth in Welcome Policy uptake as a result of outreach efforts: • Approximately 4,582 additional children and youth would receive free program entitlements. Using existing funds, outreach will be enhanced in 2005 through enhancements to the Youth Outreach Worker program and a social assistance pilot project with Toronto Social Services	Based on 2004 financial and participation data: • Estimated net revenue loss - $3.49 million • Increased promotion costs - $0.05 million Overall financial impact - $3.5 million	▪ Current staff resources are already taxed with processing applications for Welcome Policy – expanding the program may require more administrative staff resources to meet the increased demand	▪ Moving to one financial assistance system could overburden the Welcome Policy program which may not have the capacity to process the increased demand ▪ Could possibly lose Priority Centre clients as the Welcome Policy application and registration processes are relatively more onerous ▪ Eliminating Priority Centres is not in line with the concept of community building; it undermines Toronto's ability to build strong neighbourhoods and address issues in high needs areas

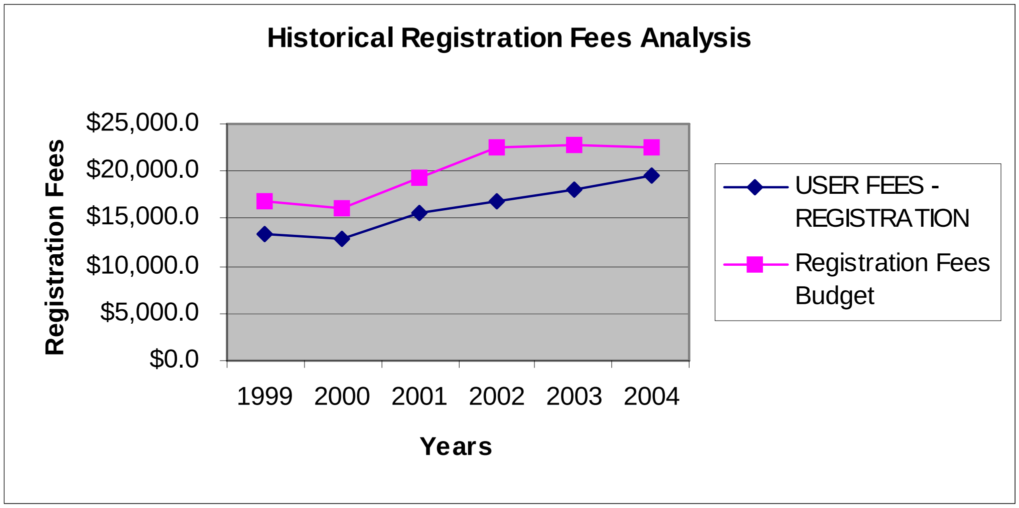
Option Description & Rationale	Scope of Improved Access to Services	Financial Impacts (Preliminary)	IT System and Registration Impacts (CLASS System)	Service Impacts – Issues and Drawbacks
6. C) Expand the Priority Centres Concept to Additional "High Needs" Areas: Free programs would be provided in additional "high needs" areas – census tracts with large numbers of low-income children and/or youth. The current user fee system and Welcome Policy program would exist with this option. ***Rationale:*** ▪ Allows for more low-income children and youth to access free programs in their neighbourhoods; more children and youth participating in programs ▪ Gives districts flexibility to provide free programs in emerging high needs areas as well as at existing Priority Centre	Based on 2004 review: • Would allow for 27,000 more children and youth to access free programs at Priority Centres	Assuming an additional 25 locations: • Estimated cost of providing free programs at existing City community centres - $1.7 million • Additional program expenditures at new (non-City) service locations - $4.0 million Overall financial impact - $5.8 million	▪ Can be done with the current CLASS registration system ▪ Current registration system can technically handle this option, however will have to investigate if customer service can handle the increased volume of registration processing as a result of an expanded Priority Centres system	▪ This improvement can be implemented with all other free options except with the option of abolishing all fees for children and youth programs. ▪ Would have to be determined how the Priority Centres concept would exist, if at all, if the Division implemented free programs for all children and youth
7. Require Community-based Grant Recipients and Permit Holders to Provide Free Recreation Opportunities for Children and Youth: Add criteria to permit holder and grant recipient guidelines to ensure that 10% of offerings to children and youth are free. Applies only to child- and youth-serving community organizations. ***Rationale:*** ▪ Guidelines for free programs would apply to all ages ▪ Increased participation for children and youth participating in community based programming through community groups and permit holders	*Community Permits:* In 2004, the Division issued approximately 83 ice permits to community groups servicing children and youth with approximately 38,627 participants Once permit harmonization is complete, will have more complete data for community centre and sport field permits for children and youth *Community Grants:* In 2004, Council awarded $1.4 million worth of recreation grants to 133 community organizations. Many of the major and minor grant recipients serve children and/or youth.	No revenue loss for the Division, but community organizations would likely experience some revenue impact	▪ No IT system or registration issues ▪ Division may require additional staff resources to monitor compliance of the policy	▪ Additional administrative tracking required to ensure compliance

NOTES:

- Registration data does not include information for children and youth drop-ins and leisure/public programs as they are currently free
- Not been determined if additional full-time staff resources are required to manage the 10% additional programs added to meet the anticipated increased demand. If required for any option being recommended, these costs will be included in the financial impact section of the final report

Attachment 4

Parks, Forestry and Recreation Revenue Analysis
User Fees -- Registration Analysis 1999 to 2004



Attachment 5
Parks, Forestry and Recreation 2004 Program Registration Analysis

2004 Program Registration by Program Category						
Activity	**Registrations**	**Capacity**	**Acitivity Utilization %**	**Actual Revenue**	**Budget Revenue**	**Variance**
	1	**2**	**3**	**4**	**5**	**6**
Arts & Heritage	26,958	39,730	67.9%	994,134	1,152,340	(158,206)
Camps	77,655	89,873	86.4%	4,718,334	5,628,402	(910,068)
Clubs	3,474	4,869	71.3%	64,674	67,416	(2,741)
Fitness & Wellness	37,411	72,388	51.7%	1,651,255	2,183,997	(532,742)
General Interest	10,121	15,222	66.5%	126,442	204,990	(78,549)
Leadership	5,065	8,249	61.4%	877,745	841,541	36,204
March Break (camps)	4,665	5,477	85.2%	191,733	200,608	(8,875)
Older Adults	18,979	30,343	62.5%	450,827	548,046	(97,219)
Preschool	37,466	48,963	76.5%	1,122,170	976,530	145,640
Skating	22,508	27,125	83.0%	664,899	763,536	(98,638)
Ski	6,154	14,114	43.6%	1,001,359	1,680,251	(678,892)
Sports	49,177	75,014	65.6%	1,371,921	1,779,103	(407,182)
Swimming	134,038	177,273	75.6%	6,215,933	6,470,540	(254,607)
Total	**433,671**	**608,640**	**71.3%**	**$ 19,451,425**	**$ 22,497,301**	**$ (3,045,876)**

Notes:

1 Total number of registrations per activity from Class
2 Maximum number of registration per activity from Class
3 Actual registrations divided by capacity
4 2004 Actual revenue for registration fees (SAP 8515)
5 2004 Budget revenue for registration fees (SAP 8515)
6 2004 Budget variance for registration fees (8515)

Attachment 6
Parks, Forestry and Recreation
Welcome Policy Impact Analysis

2004 Welcome Policy Financial Impact by Activity											2005		2006	
Activity	**Acitivity Utilization %**	**Welcome Policy Waiting List %**	**Welcome Policy Waived Fees**	**Opportunity Cost %**	**Welcome Policy Revenue Loss**	**Actual Revenue**	**Budget Revenue**	**Variance**	**Recalculated Registration Revenue**	**Revised Variance**	**Revenue Projection**	**Welcome Policy Revenue Loss**	**Revenue Projection**	**Welcome Policy Revenue Loss**
	A	**B**	**C**	**D**	**E = (C*D)**	**F**	**G**	**H = (F - G)**	**I = (E + F)**	**J =(I - G)**	**K = (F * 105.5%)**	**L = (E * 138.1%)**	**M = (K * 105.5%)**	**N = (L * 129.7%)**
Arts & Heritage	67.9%	31.2%	$ 147,877	31.2%	46,138	994,134	1,152,340	(158,206)	1,040,272	(112,068)	1,048,812	63,716	1,106,496	82,640
Camps	86.4%	49.5%	$ 1,114,789	86.4%	963,177	4,718,334	5,628,402	(910,068)	5,681,511	53,109	4,977,842	1,330,148	5,251,624	1,725,202
Clubs	71.3%	42.9%	$ 18,547	42.9%	7,957	64,674	67,416	(2,741)	72,631	5,215	68,231	10,988	71,984	14,252
Fitness & Wellness	51.7%	14.1%	$ 78,056	14.1%	11,006	1,651,255	2,183,997	(532,742)	1,662,261	(521,736)	1,742,074	15,199	1,837,888	19,713
General Interest	66.5%	22.0%	$ 17,198	22.0%	3,783	126,442	204,990	(78,549)	130,225	(74,765)	133,396	5,225	140,733	6,777
Leadership	61.4%	35.3%	$ 2,564	35.3%	905	877,745	841,541	36,204	878,650	37,109	926,021	1,250	976,952	1,621
March Break (camps)	85.2%	45.4%	$ 63,986	85.2%	54,516	191,733	200,608	(8,875)	246,249	45,641	202,278	75,287	213,404	97,647
Older Adults	62.5%	10.9%	$ 2,642	10.9%	288	450,827	548,046	(97,219)	451,115	(96,931)	475,622	398	501,781	516
Preschool	76.5%	33.6%	$ 50,876	76.5%	38,920	1,122,170	976,530	145,640	1,161,090	184,560	1,183,889	53,748	1,249,003	69,712
Skating	83.0%	70.4%	$ 57,439	83.0%	47,674	664,899	763,536	(98,638)	712,573	(50,964)	701,468	65,838	740,049	85,392
Ski	43.6%	38.8%	$ 163,133	38.8%	63,296	1,001,359	1,680,251	(678,892)	1,064,655	(615,596)	1,056,434	87,411	1,114,538	113,373
Sports	65.6%	32.0%	$ 138,879	32.0%	44,441	1,371,921	1,779,103	(407,182)	1,416,362	(362,741)	1,447,376	61,374	1,526,982	79,601
Swimming	75.6%	38.2%	$ 707,573	75.6%	534,925	6,215,933	6,470,540	(254,607)	6,750,858	280,318	6,557,809	738,732	6,918,488	958,135
Total	**71.3%**	**41.0%**	**$ 2,563,559**	**70.9%**	**$ 1,817,027**	**$ 19,451,425**	**$ 22,497,301**	**$ (3,045,876)**	**$ 21,268,452**	**$ (1,228,849)**	**$ 20,521,253**	**$ 2,509,314**	**$ 21,649,922**	**$ 3,254,580**

Explanation of each column:

A Utilization rate is equal to number of registrations divided by the maximum capacity for the activity
B Indicates the percentage of Welcome Policy registrations in courses which have waiting lists
C Indicates the value of course fees from Welcome Policy registrations
D The opportunity cost for courses is equal to utilization rate when utilization is greater than 75% and equal to waiting list percentage for courses under 75%
E Total Revenue Loss is revenue foregone due to Welcome Policy registration in courses with high utilization or waiting lists
K Registration revenue growth in the first quarter of 2005 was 5.5% compared to the same period in 2004
L Welcome Policy growth in the first quarter of 2005 was 38.1% compared to the same period in 2004
M Same growth rate as in K
N Welcome Policy Revenue Loss for 2006 is projected using the 2004 growth rate

Attachment 7
User Fee and Welcome Policy Council Decision – Tracking

Date	Decision	Budget Impact
June 3,4,5 1998 Council	Council referred Strategic Policies and Priorities Report titled “Harmonization of User Fees for Recreation Programs” to User Fee Committee for public consultation.	
April 26&27 1999	Council considered report titled “Harmonization of User Fees for Recreation Programs” and decided on • Option B in User Fee Policy, effective Sept. 1, 1999. No fees for drop-in, subscriber, introduction and instructional programs for pre-school, children and youth, and free drop-in programs for older adults. • Establish 17 high need centres with free programs	$800,000, included in 1999 Operating Budget as pressure arising from selection of Option B.
July 1999	Budget Advisory Committee decision: • one-time funding of $100,000 from corporate contingency account to ensure individual access to ‘for-fee’ programs. • Establish 7 additional high need centres with free programs. 1999 impact of $29,789.00 to be absorbed.	
April 11, 12 and 13, 2000	Council approved interim report on impact of user fee implementation .	Confirmed that department will try to manage within the $5.1 million revenue pressure included in the 2000 operating budget.
March 6, 7 and 8, 2001	Council reviewed and approved report titled “Recreation User Fees and Welcome Policies Evaluation”: - continue free fundamental and drop-in programs for children, youth and seniors - enhanced outreach on Welcome Policy and Priority Centres - charge $25 for all free camps, starting July 2001 - charge $25 for free instructional programs for children and youth, beginning Sept 01.	Financial impact of increase of $4.2 million annualized. Together with fee increases for for-fee programs, would be $5.1 million annualized, with $2 million revenue increase in 2001.
September 29, 2004	Report to EDPC on “Parks and Recreation Revenue Review – Status Report on Interim Findings related to the Welcome Policy”	$2.5 million revenue shortfall identified in 2004.

Attachment 8

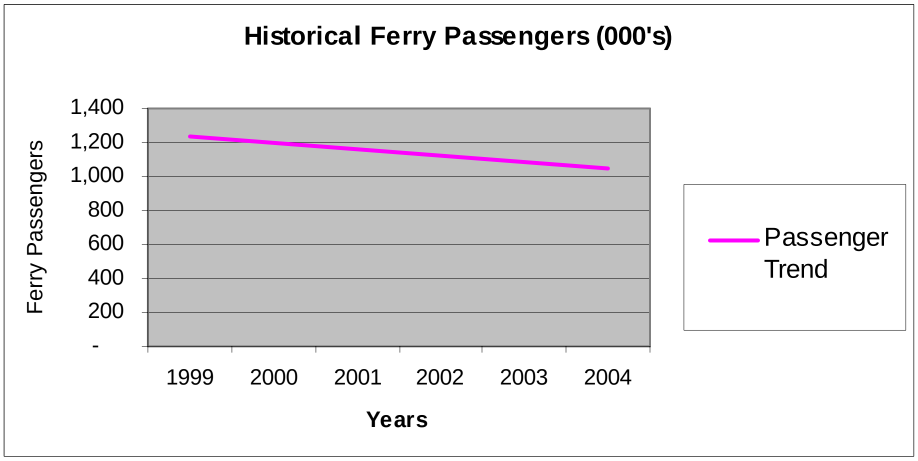
PARKS, FORESTRY AND RECREATION
GOLF REVENUE IN '000'S
FOR THE YEARS 1999 TO 2005

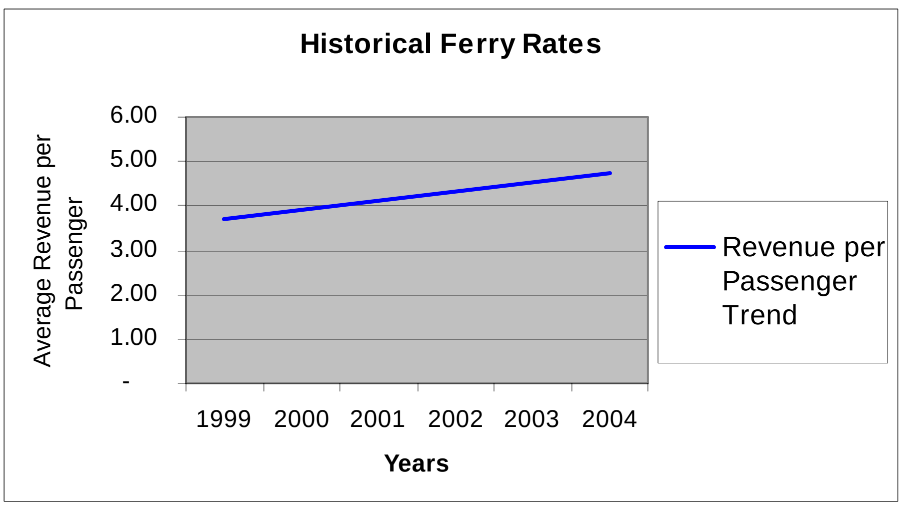
Revenue Source	2005	2004		2003		2002		2001		2000		1999	
	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget
USER FEES - GOLF COURSES	$6,527.4	$6,197.0	$6,527.4	$6,032.9	$6,527.4	$5,208.9	$5,837.4	$6,309.6	$5,837.4	$6,017.5	$5,437.4	$5,726.3	$4,720.4
# of Rounds		204,468		196,672		188,454		225,658		234,525			
Revenue per round		$30.31		$30.68		$27.64		$27.96		$25.66			

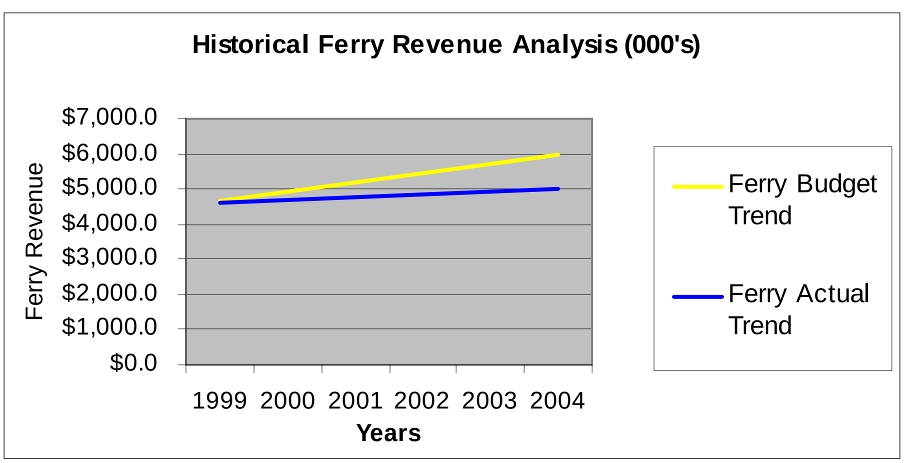
GOLF ROUNDS BY TYPE, 1999 TO 2004

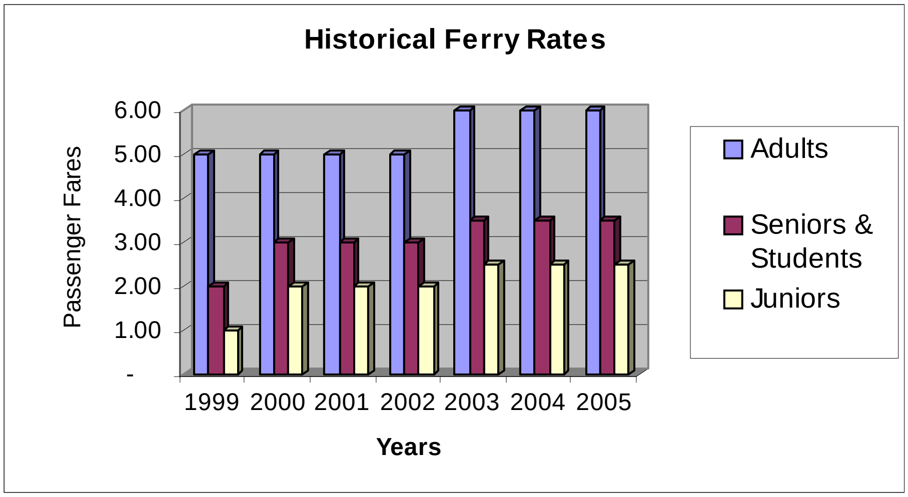
	1998	1999	2000	2001	2002	2003	2004
ADULTS	153,015	148,739	138,584	128,098	112,240	106,767	113,586
SENIORS	49,163	47,725	44,786	42,584	34,564	32,291	40,572
JUNIORS	26,820	28,223	25,702	22,218	16,945	16,091	17,547
TWILIGHT	26,511	26,920	24,993	32,434	24,385	18,677	29,598
PASSES	924	792	478	324	322	169	313
JR. MEMBER	5,233	4,443	2,887	2,978	2,509	2,154	3,059

Attachment 9
User Fees -- Ferries









Ferry Revenue Actual versus Budget ($000s)

	2004	**2003**	**2002**	**2001**	**2000**	**1999**
Actual	$5,108.1	$4,970.2	$4,348.7	$5,094.0	$4,666.9	$4,642.0
Budget	$6,005.2	$5,870.2	$5,170.2	$5,170.2	$5,170.2	$4,570.2
Riders	1,062,000	1,057,000	1,082,000	1,262,000	1,168,000	1,231,000
Revenue per Rider	$4.81	$4.70	$4.02	$4.04	$4.00	$3.77
Rates						
Adults	$6.00	$6.00	$5.00	$5.00	$5.00	$5.00
Seniors/ Students	$3.50	$3.50	$3.00	$3.00	$3.00	$2.00
Junior	$2.50	$2.50	$2.00	$2.00	$2.00	$1.00