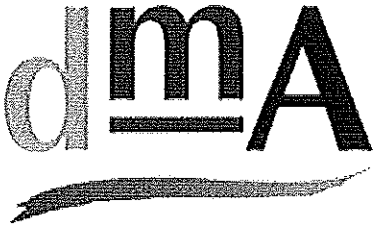
Municipality of South Huron

Indoor Aquatic Facility Review

Final Report

April 1, 2013



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April 5, 2013

Mr. Roy Hardy
CAO
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PO Box 759
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Dear Mr. Hardy

Re: Municipality of South Huron – Indoor Aquatic Facility Review

Please find attached our final report for the above noted study.

The report provides an overview of a number of considerations affecting the feasibility of an indoor aquatic facility in South Huron. We have described the benefits of indoor aquatic facilities as well as the considerable capital and operating costs associated with their provision. We have also commented on issues associated with a possible partnership with the YMCA. The purpose of the report was not to provide recommendations or detailed cost estimates. This could only be done with a full feasibility study. However, we hope that the information in our report will contribute to an informed and constructive discussion among all interested parties with respect to the possible provision of an indoor aquatic facility in South Huron.

It has been a pleasure working with you on this assignment. If we can be of further assistance, please do not hesitate to contact us.

Thank you.

Jim Morgenstern, MCIP
Principal

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1.0 Introduction

1.1 Study Purpose

In 2012 the Municipality of South Huron, acting on recommendations in their 2009 Community Services Master Plan, initiated a design and construction project to renovate an existing outdoor pool. During the consultation process for the study, the issue of an indoor aquatic facility emerged. A local community group assembled information and undertook a community survey with the intent of positioning an indoor aquatic facility as a possible recreation development for South Huron.

dmA was retained to prepare a report and make a public presentation to address the possible implications of an indoor pool in South Huron. The overall objective was to ensure that accurate, defensible information was available to contribute to a constructive community dialogue surrounding this issue.

This was not a feasibility study for an indoor pool. While readily available background information was reviewed, the purpose of the assignment was not to undertake the research and local data gathering that would be required to prepare a feasibility study for an indoor pool. Instead, the identification of possible implications was based on comparable facilities in other Ontario communities as well as dmA's experience with indoor pool developments in Ontario and elsewhere.

The following issues were identified for presentation to the community:

- General overview of the benefits associated with indoor aquatic facilities – a brief discussion of the recreational, social, economic, and health impacts of indoor aquatic facilities and the trends/best practices in design.
- Current situation – supply of indoor aquatic facilities in small markets
- YMCA – Municipal partnerships for the development of aquatic facilities
- Typical capital costs for a facility designed for a smaller market
- Typical net operating costs
- Feasibility Study requirements – what would be required to confirm the potential market and the capital and operating costs for a facility in South Huron; including requirements if the Y was to be involved as a partner.

1.2 Study Process and Limitations

As noted above, this was not a feasibility study for an indoor pool. We contacted municipal pool operators in Hanover and St. Mary's Ontario to assemble information on the use and cost of indoor pools in their communities. We also contacted municipal and/or YMCA personnel in Goderich, Wasaga Beach, Quinte West and Clarence Rockland, all of which are smaller communities where indoor aquatic facilities are owned by the municipality and operated by the YMCA.

While there was some new information gathered for this assignment, the majority of the information is from dmA data bases. In some cases this information is dated but still relevant for the purposes of this assignment. It should also be noted that information collected from municipal and YMCA staff for this assignment was based on telephone interviews and/or emails. The scope of the study did not involve the detailed review or analysis of actual budget documents, operating agreements or other material to verify the consultant's understanding and interpretation of the information provided in the telephone interviews or emails. This more detailed level of analysis would be required if a feasibility study for an indoor aquatic facility was prepared for South Huron.

2.0 Overview – Indoor Aquatic Facilities – Design Issues, Community Benefits and Levels of Provision

2.1 Contemporary Aquatic Facilities

The design and programming of indoor aquatic facilities has changed considerably in the past 20-30 years. Traditional indoor pools built in the 70s and 80s were characterized by a single rectangular tank; few if any recreational features; limited deck space, natural lighting or interior landscaping; and modest amenities for the user. This changed dramatically and contemporary aquatic facilities have a wide range of design features to make them much more appealing to users and significantly expand their programming potential.

Aquatic facilities that are most popular today include a variety of aquatic components and opportunities (e.g., rectangular tank - 4 to 8 lanes; therapeutic pool; leisure components such as slide, lazy river, water-play features; and teaching components - zero depth entry, teaching steps, sufficient depth for all instructional levels). Such facilities are more versatile and used by a wider range of the population than more traditional lane facilities. Facilities that also combine other opportunities for conditioning and dry-land training (gyms, fitness centres), and a variety of other recreation features within the same building (meeting rooms, multi-purpose spaces) provide opportunities for cross programming and increase convenience for the users.

Contemporary facilities will combine the training and competitive features of the traditional 25 m rectangular tank with both leisure and therapeutic pools.

- **Leisure Pools**: In the 1980's communities began to build free form pools referred to as leisure pools. These pools often had shallower water, fewer (if any) lanes, and larger decks to accommodate recreational use. They often incorporated fun-oriented apparatus such as slides, Tarzan ropes, ball hoops and nets, etc. Many leisure pools incorporated zero-depth entry through either a walkway access to a waist-deep pool area or a beach-like entry at one end

  Leisure pools are attractive for recreational swimming, support activities such as aquafit programs that required fairly shallow (waist-deep) water, and are ideal for early level instructional programs. They are less desirable for higher level instruction, do not always support lane swimming, and are not very appropriate for competitive use.

- **Therapeutic Pools**: Therapeutic pools have enhanced accessibility for those who cannot walk into the water regardless of how deep the initial entry point and the water is warmer (approximately 30-32 degrees Celsius). These pools accommodate therapeutic use by older adults and people with disabilities, as well as parent and tot users and very young swimmers. They are also used for true therapy programs for people with arthritis, fibromyalgia, initial post cardiac care etc.
- **Hybrid Pools**: Today most communities would build hybrid pools to accommodate the best features of traditional, leisure and therapeutic pools. Ideally, these facilities have two tanks so temperatures can be maintained at different levels providing opportunities to maintain a lower temperature in the pool designed to support lane/fitness swim, higher level lessons, and competitive activities; while a higher temperature in a separate tank supports therapeutic activities, aquafit, instruction for young children, and recreational activities. Where the pool is a single tank it is more likely to include 4 to 8, 25 metre lanes to accommodate fitness, competition, and higher level instruction along with a leisure "pod" with zero-depth entry and recreational/fun components.

2.2 Community Benefits – Recreational, Health and Economic

Benefits of Aquatic Activities and Sports

Research[1] continues to emphasize the benefits associated with participation in aquatic activities. Health Canada considers swimming to be one of the key physical skills, and a complete physical activity that engages all muscle groups and assists in the development of strong bodies, good posture, endurance, and flexibility[2]. In addition to these notable health benefits, participation in swimming[3]:

- Is a fundamental movement skill that builds overall motor skills, and assists participants in mastering the fundamentals of agility, balance, coordination, speed, and rhythmic movement;
- Has a low risk of injury due to minimal stress on bones and joints;
- Improves circulation and respiration, has a stress-reducing effect on the mind and body, and assists in managing weight;
- Encourages participation in lifetime aquatic activities;
- Is an essential life skill; and
- Is an activity that individuals and families alike can enjoy.

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[1] Canadian Red Cross Swim News Overview. Source: www.redcross.ca (updated March 1, 2011).
[2] Canadian Red Cross Swim News Overview. Source: www.redcross.ca (updated March 1, 2011).
[3] Canadian Red Cross Swim News Overview. Source: www.redcross.ca (updated March 1, 2011).

Economic Stimulus

Communities that are attractive to residents are also appealing to business. Many of today's businesses require a highly educated workforce that typically seeks a particular lifestyle along with job security. That lifestyle involves good schools, a safe living environment and, second only to education for families, good recreation and library services. Modern high quality recreation facilities also contribute to local economic prosperity by encouraging residents and visitors to spend in the community, rather than in other communities with more appealing facilities/programs. The potential to attract young people and households with children to a community will be influenced by the recreation and leisure services available.

2.3 Indoor Aquatic Facilities – Levels of Provision

Given the popularity of aquatics and the benefits associated with indoor pools, they will be a significant asset to any community. An indoor pool is perhaps one of the most desirable major recreation facilities that a community can provide. However, it is also one of the most expensive. (Financial implications are discussed further below). Because of the cost, it is very difficult for communities with small populations and a more limited tax base to support these facilities.

Figure 2.1 indicates levels of provision for indoor aquatic facilities by population of the community.

Figure 2.1

Communities with Indoor Pools by Population

Population	% with Indoor Pools
100-200,000	100%
50-100,000	100%
10-50,000	50%
10,000 & less	18%

Level of Provision

All Municipalities – 1:35,775

Municipalities with Pools – 1:23,650

The information in Figure 2.1 is based on a survey conducted by dmA of Ontario municipalities in 2005[4]. The information is somewhat dated but undoubtedly indicative of the relationship of population to the provision of indoor pools. Overall levels of provision are shown for all municipalities responding to the survey and those that had indoor pools. The 2005 study duplicated earlier studies undertaken by dmA and we saw a modest increase in levels of provision (i.e. a somewhat lower population per facility) in the period from 1999 to 2005. If this trend continued, we should expect a lower level of provision today – however, on average we should still expect a population in the order of 20,000 per aquatic facility in communities with pools.

2.4 YMCA Memberships

Figure 2.2 describes catchment area populations and membership data for selected YMCAs. This data was collected in 2009 by dmA for a study that focused primarily on Ys serving smaller markets (Wasaga Beach, Clarence Rockland and Goderich-Huron) and in situations where the municipality owned the facility and the Y operated it under an agreement (all but Brockville). The information was provided by YMCA staff; however, the catchment area population was often an estimate and there were some variations in the definitions of members. Where possible we updated the 2009 data with 2012 information (where available, 2012 information is in italics).

Figure 2.2: YMCA Facilities: Membership and Estimated Catchment Area Population

	Wasaga Beach	Clarence-Rockland	Goderich-Huron	Quinte West	Brockville
Catchment Area Population	**35,000**	**23,000** ***30,000***	**21,000** ***15,000***	**50,000** ***50,000***	**46,000**
Market Penetration	**10%**	**13%** **10%**	**14%** ***18%***	**11%** ***12%***	**10%**
Members	**3,366**	**3,023** ***2,921***	**2,943** ***2,700***	**5,326** ***6,076***	**4,368**

[4] A total of 101 municipalities responded to the survey. The intent was to capture facilities that were publicly accessible. All municipally owned and operated pools were included; pools operated by another authority were included if their policies provided for community access. Private facilities available to members only were excluded.

While catchment area populations are difficult to estimate and the information noted above should be understood as best guesses on the part of municipal and/or Y staff, the variations between the 2009 and 2012 estimates are interesting in the case of Goderich-Huron and Clarence Rockland. (In both cases, these are facilities that were in their early years of operation in 2009). In Goderich's case the catchment area population would appear to have become much more restricted (the population of Goderich is 7,500), yet the membership penetration within that area is very strong. In Clarence Rockland's case, they are attracting members from quite a distance away, particularly to the east and the south where there are not competing facilities. However, about 70% of the membership is from the former village of Rockland (where the facility is located) and over 85% from the municipality of Clarence Rockland, which encompasses the rural area directly adjacent to Rockland. (Clarence Rockland's population is 24,000; the catchment area population of 30,000 may be a low estimate. However, the difficulty of determining a catchment area population is apparent in this case. The Clarence Rockland facility is attracting members from the eastern areas of the City of Ottawa - Cumberland and Orleans - where there are municipal facilities which would be geographically closer to the user).

One final point that should be emphasized is that membership does not equate to use. Members would be heavy users of the facility and would typically be attracted to the fitness facilities. However, the Y will offer a wide range of programs that are open to non-members. In the case of Clarence Rockland, approximately two-thirds of program participants are non-members.

3.0 Space Programs, Capital and Operating Costs

In this chapter we have provided information on the size and components of an indoor pool and the capital and operating costs.

We have provided a space program (Figure 3.1) and capital costs (Figure 3.2) for pools of two sizes – a basic 25 m six lane pool which would be typical of the aquatic facilities built in most communities and a smaller, 4 lane version that might be viewed as the minimum size for a municipal facility. In both cases these are generic facilities. There is considerable variation in the design and the features included with indoor pools. Those shown would be considered basic models because few specialized amenities (slides, food service, social/viewing space) or complementary recreation components (gyms, fitness) are included with these pools.

3.1 Typical Space Programs - Basic Aquatic Facilities

The net floor area of the 6 and 4 lane pool respectively are 19,940 and 14,400 square feet (Figure 3.1). These figures were increased by 25% and 20% respectively to account for non-assigned space (circulation; partitions, unassigned storage etc.) to arrive at gross areas of 24,925 and 17,280 sq. ft.

Both space programs are for contemporary pools with recreational and therapeutic features as discussed in Section Two of the report. These features are both smaller and more restricted in the 4 lane pool. A small multipurpose area is the only additional recreational amenity.

While the facilities as described here would be appropriate municipal aquatic facilities and provide a full range of programming for the community, they likely would not support a membership that would typically be associated with a YMCA facility. There is no fitness centre and most full service Ys would include a gym or additional multipurpose space. Additional space might also be allocated for membership services (e.g. more food service areas; more or larger change rooms to accommodate lockers and other services; etc.) This is a consideration if a partnership is pursued with the YMCA where the municipality hopes to have operating costs offset in whole or part by membership revenues. If a gym, fitness centre and other membership amenities were included, it might add 8-10,000 gross sq. ft. to the facilities.

Figure 3.1 – Typical Space Program – Basic 4-6 Lane Pools

Components	Typical Facility – 6 Lanes Net Floor Area (sf)	Minimum Facility – 4 Lanes Net Floor Area (sf)
NATATORIUM		
Training/lap pool	3,000	1,950.
Leisure area	1,300	1,000.
Therapeutic pool	350	200
Wading pool	100	na
Pool deck	3,000	2,200.
Sub-Total	**7,750**	**5,350**
POOL SUPPORT FACILITIES		
Family change room	1,500	1,200
Men's change room	1,000	1,000
Women's change room	1,000	1,000
Filter room; chemical and equipment storage; pool equipment storage	2,000	1,800
Sub-total	**5,500**	**5,000**
AQUATIC ADMINISTRATION		
Pool supervisor office	120	100
Dry storage, pool monitoring area, staff room/first aid	460	250
Staff change rooms and washroom	250	200.
Sub-total	**830**	**550**
PROGRAM ROOMS		
Multi-purpose room	2,000	1,500
MP room storage	200	200
Kitchen	300	
Kitchen storage	100	

Components	Typical Facility – 6 Lanes Net Floor Area (sf)	Minimum Facility – 4 Lanes Net Floor Area (sf)
Sub-total	**2,600**	**1,700**
PUBLIC FACILITIES		
Lobby/Reception	2,000	950
Vending alcove	50	50
Seating area	250	200
Women's washroom	150	100
Men's washroom	150	100
Sub-total	**2,600**	**1,400**
GENERAL ADMINISTRATION		
General office	200	150
Manager's office	120	na
Staff work room/storage/meeting room/lunch room	340	250
Sub-total	**660**	**400**
Total NFA (75%/80%)	**19,940**	**14,400**
Total GFA (100%)	**24,925**	**17,280**

3.2 Financial Considerations – Capital and Operating Costs

Capital Costs

The preliminary capital budget estimate (Figure 3.2) is intended to provide an indication of direct and indirect project costs for the facility. This is a general, order-of-magnitude cost estimate. Actual costs will depend upon the final execution of the design, quality of the finish, materials and construction market at time of tender.

Current construction costs are likely in the range of $350-400 per sq. ft. We have used $375 per sq. ft. for the budget calculation. An allowance of 10% is included for site development assuming an average suburban site supported by full municipal services. Extraordinary costs related to poor soil bearing capacity and complicated provisions such as storm water retention ponds, retaining walls, hydro sub-stations, etc. are excluded.

Professional fees include architects, engineers (structural, mechanical, electrical and civil), landscape architects, interior designers and cost consultants. Should LEED design and certification be required for the building, LEED consulting fees are additional. Disbursements represent permits, inspections, signage, security systems, geo-technical investigation, topographical survey costs, etc. The client's legal cost, administration cost, HST and site acquisition cost, if applicable, are excluded. Escalation cost beyond 2013 is excluded. Based on these assumptions, capital costs in the range of $9-13m are projected for a 4 and 6 lane pool respectively.

Figure 3.2 – Capital Cost Estimate – Typical Aquatic Centres

Components/Comments		Typical – 6 lane	Typical – 4 lane
Total Gross Floor Area		24,925	17,280
Base Construction Cost	At $375 per sq. ft.	9,346,875	6,480,000
Site Development	10% of construction cost	934,690	648,000
Sub-Total		10,281,565	7,128,000
Contingencies	7% planning/design, 3% construction	1,028,155	712,800
Total Hard Construction Cost	Excluding GST/escalation	11,309,720	7,840,800
Professional Fees	8%	904,780	627,265
Disbursements	5%	565,485	392,040
Total Soft Costs		1,470,265	1,019,305
FF&E Allowance	Furniture, Fitment and Equipment	$200,000	$200,000
TOTAL PROJECT COST		**$12,979,985**	**$9,060,105**

These costs are based on the space programs noted in Figure 3.1. As noted, these space programs exclude facilities that would customarily be provided in a full service YMCA and consequently higher capital costs could be anticipated if a typical Y was developed. Assuming that 8,000 gross sq. ft. was added to accommodate Y facilities, this could increase capital costs by over $3 million, even assuming a somewhat lower ($275/sq. ft.) base construction cost for these facilities.

Operating Costs

The following discussion is based on a municipally owned and operated pool. The financial implications of a possible YMCA partnership are discussed in Chapter 4.

Unlike generic space programs and capital costs, the net operating costs of an aquatic facility will vary widely based on the unique market characteristics of the community. The financial performance is also influenced by a wide range of other variables, including the programming focus of the facility; how much time is dedicated to organized users; fee and rental structures; and staff wage rates. The design of the facility and whether it is a stand-alone pool or part of a larger multipurpose complex will have a major impact on operating costs. Significant cost saving for utilities and to a lesser extent staffing can be realized in multipurpose facilities. The only way to accurately predict operating costs for a facility in South Huron is to undertake a full feasibility study, as discussed in Chapter 5 of the report.

For these reasons we have not provided a generic operating cost that might be considered typical for indoor pools. We have provided actual operating costs for two indoor pools in Figure 3.3. The pools selected both serve smaller markets and are both part of larger recreational complexes. They are located in Hanover and St. Mary's, Ontario. Neither facility receives operating cost support from neighbouring municipalities.

We have provided broad financial categories and attempted to make these comparable for both facilities. There are however differences in the items included in these categories in the two case studies. Administration generally covers costs associated with management and office staff, office supplies and equipment, marketing, insurance etc. Programming is directly associated with the pool and primary reflects staffing costs and benefits (aquatic supervisor, guards, instructors) as well as some expenditures for program supplies, etc. Operations include maintenance and operational staff as well as utilities (heat, hydro, water), chemicals, cleaning supplies, etc. Revenues include program fees (lessons, aquatic programs and public swims) and other revenues from rentals, sale of merchandise, etc.

Capital costs, including any costs associated with servicing debt, are not included in these budgets.

The scope of this investigation did not entail a detailed financial analysis of the case study pools. While staff was approached for points of clarification, no attempt was made to review expenditures or revenues on an item by item basis. An attempt was made to only include expenditures associated with the aquatic component of larger recreation complexes, but there are likely some shared costs and these may be over or under estimated in the budgets illustrated. These operating cost scenarios illustrate the order of magnitude costs associated with indoor aquatic facilities in these two communities for the purposes of this exercise. Additional investigation would be required to fully appreciate the details of expenditures and revenues and the implications for a possible pool in South Huron.

Figure 3.3 – Operating Costs

Cost Item	St. Mary's	Hanover
EXPENSES		
Administration	$92,540 (est)	$23,830.
Programming	$250,610	$498,690.
Operations	$264,860	$286,520
Sub-Total	$608,010	$809,040
REVENUES		
Programming	$142,000	$305,330
Other	$27,500	$38,930
Sub-total	$169,500	$344,260
TOTAL NET OPERATING COST	**$438,510**	**$464,780**

The St. Mary's facility is a 25 m, four lane pool with some leisure features. It opened in 2008 as part of the Pyramid Recreation Centre, which includes a double pad arena, large community hall and older adults centre. The population of St. Mary's is about 6,700 but there may be about 9,000 people within the Centre's catchment area. The aquatic facility had a net operating cost in 2012 of $438,510. Revenues and expenses are as budgeted except operations which are actuals. All costs except administration were provided for the aquatic component only. Administration appears in the budget for the entire Pyramid Recreation Centre

and staff could not easily estimate what proportion would be attributed to the aquatic centre. In 2012 these were budgeted at $277,620 and we arbitrarily assigned one-third of this to the indoor pool.

In Hanover, the aquatic facility is a 5 lane 25 m pool with a number of recreational features (slide, beach entry wading pool, swirlpool, spray umbrella). The pool opened in 1996 as an addition to the existing arena and community hall (which were replaced and updated in 2011). The facility serves a population of about 7,200 in Hanover, and as much as 35,000 within a 30 minute drive. Hanover residents represent about one-third of those in registered programs (non-residents pay an additional fee for programs but this is a very small proportion of actual costs). At about $465,000, the net operating cost of the Hanover pool is similar to St. Mary's. St. Mary's appears to include more staff costs in administration than Hanover. Operational costs are similar. Programming costs at Hanover are double that at St. Mary's but so are programming revenues.

3.3 Municipal – YMCA Partnerships for Aquatic Facilities

This chapter of the report provides an overview of partnerships between YMCAs and municipalities for the development and operation of indoor aquatic facilities. We have focused on partnerships with the YMCA, as opposed to other organizations, because these are by far the most common. In the past, boards of education, colleges and universities have occasionally entered into agreements with municipalities for the development and/or operation of indoor aquatic facilities. These types of partnerships are increasingly rare. As budgets have become more constrained, educational authorities have been forced to focus their resources on core educational activities and cost-sharing agreements for aquatic facilities are no longer a priority. There are other organizations similar to the YMCA, such as Boys and Girls Clubs, which sometimes operate indoor pools, but not nearly to the extent of the YMCA. Finally, in a few major centres, municipalities have entered into contracts with the private sector to manage indoor aquatic facilities. These however are not common and the public-private sector model is not often pursued for the operation of municipal indoor pools. We expect the only possible partner for the Municipality of South Huron for an indoor pool is the YMCA.

Possible Benefits of YMCA Involvement

YMCA - municipal partnerships for the operation of indoor aquatic facilities are increasingly common. Arrangements between municipalities and YMCAs might broadly be placed in two categories. In the first category, the YMCA owns and operates the facility but receives some municipal support. It has been customary in many (but not all) municipalities that hosted a YMCA for the municipality to provide some support. This might include exemptions from taxes or other municipal service fees; municipal services at no or low cost (e.g. snow clearance); support with marketing and publicity, etc. The municipality also might make a one-time contribution to a building fund, and in some cases this might be done to secure a community benefit that would not otherwise be offered (e.g. lower cost access for non-members for free swim periods). This is an older model defined by the fact that the Y is the owner and operator of the facility with full responsibility for all major, ongoing costs.

Today a more customary model, and one that is increasingly popular among YMCAs, involves the municipality as the owner of the facility and the YMCA as the operator. This is a much more involved partnership with both parties assuming significant and ongoing responsibilities for the facility. This is the only model that the YMCA might consider in a small community such as South Huron and is the focus of the following comments.

The possible benefits of the YMCA's involvement, relative to a municipally owned and operated indoor pool, include the following:

- The YMCA is fully qualified and has a good deal of experience locally and nationally with the operation of aquatic, fitness and multipurpose programming space. Particularly in situations where the municipality is not currently operating indoor pools, this is often seen as an advantage.
- In addition to its experience as a facility operator and programmer, the YMCA has been actively involved in many initiatives locally and nationally that contribute to wellness and healthy and active lifestyles. These initiatives can complement those of the municipality.
- The YMCA also brings to the community expertise and involvement in a broad range of non-recreational, socially focused programs (e.g., employment assistance, youth-at-risk, new Canadians, etc.). While not directly connected to the core facilities and programs at the Aquatic Centre, these are complementary services. In communities where other providers may not be offering these services, or may be limited in the scope of their programming, having the Y as a new partner can be a significant advantage.
- The YMCA may support capital costs (generally, this would only involve equipment and fund-raising efforts).

Two other arguments in favour of the YMCA's involvement should be noted. First, YMCA-municipal partnerships, and specifically formal agreements whereby the YMCA operates municipally owned facilities, are increasingly common in Canada and have proven to be very successful arrangements for many communities. This is, therefore, a proven model with a number of established precedents.

Second, it is an operating model that is preferred by some municipalities because it generally results in much lower costs than would be the case if the municipality was the operator. The factors that contribute to lower net operating costs vary somewhat among communities. In some cases, lower staff costs, greater reliance on volunteers and access to non-traditional revenue sources, such as donations, ongoing fund-raising, or revenue streams from associated activities, such as child care, can be factors that explain lower net operating costs.

However, a significant consideration is membership revenues. Very few municipal operations charge membership fees for access to aquatic programs or multipurpose programming. The YMCA model puts greater emphasis on membership revenues, which essentially assign a higher cost to the user than would typically be the case in a municipally operated facility. The YMCA has policies in place that ensure residents are not turned away because of financial hardship. However, YMCAs generally have no access to tax revenue and consequently operating costs that might be subsidized by the general tax payer in a

municipal facility must be generated by users at the YMCA. Lower annual municipal costs, primarily for aquatic facilities, have been a major attraction of YMCA-municipal partnerships in many communities.

YMCA - Municipal Operating Agreements

When YMCAs and municipalities develop facilities together, formal agreements need to be in place establishing each partner's responsibilities, financial obligations, and rights to receive services. The purpose of an operating agreement is to ensure, to the greatest extent possible, every operating eventuality is anticipated and a course of action is agreed to in advance so as not to jeopardize the success of the facility once it is operating. A good agreement covers a wide range of topics including many that will not be relevant until many years in the future (e.g., responsibilities for capital conservation). These formal agreements are significant to the ongoing success of the project because they provide direction on issues that are likely to emerge in the future and, therefore, avoid unanticipated demands that can threaten the viability of the partnership.

It should be emphasized that there is no standard model for these types of agreements. The agreement, therefore, must carefully reflect the specific needs and characteristics of the community, the proposed facility and the partners. The details emerge through negotiation and ultimately must be acceptable to both parties. Again, we would stress that there is no standard model and even core aspects of the agreement – such as the items covered and the amount and duration of municipal financial contribution – vary from one agreement to the next.

The following issues would be relevant to a partnership agreement with the YMCA for operation of a municipally owned indoor aquatic facility.

- Each party's contribution to capital and operating costs; limits to contributions; availability of ongoing municipal subsidy, access to reserves and grants from senior levels of government, ownership of surpluses, if any, etc.
- The ownership of the facility and long term responsibilities for capital conservation and facility and equipment renewal.
- The establishment of a governance board and the associated terms of reference, the reporting relationship to the owners and funders, etc.
- Programming model, including the types of programs offered and service priorities.
- Agreement on key policy positions that will affect the operation of the facility and its financial performance (e.g., facility allocation priorities, including the relative priority assigned to community

recreational uses, sport tourism, other community economic development activities, user fee and pricing policies, etc.). There may also be a need to reconcile conflicting positions in the existing policies of the partners.

- Marketing protocols concerning the name of the facility, signage, representation in ads, etc.
- Procedures for performance measurement and ongoing service evaluation.
- The financial and other arrangements that would govern a party when abandoning the partnership.
- Arrangements governing community access both for YMCA members and non-members.
- Market exclusions and restrictions – some agreements specify that one party cannot compete with another in a manner that would restrict revenues (e.g., the local municipality would not provide programs comparable to those offered by the YMCA if this jeopardized revenue streams necessary for the operation of the facility without municipal subsidy).
- The role of the YMCA and the other partners in fund-raising and the ownership of fund-raising revenues, both prior to construction and on an on-going basis.

While presumably everything is open to negotiation, the YMCA will generally not participate in a significant way to financing capital in these arrangements. The YMCA will participate in fundraising and may make a sizeable capital contribution to the purchase of equipment for the pool and a fitness facility. However, all capital costs, after fund-raising and grants from senior levels of government, would typically be a municipal responsibility. In addition, as the building's owner, the municipality would likely be expected to assume full responsibility for capital conservation costs, including the repair and replacement of all equipment and the maintenance of built infrastructure and major building components. In partnership agreements between municipalities and the YMCA, where the municipality is the owner, the YMCA generally does not contribute fully to capital conservation costs. However, the YMCA might contribute to some portion of capital conservation costs, reflecting the fact that YMCA members are contributing to the "wear and tear" of building components and the YMCA would typical represent these costs in their membership fee structures. However, as noted, these items vary significantly from one agreement to the next and are subject to negotiation between the owner and the YMCA.

Municipal Financial Contributions – YMCA Partnerships

We briefly investigated four examples of YMCA-municipal partnerships for recreation facilities to provide examples of municipal financial contributions. The information compiled was based on input from municipal staff, in some cases supplemented with input from YMCA staff. As the examples indicate, there is

no common experience. While we have only investigated four cases for this report, we are confident based on our experience with these types of developments that a "typical" situation with respect to municipal financial contributions will not be found. In part this is because the municipal obligations specified in the partnership agreements are negotiated on a case by case basis and vary. However, more importantly, the nature of the facilities, services, and market vary and this results in very different financial scenarios. The likely financial scenario associated with a municipal -YMCA partnership in South Huron can only be determined with a detailed feasibility study and cost-sharing negotiations between the Y and the Municipality.

The four cases we explored are briefly cited below.

Goderich, Ontario

The Goderich-Huron YMCA has an agreement with the Town of Goderich for the operation of the Maitland Recreation Centre (MRC). The MRC includes a 25m indoor pool, a fitness centre, gymnasium and an arena. The facility is owned by the Town and operated by the Y. However, the agreement in Goderich address a much wider range of recreation services than the MRC. The Y essentially acts as the Town's recreation service provider and operates other major municipally owned indoor and outdoor recreation facilities as well as providing a wide range of programs, many of which occur outside of the MRC. This is a very unusual arrangement and consequently the financial analysis of interest to South Huron residents is not easily identified. The manner in which financial records are maintained makes it impossible to break-out the municipal costs specifically related to the aquatic facility at the MRC. Indeed, it is not even possible to separate the traditional Y facilities (pool, fitness, gym) from the arena in terms of municipal costs.

The total municipal contribution to the YMCA for the operation of recreational services in 2012 was in the order of $580,000. This included both administrative costs and program costs. Again, it must be emphasized that these costs included support for recreational services unconnected with the indoor pool, fitness centre and gym. While staff were not able to estimate the proportion of the total municipal costs that might be attributed to the indoor pool, gym and fitness components of the MRC, these are major, and in the pool's case relatively costly, components of the Town's recreation infrastructure and we should expect them to account for a sizeable proportion of total municipal expenditures.

In addition to these operating costs, the Town is responsible for all capital costs, including capital conservation costs. The Town's capital costs in recent years have been in the order of $70-80,000 annually. A decision was made to not contribute to a capital reserve until the debt on the MRC was eliminated. This happened recently and the plan is to contribute as much as $200,000 annually to a capital

reserve going forward (however, this reserve fund would be available for all recreational assets, not just the MRC).

Wasaga Beach, Ontario

The Wasaga Beach Recplex is a municipally owned, YMCA operated facility that has been in operation for about 7 years. The facility includes a 4 lane 25 m pool, fitness centre and one half of a double gymnasium. This "YMCA" component is attached to a municipal recreation centre operated by the Town Recreation Department. The municipal component includes the other half of the double gym and a hall and senior's centre.

The Town is responsible for all capital costs, ongoing maintenance and repairs and capital conservation costs. Given the facility is only seven years old, capital costs to date have been limited. A reserve fund has been established for the Recplex to offset future expenditures as the facility ages. All costs are the Town's responsibility.

The initial operating agreement called for the Town to cover any operating deficits for the first five years while the Y established a membership base and a presence in the community. In year six and beyond, the Town assumed no ongoing responsibilities for operating costs. The Y's membership and other revenues were such that no subsidy was required after year one. The Y's revenues are sufficient to cover all operating costs, including staffing, utilities, cleaning, insurance and other administrative costs. Therefore, the operation of the Y components of the Recplex do not require an ongoing municipal subsidy. The Town does incur some ongoing operating costs (e.g. external grounds maintenance, insurance, etc.), however, these are also associated with the municipal components of the Recplex.

The very strong financial performance of the Wasga Beach YMCA might be attributed to a number of factors. Certainly a key consideration is economies of scale. The Simcoe Muskoka YMCA operates a number of facilities with indoor pools and fitness centres and one expects some administrative overhead and the purchase of goods and services can be shared among these facilities. In addition, the Wasaga Beach YMCA is a very compact facility focused on core YMCA components in an efficient building configuration. Finally, the seasonal population may contribute to use and revenues in a way that is not customary in other facilities.

Clarence Rockland, Ontario

The Clarence Rockland facility is a 25 m indoor pool, fitness centre and multipurpose/gym area operated by the YMCA as part of a larger complex in a secondary school where there are other shared services (e.g. a joint public-school library).

The City is the owner of the facility and responsible for all capital costs, including capital conservation costs. Similar to the Wasaga Beach situation, the City agreed to cover any operating short-fall associated with the YMCA components of the facility for the first five years of operation. They are currently in the 4th year of this arrangement. After the fifth year of the agreement there will be no continuing contribution to program costs, but there may be an ongoing requirement for the City to contribute to administrative costs (this point is under discussion between the parties to the agreement). In the period 2009-2011, the City's annual contribution to the Y has averaged $152,845. In addition, during this period the City has been responsible for an average annual payment of $121,000 for utilities, insurance, maintenance, etc. (however, not all of these costs are associated with the pool and multipurpose space). The City's total contribution (excluding debt repayment) has therefore been about $365,000. In addition, the school board makes a modest contribution to some shared service costs (such as external ground maintenance and snow removal) that in part could be attributed to these facilities.

Quinte West, Ontario

The Qunite West facility is a municipally owned 6 lane, 25 m indoor pool, fitness centre and multi-purpose program area. It was built as a self-contained building and is operated by the YMCA. It serves the Quinte West area, including the former municipalities of Trenton and Sidney Township. The total population served is in the order of 50,000. As with Clarence Rockland, an indoor pool was first investigated in Quinte West as a municipally owned and operated facility. The opportunity to partner with the YMCA was identified as the project was pursued and a successful partnership led to the opening of the Quinte West YMCA,

As noted, the facility is owned by the City of Quinte West and all capital costs are the municipality's responsibility. This includes capital conservation costs. The City receives no financial contributions from neighbouring municipalities. The Qunite West agreement was similar to Wasaga Beach and Clarence Rockland with the City agreeing to cover any operating deficits in the first five years of operation. However, as with Wasaga Beach, a strong membership was developed immediately and subsidy was only required in year one.

4.0 Aquatic Facility Feasibility Studies

The feasibility of an indoor aquatic facility in South Huron and the possibility of a partnership with the YMCA can only be confirmed with a detailed feasibility study. A feasibility study would investigate in detail the following topics:

The Market for the Facility

- Catchment area and total population that might be served by the facility
- Detailed demographic analysis of the catchment area and relationship to profile of aquatic participants
- Trends in aquatic participation
- Competing facilities within the general market area
- Access to the facility and impacts on potential use
- Cost considerations (fees, membership costs, etc.) and impact on potential use
- Other barriers affecting the use of the facility
- Potential community use (if a YMCA facility, potential membership by membership category)
- Potential organized use (e.g. swim teams, schools, etc.)

Facility Concept and Site Considerations

- Description of the proposed facility suitable for predicting preliminary capital costs and preparing a programming plan
- Site and building considerations (e.g. stand-alone facility or part of a complex) suitable for predicting preliminary capital costs, preparing a programming plan and addressing staffing and utilities/operations for the purposes of an operating cost projection in a shared facility

Capital Costs and Funding

- Preliminary capital cost estimate
- Funding sources

Business Plan

- Preparation of a staffing model
- Identification of policies governing fees; facility allocation; and any other considerations affecting expenditures and revenues

- Programming plan – a detailed description of how the aquatic facility would be used; predicted programs (number and type) and number of participants; membership (if applicable), etc. in sufficient detail to predict revenues
- Identification of other revenue sources
- Detailed description of expenditures
- Identification of factors affecting ongoing expenditures and revenues
- Identification of net operating costs and budget in year one
- Assumptions concerning changes in revenues and expenditures to create a 5 year financial projection

Management and Implementation

- Detailed implementation plan to proceed to design and development
- Negotiation of formal agreement with the YMCA if applicable (see discussion in Chapter 3).
- Implications for municipal management and operations (staffing; reporting relationships; governance; budgeting, etc.)

A statistically valid community survey is an essential component of a feasibility study. The survey must meet rigorous standards of reliability as it will be used to predict catchment areas; potential use; membership (if applicable) and barriers to participation. It is a critical component of the market assessment. In addition, the survey design must be appropriate for the purpose; which includes testing price sensitivity for membership purchases. The survey would be complemented by other research tools including focus groups to further define the market.

We note that the survey conducted in South Huron by the SH-Rally group does not meet these requirements. While the sample size was more than adequate to achieve a high level of statistical reliability, the approach to sampling was not. We understand that the survey was available to the community at large and could be accessed through a web-site and other means. The sample, therefore, was self-selected and there is no guarantee it was reflective of the community or representative of community opinions. The fact that the survey sample does not adequately reflect the community composition is apparent in comparing the age profiles of the community and the survey respondents. About 70% of the survey respondents were between the ages of 30-59 years; the comparable percentage for the community's population over the age of 15 is 45%. Even more striking is the under-representation of the elderly. Within the community those between the ages of 60-69 and over the age of 70 represent 16% and 19% of the population over the age of 15. The comparable figures for survey respondents are 6% and 4%. Not surprisingly, because the survey sample was self-selected, the majority of those electing to respond were in the age groups most likely to

have children and/or to be users of active recreation facilities. The survey therefore likely captured a disproportionate number of residents who were likely to use and financially support a new indoor pool.

In addition, other than asking respondents about their activity interests and support for facilities (where the highest levels of interest and support were reported for swimming and an indoor pool) the survey did not ask the types of questions necessary to define a catchment area, determine willingness to finance the facility, or test the likelihood one would purchase a membership. Consequently, even if the survey had been statistically valid, it does not provide the type of information necessary for a feasibility study. However, the survey and the response from 992 households indicate a very high level of interest and potential support for an indoor aquatic facility. The SH-Rally survey is therefore an interesting indicator of possible support but these findings would need to be confirmed with a statistically valid survey with questions specifically designed to investigate the feasibility of the proposed facility.

A feasibility study of this type would require a budget in the order of $50-70,000 and 6 months to complete. A $50,000 budget would be appropriate if the facility is seen as municipally owned and operated; $70,000 would be required to investigate and make recommendations on the additional issues associated with a YMCA partnership.

5.0 Conclusion and Possible Next Steps

Conclusion

The purpose of this report was not to determine if an indoor aquatic facility is feasible in South Huron. That requires a detailed feasibility study as noted in Chapter 4. However, it is certainly possible to conclude that an indoor aquatic facility would deliver a wide range of benefits to the community and is an extremely desirable part of any municipality's recreation infrastructure. It is also possible to conclude that these are extremely expensive facilities to build and operate; prohibitively so in many communities with South Huron's population. Partnerships with other providers can improve the financial viability, particularly in small markets, but municipal taxpayers should still expect to contribute to the facility.

While financial projections in the absence of a feasibility study are speculative, it is possible to conclude that the minimum in terms of capital costs for a basic indoor aquatic facility will be in the range of $9 -13 million (excluding land and other costs as noted earlier). These capital costs would be higher if the facility was to be operated by the YMCA and consequently required fitness and other facilities to support a membership.

Operating costs are much more difficult to estimate but based on the facilities in Hanover and St. Mary's a minimum annual expenditure in the area of $450,000 should be contemplated. If the facility could be successfully operated using a YMCA membership model to offset most of the ongoing operating costs, the Municipality should still expect to contribute at least $100,000 annually to a capital reserve in addition to any contribution that was required to cover an operating short-fall. While it is not possible to say with any certainty in the absence of a feasibility study, given the likely catchment area population in South Huron we should expect the need for an ongoing contribution to operating costs in addition to the Municipality's responsibilities for debt and capital conservation costs.

Possible Next Steps

The objective of this report and presentation to the community was to contribute to a constructive dialogue among residents. The following are reasonable next steps for structuring that dialogue.

- Given the likely costs, the Municipality must decide if it will proceed with a feasibility study for an indoor pool or decide to continue with the outdoor pool project as originally planned.
- If the Municipality decides to pursue the indoor pool possibility, the YMCA must be asked to commit as a potential partner and broadly outline conditions of their involvement in the partnership. If the Municipality's willingness to further investigate the facility is dependent on the YMCA's involvement, this will determine if the process continues.

- If the Municipality (with or without the YMCA) decides to pursue the project, a feasibility study with an accurate market survey is required; 6 months and $50-70,000 in consulting costs would be required.
- Based on the feasibility study and the extent of the Municipality's financial commitment, the community's willingness to support the development should be confirmed.
- If the community supports the development and the Y wishes to partner, a formal partnership agreement with the YMCA would be prepared.
- Implementation (funding and financing arrangements, detailed design etc.) would follow the agreement.