

Policy Options for Alternative Financing Tools - Recreation Centres

RECOMMENDATION

That the January 31, 2022, Community Services report CS00387, be received for information.

Report Purpose

Information only

Community and Public Services Committee is being informed of potential impacts and considerations related to a new policy for the use of alternative financing tools to fund construction, operations and maintenance of recreation centres in the city.

Previous Council/Committee Action

At the February 3, 2021, Community and Public Services Committee meeting the following motion passed:

That Administration examine options for a new policy for alternative financing tools for funding construction, operations and maintenance of recreation centres city-wide, including thresholds of city supported tax base funding versus alternative financing focused at the local area, and provide a report back.

Executive Summary

- The City of Edmonton's recreation centres play a critical role in supporting The City Plan's goals of providing healthy and active living to all Edmontonians.
- Building, operating and maintaining these recreation centres require capital and operating investment. As Edmonton grows and becomes more dense, the demand for recreation and community connectivity will continue.
- Over the past two years, Administration has presented two reports to Council on strategies and tools to fund recreation centres that could provide alternatives to the traditional funding sources of tax-supported debt, grants, and property tax levy (January 27, 2020, CR_6499 Recreation Facilities - Financial Options and February 3, 2021 CR_8024 - Innovative Funding Strategies to Build, Operate and Maintain Recreation Centres).
- A review of alternative financial tools conducted by Administration indicates that funding strategies are dependent on many factors and cannot be consistently applied to all

Policy Options for Alternative Financing Tools - Recreation Centres

recreation facility types in all circumstances. The use of multiple tools could help bridge the funding gaps or establish alternative funding sources and can be considered on a case-by-case basis.

- Administration has determined that a new policy for alternative financing tools for recreation centres is not warranted at this time. Administration will consider the variety of tools available for recreation facilities, including traditional tools, rather than focusing solely on alternative tools. Alternative tools will be utilized where possible to reduce the use of tax levy funding while working to ensure equitable access to these services.

REPORT

Administration conducted a review of financial tools to determine a common set of principles for drafting a new policy that could work for all future recreation centres. Administration also considered existing policies and processes, strategic outcomes, variability in the type and scale of different recreation centres and impacts to the community to examine options for a policy unique to recreation centres.

Existing Policies and Processes

In order to determine the feasibility of a funding policy for one type of municipal infrastructure (i.e. recreation centres), it is critical to understand how other infrastructure types are funded within the City and how available funding sources and tools are currently used. The City has several policies and processes that guide funding strategies and any new policy must be in alignment with those.

City Policy C624 - Fiscal Policy for Revenue Generation

City Policy C624 - Fiscal Policy for Revenue Generation provides a governing framework for allocating service and infrastructure costs throughout the community. City Policy C624 provides high-level guidance on who should pay for City services and infrastructure, and why. Based on this policy, recreation services provided by the City through its planned service levels (as laid out in The Approach to Community and Recreation Facility Planning and approved City policies) to the community at large should be funded through broad based tax support

For recreation services that extend beyond planned service levels and approved plans, City Policy C624 supports the use of cost allocation tools to distribute costs away from the general tax base toward properties that directly benefit from these facilities; however, in the context of recreation facilities, the ability to define the direct benefit to properties can be a barrier to a cost allocation tool such as local improvement taxes to be feasibly applied.

City Policy C187A - Enhancing Community Facility Services Through Partnerships

City Policy C187A - Enhancing Community Facility Services Through Partnerships provides direction on how partnerships should be used to help deliver recreation services to the community. The policy states that the City will actively encourage and support public recreation and leisure partnership opportunities that enhance community facility services where:

- community expectations extend beyond City of Edmonton planned service levels
- proposals are presented to provide improved service levels

Policy Options for Alternative Financing Tools - Recreation Centres

- proposals are presented to provide for innovative public recreation and leisure opportunities including specialty facilities

A partnership program review is underway to provide future direction on how Administration initiates or responds to partnership opportunities for operations, program development and delivery, and capital development of facilities and assets. As part of this review, funding options and models are being considered that align with current capital and operating budget processes utilizing current fiscal tools to fund the projects. Partnerships provide a significant opportunity to help develop recreation infrastructure and leverage third party funding to offset capital and operating costs. Administration is currently exploring partnership opportunities that could enhance recreational amenities, including the A1 Athletic Facility and the redevelopment of the EXPO Centre to include sports halls.

City Policy C477A - Facility Name Sale

City Policy C477A - Facility Name Sale provides direction on the sale of names of City facilities to generate revenue. Administration believes that facility name sales and sponsorships should continue to be used to support operations and/or maintenance but not as a viable solution to offset capital costs.

Operating and Capital Budget Processes

The City uses priority based budgeting and capital budget administrative profile prioritization to develop capital and operating budget recommendations for different services. These processes are meant to articulate both the capital and operating priorities, based on a combination of principles, to achieve the goals in ConnectEdmonton and The City Plan. If developed, a new policy on alternative financing tools for recreation centres would have to be applied so it does not contradict the existing budget allocation process.

Other Considerations

Alternative Funding Tools Applicability for Recreation Centres

Administration conducted a review of several alternative financing tools (Attachment 1) and found that:

- Some tools are being used to fund other types of municipal infrastructure but are not well suited for recreation facilities. An example would be off-site levies which, in Edmonton, are being used to fund fire stations.
- Many of the tools identified have challenges when considering their use for recreation facilities, especially community revitalization levy and local improvement tax.
- A community revitalization levy would not be as effective unless an area was going through significant redevelopment, as the increased property tax revenue generated in the catchment area arising from a recreation facility would not cover the related capital costs.
- The City of Edmonton has typically used local improvement taxes for other types of infrastructure where the benefits are more local compared to recreation facilities, which serve individuals from several neighborhoods and at times across the city, depending on their amenities and programs. Administration believes this may contribute to inequality

Policy Options for Alternative Financing Tools - Recreation Centres

across the city, leading to recreation facilities only being developed in areas that have the ability or expertise to afford alternative financing tools.

Strategic Alignment

The Approach to Community and Recreation Facility Planning in Edmonton, approved by City Council in 2018, replaced previous recreation master plans and utilizes principles to plan, prioritize and provide publicly-supported community recreation amenities. These principles help Administration manage competing priorities, provides an objective tool for making strategic decisions to help guide assessment of the demand for and prioritization of recreation amenities and facilities, and presents an approach to balancing infrastructure renewal and growth. The City's current policies provide sufficient flexibility to fund recreation infrastructure that is well aligned with the City's strategic plans. Any new funding policy would also need to provide the same level of flexibility and strategic alignment.

Consistent Applicability for Different Types of Facilities

The purpose of a Council or administrative policy is to have a consistent principle or rule governing some work or action of the City. In order to have a policy on funding recreation facilities, there would need to be a consistent application for all facilities (or some defined sub-type of facilities). Facilities differ from one another in size and scope and the variables impacting them are usually unique to each facility such as user needs (programming and facility amenities) in the communities serviced by the facility.

Next Steps

Based on the review completed, Administration does not recommend the development of a separate policy for alternative financing tools for funding construction, operations and maintenance of recreation centres in Edmonton. Existing policies, processes and funding strategies provide a strong foundation to support financing of varied types of infrastructure within the city.

At the February 3, 2021, Community and Public Services Committee meeting Administration was directed to work with the community to develop a funding strategy for recreation centres using Rollie Miles Recreation Centre as a pilot. In March 2022, Administration will provide information on the Rollie Miles funding strategy related to the alternative financing tools discussed in this report.

Administration will continue to assess how to best apply different funding tools for recreation facilities and amenity infrastructure on a case-by-case basis. Strategies such as reinstating the partnership grant program to stimulate facility development and allow Administration to engage in partnerships for development and/or operation of recreation facilities will remain a key focus for the future. These projects will be brought forward through the budget processes for City Council consideration and will consider all available funding sources.

COMMUNITY INSIGHT

Public engagement was not conducted for this report as this report focused on exploring options for a funding policy and there is not a formal policy draft in place at this point. Administration

Policy Options for Alternative Financing Tools - Recreation Centres

continues to listen to and engage with community stakeholders on various aspects of recreation planning as well as on specific recreation centre projects. Findings from these past listening and engagement activities have been shared with City Council and the public as part of several past reports and will continue to be used for future planning.

GBA+

City Policies C624 and C187A address the importance of providing equitable access to City infrastructure and services. A new policy related to alternative financing tools would need to take into consideration equity measures to ensure no Edmontonians are disproportionately impacted in their ability to access the City's recreation centres.

Recreation facilities require substantial investment which may not be feasible solely with local level financial tools; they will require tax-based funding. A program and policy for funding recreation facilities based on additional taxes within the facility catchment area may divert municipal funding away from other City priorities to those that have local funding capacity. This could create inequity of services in neighbourhoods that do not have the ability to use alternative financing tools.

In addition, certain financial tools, for example off-site levies, may be used more readily in greenfield developments as opposed to mature neighbourhoods, leading to further inequities as older facilities in mature neighbourhoods are not replaced or modernized in a timely manner. Partnership opportunities must be assessed carefully to ensure they align with City of Edmonton priorities.

ATTACHMENTS

1. Alternative Funding Tools and Considerations