

# Report to Council



**Date:** November 28, 2022  
**To:** Council  
**From:** City Manager  
**Subject:** H2O Memberships and Admissions Rate Adjustment  
**Department:** Active Living and Culture Division

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## **Recommendation:**

THAT Council approve changes to membership and drop-in admission fees at the H2O Adventure + Fitness Centre as outlined in the report from the Active Living & Culture Division dated November 28, 2022

AND THAT the change in membership fees take effect January 1, 2023 and drop-in admission fee change effective July 1, 2023.

## **Purpose:**

To obtain Council support for an increase to membership and drop-in admission fees at H2O Adventure + Fitness Centre

## **Background:**

The H2O Adventure + Fitness Centre (H2O) facility opened in April of 2009 and has been operated successfully by the YMCA of Southern Interior of BC (YMCA, formerly the YMCA of Okanagan) since the commencement of the original Management and Operating Agreement (MOA) in 2009. The current MOA expires in December 2023.

The MOA contains conditions for a high standard of operation of the H2O facility and defines the cooperation and collaboration between the parties throughout the course of the agreement. Goals and objectives as well as responsibilities are defined and demonstrate a positive, common theme of providing high caliber public service in aquatics, fitness, and wellness alike.

As part of their role as operators of the facility, the YMCA creates and provides to the City an annual budget where revenues are equal to or exceed expenses related to their contractual responsibility. The budget is provided to the City for information and supports annual planning discussions and baseline

for financial reporting. The agreement also provides incentives for better than budget performance as well as process and parameters to deal with deficit conditions. When the budget projection is in a deficit there is a collaborative approach to manage the outlook and reduce the risk to the City and the operating partner; this was the situation during the pandemic.

Recognizing the complexity and increasing costs to operate facilities like H<sub>2</sub>O, the agreement provides the ability for the YMCA to increase fees by 2% annually at their discretion. Increases above 2% per year require approval from City Council. As part of its annual budget submission, the YMCA has made the request to increase membership fees and drop-in admission fees for 2023 by 5% with increased membership fees effective January 1, 2023 and drop-in admission fees effective July 1, 2023.

### **Discussion:**

Recreation facilities are paramount in the development of a healthy and active community. They provide benefits to residents and visitors of all ages by supporting participation and excellence in sport, engaging non-profit and private sectors, inspiring economic development and tourism, and provide spaces for social and community connection.

The COVID-19 pandemic has disrupted many aspects of community life including the complete closure, and then gradual reopening under various restrictions for recreation and cultural facilities. While restrictions have been fully removed and some services have returned to pre-pandemic levels of activity, other service areas have not yet fully recovered – an example is membership and drop-in levels at recreation facilities. While trending in a positive direction, membership and drop-in admission levels remain below pre-pandemic levels.

The YMCA's approach to setting fees at H<sub>2</sub>O is not to default to the maximum allowable increase each year; affordability for the community remains a key consideration. Rates and respective increases are determined only once the budget has been completed. The annual budget is set at a level required to recover anticipated costs to effectively operate the amenities and programs within the facility. For example, in the past four years (2018-2022), the YMCA's monthly adult membership fees have increased from \$52 to \$55, representing a total increase of 5.77% which is well within the contractual limit of 8.24% (2% per year plus compounding). Drop-in admission fees have increased in a similar pattern.

The YMCA has provided a balanced operating budget for 2023 within the scope of their operating responsibilities. The budget, projects revenue streams that includes a 5% increase to both memberships and drop-in admissions and strives to manage inflationary pressures in both labour markets and materials costs. The YMCA's forecasted operating budget for 2023 is \$4.38M. Outside of the scope of the agreement the City maintains a facility operating budget for H<sub>2</sub>O for items related to building operations, such as – utilities, chemicals, certain maintenance expenses, deficit management and equipment replacement fund contributions. These items are outside of the YMCA financial responsibilities and the cost is approximately \$1.1M annually.

The following table provides an illustration of current rates and proposed rates with a 5% increase, rounded to the nearest \$0.25.

	Facility Drop-in (2022)	Proposed Facility Drop-in (2023)
<b>Adult</b> (25-64)	\$12.00	\$12.50
<b>Senior</b> (65+)	\$9.30	\$9.75
<b>Youth/Young Adult</b> (13-24)	\$9.30	\$9.75
<b>Child</b> (0-12)	\$6.45	\$6.75
<b>Child*</b> (0-2)	no charge	no charge
<b>Family</b>	\$30.60	\$32.25

	Membership (2022)	Membership (2023)
<b>Child and Youth</b>	\$45.00	\$47.25
<b>Young Adult</b>	\$45.00	\$47.25
<b>Adult</b>	\$55.00	\$57.75
<b>Senior</b>	\$45.00	\$47.25
<b>Family</b> (1 adult)	\$100.00	\$105.00
<b>Family</b> (2 adults)	\$155.00	\$162.75
<b>Student</b>	\$28.00	\$29.50

As indicated earlier in the report, affordability remains one of the primary goals in the operation of facilities such as H2O; ensuring all residents can participate in programs and services from this facility. Charging user fees is an important aspect of supporting business operations but fees should not become a barrier to accessibility and participation. As part of the MOA, the YMCA maintains a financial assistance program that provides discounted rates for those who cannot afford membership fees. As well, the City provides Recreation Opportunity Coupons to approximately 75 local social service-based organizations; the coupons allow free drop-in access to both Parkinson Recreation Centre and H2O.

**Conclusion:**

The proposed budget follows the requirements of the MOA and reflects current market changes and conditions. The budget provides a balanced financial operating scenario that continues to manage the relationship between facility costs, affordability and ensuring financial assistance programs are in place.

**Internal Circulation:**

- Active Living & Culture
- Communications
- Partnerships
- Financial Services

**Considerations applicable to this report:**

***Financial/Budgetary Considerations:***

Per the MOA, should the operations be in a deficit balance, the first \$20k is the responsibility of the YMCA and the remainder is the City of Kelowna's responsibility. When in a surplus, the excess funds are shared, with the City's share being placed in H2O facility and equipment reserves.

**Considerations not applicable to this report:**

***Legal/Statutory Authority:***

***Legal/Statutory Procedural Requirements:***

***Existing Policy:***

***External Agency/Public Comments:***

***Communications Comments:***

Submitted by: J. Jean, Administration & Business Services Manager

**Approved for inclusion:** J. Gabriel, Divisional Director, Active Living & Culture

Attachment 1 – H2O Memberships and Admissions Rate Adjustment Presentation

cc:

Corporate Strategic Services

Financial Services

Partnerships & Investments

YMCA of Southern Interior of BC