



October 20, 2020

Re: ARENA OPERATIONS and USER FEES

Mr. Burgess:

Thank you for reaching out to Norfolk Minor Hockey on the matter of User Fees. While we appreciate the request for input on this matter, we are more than dismayed on the approach being taken on this item and, quite frankly, on the whole subject of community services being offered and operated by Norfolk County.

We have taken the time to sit with you and Mayor Chopp on one occasion (at our request) to discuss our concerns over ice availability. We've also taken the time to attend Council on this very same matter.

We acknowledge this community's financial concerns and have openly stated that adjustments to user fees are necessary, HOWEVER we did state that such adjustments need to be open, transparent AND part of an overall assessment of the Arena Operations (including expenditures) in Norfolk County. As you well know there are two sides to the ledger book – income and expenses – and both sides are extremely important in situations like the one now facing Norfolk County.

You put forward three questions. Find these questions and our reply below:

1) Should increases in user fees be utilized to address these financial issues?

The financial issues included in your letter being:

- a. Reducing the tax levy support
- b. To address the long-term replacement of assets

ANSWER: Yes to 1a), within reason. We trust Norfolk County realizes (based on our review of the many reports you have on-hand for this subject) that the provision of community services in many cases will never be 100% user fee supported. We understand that many municipally-operated facilities seek to recover something in the realm 45% to 50% of its operating costs from its user fee revenue stream. In comparison to Haldimand, their 2019 budget identified (after removal of debt and Development Charges) a 44% recovery of arena operating costs, however their year-end indicated a 38% recovery. For 2020 they have budgeted a 39% recovery. For Norfolk, we find (after backing out the past practice of amortization) that we have repeatedly failed to meet our budgeted recovery **predominately due to overspending in Salaries and Benefits** (see the 2019 overall assessment for greater detail).

On a per rink basis, we find that our recoveries (at each arena) have fallen below their planned budget target. Revenue stream variance has only played a small part in the overall issue of planned vs actual budget recovery. Our most notable finding is the overspending, compared to budget, in Salaries and Benefits. The most extreme case being in Langton with 57% overspending followed by Waterford with nearly 42% overspending. While we believe there is room for



improvement to user fees (to increase the revenue stream), we more firmly believe that operating cost reductions are in order.

See details of arena operating results below:

	Delhi		Langton		Port Dover		Talbot		Waterford	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Rev	\$178,700	\$180,971	\$153,200	\$155,360	\$210,800	\$180,545	\$194,900	\$177,178	\$202,800	\$164,915
Exp	\$542,700	\$591,480	\$399,400	\$479,477	\$450,900	\$526,598	\$471,100	\$487,911	\$414,600	\$488,354
Recovery	32.9%	30.6%	38.4%	32.4%	46.8%	34.3%	41.4%	36.3%	48.9%	33.8%
Salaries Overspend		22.5%		57.1%		29.6%		19.8%		41.8%
	Overall Budgetted Recovery				41.3%	Overall Salaray Overspend:				33.0%
	Actual Recovery				33.4%					

We are aware of the current “Call for Submissions” that includes the potential to privatize our arena operations. We wish to note that privately operated facilities are able to operate in areas where there is a high demand for ice (urban centres) and where Youth Programs (competitive/elite) are healthy and prepared to secure “additional ice” for training/skill development or where the private arena operator can host Exhibition and Tournament events as a revenue generating operation. Privately run operations seldom support recreational or experimental Youth Programs. Privately-run arenas are just not a supportable business program on its own for Youth Programming, which rely on other groups (like a municipality) to offer/operate “subsidy programs” for users in order to address the issue of cost.

We further believe it should be our mutual priority that the resulting user fees be reasonably comparable and competitive with arena user fees in our neighbouring municipalities. Should our arena user fees be materially higher, this will result in local player registration costs that are uncompetitive with regional offerings. This will result in players leaving our local minor sports organizations to play outside Norfolk, players choosing not to play sport because of the high cost, or for families to simply choose to not live in Norfolk. This will consequently reduce our arena utilization and thereby further erode the financial prospects of Norfolk’s arenas. With respect to increases in user fees being used to address 1b) – long term replacement costs, please see * below.

2) If the answer is yes, what proportion of the cost of arenas (annual operating and replacement costs) should user fees cover?

ANSWER: Our response is supportive of a reasoned approach that sets fees based on the type of program being operated (as it is a reflection of interest and ability for a user to pay i.e. introductory programs vs advanced programming). A multi-tiered fee structure like you see in other municipalities who have studied this issue would be highly appropriate.



As an example:

USER PROGRAM	General Purpose	Operating Recovery Rate	Objective of Program
Youth (recreational/experimental)	Introduce youth to hockey, health/wellness	50%	Engage our youth in sports programs, keep them healthy and engaged in the community. In any community area this program serves approximately 70% of its youth hockey players. It is best described as a lower demand/higher participant program.
Youth (competitive/elite)	For competitive players who seek more hockey for the specific purpose of advancing themselves within the sport	75%	Program has an increased focus on skill development and advancing users ability in the sport of hockey. The product of a successful competitive program would see these users being the predominant user of ice time in Norfolk County. It is best described as higher demand, lower participant program.
Adult/Junior	Adults and Junior (over age 18) players who seek to continue to be engaged in the sport as a hobby or specialized interest	100%	Provide an opportunity for our more mature users to organize sports functions and engage in the sport of hockey as an adult.
Exhibition/Tournament/Commercial Programs	Invitational game play outside of the any regular season schedule. This also includes the use of arenas for commercial or for-profit purposes	125%	The objective here is to attract visitors to Norfolk County for a purposed event within the arena facility/facilities. These events intend to make profit and as such, the user operating fee should have the same objective.

The above suggests a recovery rate that would be applied to the hourly operational cost of the arena.

We request, however, that before these or similar recovery rates are applied, that the user groups be afforded the opportunity to engage the County in reviewing/assessing (in detail) the current operations and expenditures for its arena operations to determine if there are cost saving measures/opportunities within the current model that could reduce the overall operating costs of these facilities. Increased revenue generation is only one side of the net expense discussion. We strongly believe that there is a great opportunity within the operational side to reduce costs. We've looked back at the budget/actual performance of our remaining five (5) arenas and share these key highlights (all of which are readily available from your budget and year-end accounting reports):



2019 Arena Performance Assessment:

REVENUES:

- Arena operations experienced a shortfall in revenue of -\$81,430 (budget vs actual).
- This is an 8.7% variance.
- *A review of your usage vs revenue collection suggests that you have some substantive outstanding collections for 2019 in the tune of approx. \$28,000 and perhaps approx. \$18,500 from one user group.*
- Had all funds been (we suggest) collected, the revenue shortfall could well only be 5.7%.
- Norfolk County does not have an online ice reservation system, something previous reports to the County have suggested would support higher rental revenue.

EXPENDITURES:

- Expenditures exceeded budget in two (2) primary areas totalling \$390,000. Specifically:
 - **Salaries**
 - Budget: \$1,040,400.00
 - Actual: \$1,383,977.10 (**\$343,577.10 or 33% over budget**)
 - **Maintenance**
 - Budget: 182,700.00
 - Actual: \$229,645.45 (\$46,945.45 or **25% over budget**)
- Thankfully we experienced some savings in Utilities:
 - Budget: \$624,700.00
 - Actual: \$550,632.91 (\$74,067.09 or 25% under budget)

Based on the above review, we are perplexed as to why there is such overspending in salaries/benefits within our arena operations. We have heard time and again that finding \$150,000 in savings would make a substantive change in our financial position, and that privatizing an arena should prove to save \$150,000 a year. We suggest to you that some savings, even holding staff salaries/benefits to budget – could well save us \$343,577.10. Even if you take that across the five (5) remaining arenas that is still \$68,715.42 per arena in annual savings.

We have requested on many occasions the opportunity to sit down for an open discussion on this aspect of our arena operations and in fact, at the meeting held in Langton in the spring of 2019, we accepted the commitment of the County to engage user groups in these discussions. Instead we receive this one-sided letter asking “how much more are you willing to pay?”. Frankly, our answer should be “no more”. We will not pay for over-expensed services. But that is NOT our position. We are willing to pay the right amount for a service that is for the betterment of our community, the health of our youth and for gainful employment for those that care for and operate these facilities that support these programs. Yes, there will be a portion of this cost borne by the taxpayer who benefit from healthy, engaged, respectful and occupied youth in our community.

*On the matter of long-term replacement for facility components – a surcharge to the fees above is a model used in other municipalities. We trust the County has completed its required Asset Management Plan for these facilities and all



other key community assets and would be able to share the overall life cycle cost for these facilities such that we may examine the approach being taken on this plan. Overall life expectancy of key elements is a key component, as is proactive maintenance – one directly affecting the other. If proactive maintenance is not being done properly, replacement costs can advance early and funding will be an issue – as time is a major factor in any financial strategy. We are also aware that it is prudent for municipalities to be aware of and to apply for the many financial assistance programs routinely offered by the Province/Federal governments and/or energy companies as a means of optimizing currently held/collected funds and/or to take advantage of subsidy programs that aim to improve building efficiencies. Therefore, while we are open to the discussion of a surcharge, surcharges seldom account for the full cost of replacement facilities and are more suited to major repairs of facility components or desired expansions. Reasonable fundraising contributions/initiatives need to also be taken into consideration, with such funds coming from a wide array of community supporters.

New facilities or upgrades to facilities to meet the needs of our growing community or demographic changes does allow us, however, to look at our development charges as a funding revenue potential for these needs. We trust the County appreciates the value of this capital funding stream and sets out its development charges appropriately (be it for recreational facilities, water, wastewater, etc) so that any needs attributed to “growth” can be paid for by growth and not left solely for tax payers or user groups.

3) Again, if the answer is yes – how would you propose to undertake these increases?

ANSWER: Our first approach would be to undertake a full, in-depth examination of the current operations of the arenas to understand if any operational costs savings can be realized with adjustments in the way in which the County provisions / operates these facilities. We would also suggest that there are opportunities to leverage fees from functions/activities that are currently under or even unexploited – e.g. advertising. As mentioned by Councillor Columbus in the July 2019 meeting (yes we’ve done our homework) – “why has our Norfolk Advertising revenue dropped by 30% (-\$31,690) in just over 2 years”. He asked – “did we get rid of the person in charge of this program” - clearly not by the looks of our salaries/benefits! And for 2019/2020, our arenas saw no concession stand revenue and the County decided that this revenue opportunity is beyond them and left it up to the Minor Hockey Associations to find operators to keep them open. We find it odd that many other municipalities can operate these stands and actually make a revenue stream from it. Not a lot, but every bit counts, doesn’t it.

We firmly believe that finding cost savings opportunities is also not a task that can best be undertaken by Norfolk County itself. Through direct and meaningful engagement with users we believe the best, and balanced, solutions can be found. The recent changes to arena staffing, scheduling and programming through the Covid-19 pandemic has revealed to us many areas of arenas operations that may help reduce County costs while not detracting from satisfying user needs. We would openly welcome an invitation to have such discussions.

In respect of this question, we suggest that it may be beneficial to engage a third-party to conduct an operational study and the development of a financial fee model for our community arena operations. This third-party could be tasked with engaging both Norfolk County and the primary arena user groups for input. We would suggest that such a study may cost in the range of \$100,000 to \$150,000 depending on scope, however we would certainly be willing to entertain a discussion about Norfolk Minor Hockey making a contribution towards such efforts.



CLOSING

We, Norfolk Minor Hockey and its affiliated associations in Port Dover, Simcoe and Waterford, respectfully submit the above as our response to your letter of October 5, 2020 regarding Ice Rates in Norfolk County. We close by once again requesting an open and transparent discussion by way of a series of meetings to undertake a full examination of the current arena operations and to find ways (collectively) to improve the business operation of these valued community assets.

Simply exchanging papers (like this) detracts from what we see as being the real exercise; being our desire to have meaningful dialogue on this matter. An exchange such as this becomes purely financial in nature and fails to get at the aspects that can deliver real business change and operational savings. While we expect the County to have a strong understanding of this aspect of the operation, regrettably, the numbers fail to comfort us on this expectation.

In the meantime, we feel strongly that the exercise being conducted through your letter asking users how much we are willing to pay, without any opportunity being offered for true, meaningful engagement to improve our area operations and reduce the County's net levy towards, will fail to garner the best solutions or community buy-in to the selected directions.

We will patiently await your reply or perhaps the long-awaited invitation to engagement with our user groups.

Sincerely,

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