

**DATE:** July 23, 2020

**TO:** MAYOR AND COUNCIL

**NAME AND TITLE:** Adam Davey, Director of Community Services and Public Safety

**SUBJECT:** Indoor Facility Closure Options

**ATTACHMENTS:** None

**RECOMMENDATIONS:**

THAT Council:

1. APPROVES keeping the Prince George Civic and Conference Centre closed for the remainder of 2020 in order to reduce the City's 2020 budget shortfall;
2. APPROVES keeping the Prince George Aquatic Centre and Four Seasons Leisure Pool closed for the remainder of 2020 in order to reduce the City's 2020 budget shortfall; and
3. APPROVES keeping the arenas – CN Centre, Kin Centre, RMCA and Elksentre - closed for the remainder of 2020 in order to reduce the City's 2020 budget shortfall.

**PURPOSE:**

The purpose of this report is to seek Council's approval to continue the closure of a number of City indoor recreational facilities for the remainder of 2020 in order to reduce the City's budget gap which is due to restrictions imposed by COVID-19. This report builds off numerous previous reports that were written between April and July.

A brief facility-by-facility assessment is provided below. From an operational perspective, reopening as early as two to three weeks from the date Council gives direction is feasible. From a Citywide financial perspective, reopening facilities will widen the City's overall budget gap. The 2021 preliminary budget guideline<sup>1</sup> has been prepared on the assumption that facilities remain closed throughout 2021. Should the City reopen any of the facilities that are the subject of this report, the 2021 budget gap will increase.

**STRATEGIC PRIORITIES:**

This report relates to the following Council Focus Areas:

1. Maintain fiscal sustainability and balance service levels with affordability of City services, facilities, and operations; and
2. Provide a workplace where employees are safe and healthy and committed to excellence, service, accountability, and transparency.

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<sup>1</sup> See City Manager Report at agenda item D.2, on (this) Regular Council Agenda of July 27, 2020.

## **BACKGROUND:**

During the Open Council Meeting of June 15, Administration provided tentative reopening dates for indoor facilities. The tentative dates were based upon the Province entering Phase 3 of the Restart Plan (which has now commenced), and following review from a liability and financial perspective. The tentative reopening schedule included Kin Arenas 2 and 3 on August 4, the Prince George Conference and Civic Centre (PGCCC) on September 1, and the Aquatic Centre on September 8.

From an operational perspective, these dates remain feasible (less the Kin Arenas – they would require two to three weeks from reopening approval to install ice, recall staff, etc. A tentative date of August 17 is feasible). COVID-19 related processes and procedures have been developed in accordance with WorkSafeBC, the BC Recreation & Parks Association (BCRPA), and Provincial Public Health Orders (PHO). The new operational processes have not been tested with actual patrons. Despite the feasibility of reopening under modifications, the new operating processes require more resources than are budgeted and planned for. These additional resource requirements result from staffing and cleaning protocols.

## **FACILITIES**

### **Prince George Conference and Civic Centre (PGCCC):**

With no conferences or large gatherings allowed until phase 4 of the Province's Restart Plan, which may not occur until 2021 or later, the PGCCC usage is limited to small groups. However, the City's current Fees and Charges make space rentals prohibitively expensive for small groups, especially for non-profit organizations and community use. It is possible to significantly reduce the current Fees and Charges (doing so requires an amended bylaw) but this would result in substantially lower revenue, with increased operating costs (similar to all facilities – this is due to additional cleaning and control measures). Further, if fees and charges were reduced, the City could be viewed to be unfairly subsidizing public space usage at the expense of private space rental. From an operational perspective, the PGCCC is ready to open on September 1. However, from Administration's perspective, the cost of doing so is not feasible.

The PGCCC's operational cost-recovery rate was approximately 68% in 2018 and 2019. In 2020, should the PGCCC reopen in September, the rate could be as low as 22%.

**The cost of reopening the PGCCC for the remainder of 2020 is projected to be approximately \$330,000 (increase on top of the current City budget shortfall). Under no plausible scenario would revenues offset this cost, due to COVID-related restrictions (maximum of 50 people and additional cleaning). Should the PGCCC reopen for 2021, assuming current restrictions remain, the City's 2021 budget shortfall is estimated to increase by \$800,000.**

### **Aquatics:**

The Aquatic Centre was tentatively scheduled to reopen following the Labour Day weekend, on September 8, under modified operations in accordance with COVID-related Provincial rules and guidelines. Similar to other facilities, staffing, cleaning and control measures would be resource intensive and revenue would be very low.

Aquatics programming, such as swim lessons and organized swim sports, are largely not practical until Phase 4 of the Provincial Restart Plan (date unknown, criteria suggests not before 2021). Approximately 90% of the usage of the Four Seasons Leisure Pool (FSLP) relates to programming. The intent remains to keep the FSLP closed until further notice.

On a subsidy-per-visit basis, the operational costs of reopening are significant, projected to increase from a \$7 per-visit operating subsidy to a \$56 per-visit operating subsidy. The proposed schedule

would allow a maximum of 40 bathers per two-hour block. There are five blocks per each weekday, and four blocks on weekend days. This equates to a maximum of 1,320 swim visits per week. Like all recreational service categories, due to Public Health restrictions, service levels would not be as high as before the pandemic. The weight room, sauna, lazy river, and wave and water play features would not be in use until Phase 4.

**If aquatics remains closed, substantial cost savings will be realized. The aquatics budget for 2020 will be favourable by several hundred thousand dollars (initial estimates of \$600,000).** For example, the Quarter 2 variance report shows aquatics to be approximately \$200,000 under-budget due to deep staffing cuts. Restart activities may be challenging, in terms of eventual retraining, rehiring, programming, and so forth in 2022.

Remaining closed produces community well-being costs though. The impact to the community is significant: many residents rely on aquatics, especially in the winter months, for exercise. Prolonged closure would negatively impact swim clubs and the overall quality of life for residents. On the other hand, the restrictions imposed by COVID prevent the aquatic facility use that residents expect (no lazy river, wave and water features, weight room, sauna). If the Aquatic Centre were to reopen in September, the aquatics budget is projected to be balanced at year-end or to be in a slightly favourable position. However, the costs associated with remaining open for 2021 would be significant (assuming the Province remains in Phase 3). The overall City budget guideline gap for 2021 would increase.

#### **Arenas:**

Staffing requirements under COVID restrictions are higher than normal requirements. This is because of stringent cleaning protocols and control measures for accessing the facility. Whereas previously arenas have been operated like “public spaces,” meaning a free flow of patrons and maximum access, under COVID restrictions, staff are required to strictly control access. That means monitoring the number of patrons in each arena, staff-controlled access and exit, no use of locker rooms, limited washroom access, and no use of spectator seating. Additionally, there is an approximate 15-30 minute cleaning turnaround between each ice user group. That means that ice availability has been reduced by approximately 1/4 to 1/3 of the availability of previous years. Further, cleaning costs are higher than they previously were.

#### **RMCA:**

The long-term operational cost-recovery rate of the RMCA continues to decline. In 2018, the RMCA had a cost-recovery rate of 37%. In 2019, this dropped to 28% (due to required maintenance and ice-plant work). Should the RMCA reopen in September, the operational cost recovery rate for 2020 is projected to be 16%. As of the writing of this report, the Province has not lifted the ban limiting mass gatherings to 50 people. Further, no actual game play appears to be authorized until Phase 4 of the Province’s Restart Plan. Although the “field of play” is the responsibility of sport organizations, should a user group violate the two metre distance requirement and conduct gameplay, the City would cancel bookings. Until we enter Phase 4 (or some hybridized Phase 3.5), hockey and other ice users appear to be limited to “skills and drills” – no gameplay.

**The cost of opening the RMCA for the remainder of 2020 is estimated at an approximate \$210,000 (5 months). The 2021 City budget impact is estimated at slightly higher than double this, at approximately \$500,000. This assumes the Province does not enter Phase 4 (“return to normal”).**

### ELKSENTRÉ:

Similar to the RMCA, as an aging facility, the long-term operational cost recovery rate of the Elksentre continues to decline. In 2018, the cost-recovery rate of the Elksentre was 50%. In 2019, this dropped to 43%. Should the Elksentre reopen in September, the cost-recovery rate is projected to be 21%.

The cost of re-opening the Elksentre for the remainder of 2020 is estimated at an approximate \$120,000 (5 months). The 2021 City budget impact is estimated at slightly higher than double this, at approximately \$290,000. This assumes the Province does not enter Phase 4 (“return to normal”).

### CN CENTRE

The CN Centre’s operational cost-recovery rate remains healthy. In 2018, the cost-recovery rate was 72%. In 2019, the cost-recovery rate was 64%, although the long-term trend is downward (fewer hockey fans and concertgoers). Should the CN Centre reopen in September, the 2020 operational cost recovery rate is projected to be 41%.

The cost of re-opening the CN Centre for the remainder of 2020 is estimated at an approximate \$300,000 (5 months). The 2021 City budget impact is estimated at slightly higher than double this, at approximately \$720,000. This assumes the Province does not enter Phase 4 (“return to normal”).

### KIN ARENAS (ALL 3 SHEETS)

Of all the arenas, the least expensive option of reopening limited ice sheets is to consolidate user groups at the three Kin Arenas. However, reopening the Kin Arenas and charging rates as per the Fees and Charges Bylaw would still result in a widening of the City’s overall 2020 and 2021 budget gaps. Remaining closed would narrow the gaps.

Should the three Kin Arenas reopen in September, the cost-recovery rate is projected to be 37%. The cost of re-opening the Kins for the remainder of 2020 is estimated at an approximate \$300,000 (5 months). The 2021 City budget impact is estimated at slightly higher than double this, at approximately \$720,000. This assumes the Province does not enter Phase 4 (“return to normal”).

### FLAT TRUE COST RECOVERY RATES VERSUS FEES AND CHARGES BYLAW RATES

The total average hourly (unsubsidized) cost of operating the Kin Arenas, the CN Centre, the RMCA, and the Elksentre is approximately \$450. As is illustrated in the below chart, the majority of the City’s youth ice users pay \$112.00 per hour, or about 25% of the unsubsidized rate. Adults pay \$209.00 which is roughly half the unsubsidized rate.

Winter Ice Rental Charges: CN Centre, Kin 1, 2, 3, RMCA, Elksentre	2020 Rates	2021 Rates
Standard Recreation Rate – Ice Rental	\$333.00	\$343.00
Adult Discount Recreation Ice (Prime)	\$209.00	\$215.00
Adult Discount Recreation Ice ((Non-prime)	\$168.00	\$173.00
Youth Discount Recreation Ice (Prime)	\$112.00	\$115.00
Youth Discount Recreation Ice (Non-prime)	\$90.00	\$93.00
Standard Recreation Rate - Dry Floor	\$185.00	\$191.00
Adult Discount Recreation – Dry Floor	\$93.00	\$96.00
Youth Discount Recreation – Dry Floor	\$63.00	\$65.00

## ADDITIONAL CONSIDERATIONS

Other items that Council may wish to consider in its deliberations are:

- Remaining closed represents a loss of revenue and ongoing expenses, despite fewer staff. Nonetheless, based upon existing Fees and Charges Bylaw rates, remaining closed costs less than reopening;
- Accurate numbers are not possible to predict. Budgeting is based on three-year rolling averages of past user-group demand and usage; in the COVID environment, uncertainty is paramount. The new operational parameters have yet to be tested with patrons;
- Although corporate risk appears manageable, this remains an unknown;
- There is no actual gameplay during Phase 3;
- The maximum number of people, including staff, in any facility remains at 50.

**Should Council wish to provide limited ice opportunities for arena user groups, consolidation of the groups at the CN Centre and Kin Arenas makes the most sense.** With one large facility, staffing, cleaning, control and ice plant efficiencies can be realized. That said, the purpose of community services recreational facilities is to offer the community recreational opportunities, which are generally at highly subsidized rates.

As of the writing of this report, there is confirmed user group demand for three sheets of ice by August 17 or thereabouts (at the current Fees and Charges Bylaw rates – demand is likely to greatly diminish at the unsubsidized cost recovery rate). A fourth sheet of ice could be added for mid-September, and the 5<sup>th</sup> and 6<sup>th</sup> sheets by late September. The true cost-recovery rate is approximately four times higher than the discount youth rate and twice as high as the adult discount rate. This may drive user demand down significantly and produce further dissatisfaction from the ice user community. There are no good options available, when considering the larger budget challenges.

The below chart provides two financial scenarios that are related to reopening all or some of the City's arenas:

Option:	2020 Budget Estimated Shortfall Impact	2021 Budget Estimated Shortfall Impact
1. Incremental cost to open all arenas	\$930,000	\$2,230,000
2. Incremental cost to open the Kin Arenas and the CN Centre	\$600,000	\$1,440,000

## SUMMARY AND CONCLUSION:

From an operational perspective, the City has developed plans in accordance with COVID-related Provincial restrictions that allow for modified recreational opportunities. On the one hand, reopening a limited number of facilities, such as the consolidation of ice user groups at the Kin Arenas, and reopening the Aquatic Centre, may provide limited recreation for a select number of residents. On the other hand, with physical distancing requirements, the level of enjoyment at both arenas and pools will likely be substantially reduced – game play is not allowed during the Provincial Restart Plan – Phase 3. A return to normal, Phase 4, is not expected until 2021 (or later).

In B.C., with respect to arenas, Prince George's most comparable City is Kamloops. It currently has two sheets of ice open (both in the same building), and is charging its current Fees and Charges rates.

From a financial perspective, keeping indoor recreational facilities closed will assist in reducing the City's 2020 budget shortfall. Reopening any facilities will widen the current gap. The 2021 budget gap is currently estimated at \$6.4M. This number is based on the assumption that facilities remain closed. Should any facility reopen, the 2021 budget guideline gap will increase. Should Council opt for a compromise position to balance financial circumstances with recreational use, Administration's recommended order of priority is as follows:

1. Close the PGCCC for the remainder of 2020;
2. Close the Elksentre, RMCA and FSLP for the remainder of 2020;
3. Close the Aquatic Centre for the remainder of 2020;
4. Consider reopening the Kin Arenas and CN Centre in mid-late August, depending on user group demand, and at the **unsubsidized** recovery rate.

**The bottom-line:** Reopening indoor facilities will widen the current 2020 budget shortfall. On an individual facility basis, the shortfall may not be large, considering the wider context. However, reopening facilities will result in an increase to the estimated current 2021 budget gap of \$6.4M as the current 2021 budget guideline figure assumes that indoor facilities remain closed. These numbers also assume that the Province remains under Phase 3 of the Restart Plan for the foreseeable future.

**RESPECTFULLY SUBMITTED:**

Adam Davey, Director of Community Services and Public Safety

**APPROVED:**

Kathleen Soltis, City Manager

Meeting Date: 2020/07/27