

Report to Council



Date: April 7, 2025
To: Council
From: City Manager
Subject: ALC Fees and Charges - Update
Department: Active Living & Culture

Recommendation:

THAT Council receives, for information, the report from the Active Living and Culture Division dated April 7, 2025, with respect to the Fees and Charges Update provided by the Active Living & Culture division;

AND THAT Council directs staff to update the Fees & Charges Bylaw #9609 applying both the Benefits Based Investment Framework and traditional approach as the basis for the development of fees and charges applied to services offered by the Active Living & Culture division, as outlined in the report dated April 7, 2025, for Council consideration;

AND THAT Council direct staff to include a Resident Registration Priority Program as part of the planning for the Building a Stronger Kelowna related facilities and services, as outlined in the report dated April 7, 2025;

AND THAT Council direct staff to prepare a business case to assess the implementation of a Resident Discount Program and related administration, as outlined in the report dated April 7, 2025.

Purpose:

To provide Council an update on the application of the Benefits Based Approach Investment Framework to user fees and provide background information regarding the application of a Resident First Program for services in the Active Living & Culture Division ("ALC").

Background:

Sport, Recreation, Arts, and Cultural programs, including associated facilities, play a crucial role in fostering a healthy and active community. These services offer significant benefits to residents and visitors of all ages by promoting participation and excellence in sport, recreation, and the arts; engaging both non-profit and private sectors; encouraging economic development and tourism; and providing spaces for social interaction, community building and wellbeing. Through these services, ALC charges user fees as presented in the ALC Fees and Charges Bylaw (No. 9609). Setting fees requires careful

consideration and appropriate balance to ensure services are accessible and do not become a barrier to participation, while contributing to operating costs and reliance on taxation. The fees and charges established by the division include program registration, facility access, and facility rentals, with approximate annual revenues of \$6.7 million.

On July 8, 2024, Council adopted the following resolution with respect to the application of the Benefits Based Investment approach to setting fees and charges, Resident First Priority Policy and Resident Discount.

Previous Council Resolution

Resolution	Date
THAT Council receives, for information, the report from the Active Living and Culture division dated July 8, 2024, with respect to the Benefits Based Approach to the Fees and Charges for services provided by the Active Living & Culture division;	July 8, 2024
AND THAT Council approves in principle the City's Investment Framework as the basis for continued development of the fees and charges program as noted in Appendix I of the report;	July 8, 2024
AND THAT staff report back to Council with an update as the Investment Framework is applied to the fee schedule prior to finalizing the program and implementation plan.	July 8, 2024
ACTION REQUIRED: THAT Council directs staff to investigate further how a resident discount rate or a non-resident fee, and a resident-first registration policy could apply to various City of Kelowna facilities and programs and report back to Council.	July 8, 2024

The Benefits Based Investment Framework serves as a comprehensive guide for the multiple stages of fee development. This method of setting user fees considers the cost to deliver the service and that those who benefit from a good or service pay in proportion to the benefit they receive. Utilizing this framework is aligned with the City's financial principles and ensures the process of establishing fees facilitates practicality, transparency, consistency, and fairness.

Discussion:

Since Council approved the Investment Framework (Attachment A) in principle, which outlines the users and uses and City investment level for various service areas within ALC, staff have continued to advance the framework through the following steps:

1. Calculated the cost per use through identifying the direct costs, indirect costs, capital renewal amounts, and determining the service quantity. This formula will provide the per user unit cost. Key service areas included in the application included: aquatic and fitness programs, memberships and drop-in fees, arenas (ice and dry sheets), sports fields (levels A, B and C), stadiums, and Kelowna Community Theatre facilities.
2. Applied the per-use cost to the investment framework thereby determining the extended rate which is the cost that users should pay based on the framework.
3. Thorough review of the extended user rate and if necessary, adjusted for practical reasons to help ensure user fees do not become a barrier to participation or impact the market. This process considers the difference between the current bylaw rate and the extended rate.

4. Development of a draft rate for implementation with safety net reviews to ensure minimal disincentive/participation impact.

Based on the application of the framework, the following observations were encountered through the process of costing and applying the investment framework:

- Established a clear alignment between the service delivery cost and user fees.
- The importance of additional reviews to confirm practicality, strategy, and potential market impacts. The practical application involves managing the effect on users and user groups to ensure changes will not hinder participation or create barriers to use.
 - Additional strategies may be considered that align with the framework while supporting local minor sport organizations (i.e. Quality Sport Program)
- Service areas may experience gradual rate increases (+/-5%) over multiple years while adopting strategies to encourage facility use.
- Further adjustments to the extended rate may be necessary, as the extended rate, in comparison to the current bylaw rate, may be unattainable even with a phased approach.
- A portion of the fees are linked to direct costs from various departments. Regular discussions and performance monitoring help ensure cost accuracy and manage the impact on future user fees.
- Certain service areas may be exempt from the Framework due to complex business operations such as the Kelowna Community Theatre. Annual costing will still occur with these types of service areas to ensure alignment with the Corporate Fees and Charges policy.

The following table provides examples of the application of the framework including unit cost, current rate, Investment Framework %, Extended Rate, and the recommended rate.

PRC Admission: Cost/Participant \$17.15	User Category	Current Rate	% investment	Extended Rate	Recommended Rate
	Youth	\$6.00	50%	\$8.58	\$6.30 (5%)
	Adult	\$8.00	75%	\$12.86	\$8.40 (5%)
Arena Ice Rental Rate: Cost/hour \$336.35	User Category	Current Rate	% investment	Extended Rate	Recommended Rate
	Minor	\$111.43	50%	\$168.18	\$117.00 (5%)
	Adult	\$222.85	75%	\$252.26	\$234.00 (5%)
Sport Field B Cost/hour \$37.79	User Category	Current Rate	% investment	Extended Rate	Recommended Rate
	Minor	\$10.61	50%	\$18.89	\$11.14 (5%)
	Adult	\$21.22	75%	\$28.34	\$22.28 (5%)

With Council's support, Staff will update the Fees and Charges Bylaw applying both the Benefits Based Investment Framework and traditional approach (market adjustment and comparator) where applicable and return late Q2 for Council consideration.

Resident First Program

A resident-first program enables a municipality to prioritize the customer experience of its residents. As residents pay taxes and contribute to the funding of facilities and programs, granting priority access, discounts or rewards for patronage ensures that the primary stakeholders have opportunities to derive

enhanced benefit from the services and amenities they substantially fund. In terms of the delivery of ALC services, there are two key areas where this may occur:

- Resident Priority Registration: A priority registration program where Kelowna residents have priority access to programs and facility space before non-residents.
- Resident Discount Policy: A fee structure where Kelowna residents pay a discounted rate.

There are merits and implications in its application, such as:

Merits of a Resident First Program:

- Residents receive priority access to high demand programs and facilities or reduced fees.
- Residents benefit from provided services and paid taxes; policies promote community pride, connections, involvement, and belonging.
- Higher non-resident rates and related programs generate revenue to support recreation facilities and programs, reducing reliance on other funding.
- Increased facility and program capacity for Kelowna residents.

Implications for a Resident First Program:

- Higher fees or limiting access for non-residents could reduce participation and revenue.
- Requires clear guidelines and processes and additional resources to manage program.
- City owned, third-party operated facilities will require further evaluation that considers consistency in the delivery system.
- Perceived unfairness from non-residents who work and visit Kelowna or bring events to Kelowna due to higher fees and restricted access for services.

Municipalities need to consider these factors carefully and find a balance that aligns with their priorities and objectives.

Resident Priority Registration

Resident priority registration provides an option for residents to access programs and services ahead of non-residents, thus prioritizing their customer experience without impacting pricing. This practice is currently used with facility rental guidelines for arenas and sports fields, but not with general interest program registration (i.e. swimming lessons, fitness classes, etc.).

This approach could be effective in increasing access of high-demand programs to residents first, such as swimming lessons. Expanding the program would need to be done on a targeted basis to limit negative implications. In some cases, programs are challenged to meet minimum registration numbers and deterring non-residents from registering could be the difference between cancelling or running a program.

Registration for general interest programs can be conducted online or with limited staff interaction; however, our current online registration software lacks the ability to categorize customers regionally (i.e. resident/non-resident). As part of the BSK operational planning, staff are reviewing the current recreation software's performance with a focus on digital service delivery with the onboarding of the new facilities. In anticipation of the upgrades required or to the extent of a recreation software system replacement, staff have included the resident priority approach as part of the review.

Expanding a resident priority registration program more broadly within ALC operations will ensure residents have priority access to high demand programs and services. Implementation planning would consider:

- City operated recreation facilities, programs and services.
- Align timing with operational planning for Building a Stronger Kelowna facilities.
- Further review of practical application that considers facility and program areas, guidelines and implementation strategies.

Resident Discount Policy

A resident discount policy provides residents with a discounted user fee to access facilities, programs, and services. The implementation of a resident discount policy can take many forms with varying degrees of complexity and success. Attachment B provides a sample of municipalities that administer a resident discount program.

An important step is to understand the level of facility use by residents and non-residents. The following table provides some context with data collected through client postal codes, of City owned/operated sport and recreation facilities as well as general interest programs. This data does not include third-party operated facilities at this time. Additional details are provided in Attachment C. Based on how we currently collect data, the average resident participation is 85% while the non-resident participation equates to 15% across these services.

Table 1 - Service Area and participation	2024 Resident Participant %	2024 Non-Resident Participant %
Admissions + Memberships	80%	20%
Programs	87%	13%
Rentals	87%	13%
Average	85%	15%

The combined cost to administer the program coupled with revenue potential requires further review, however the return on investment is not anticipated to be significant. The implementation of a resident discount program may be guided by the principle of supporting residents who contribute to general taxation, rather than for financial reasons.

In order to align with the BSK bundle, significant investments in ALC infrastructure, and expiration of key agreements for third-party management agreements (i.e. H2O), staff recommend a more fulsome review of a resident discount program applied to this broader portfolio, as follows:

- City operated recreation facilities and services – admission/membership and facility rentals. Program/league registration would be excluded with resident priority managed through registration.
- Align timing with operational planning for Building a Stronger Kelowna facilities.
- Further review of practical applications that defines facility and program areas, guidelines, fee structure, and implementation strategies.
- Application to similar third-party operated City facilities (i.e. H2O, MNP Place)
- Present back to Council in Q4

As highlighted earlier, an added complexity to a resident-first program is that Kelowna employs a blended approach to recreation and cultural facility management that includes City and third-party operated City-owned facilities. Third-party operated facilities are governed through an operating agreement and generally provide operating autonomy to the operator. A key consideration to the resident first program is ensuring balance exists between similar facilities in terms of operating practice and services to the community. As agreements are set to be renewed, further evaluation will be required that considers a resident-first program.

Summary

The success of a resident-first program relies on effective communication, fair implementation, favourable market conditions and continuous evaluation to ensure that it serves the entire community's interests. The City must weigh these considerations carefully to find a balanced alignment with Council and Corporate values.

Next Steps:

Based on Council's discussion and support of the recommendations, the next steps include:

1. Update Bylaw #9609 for Council consideration. Anticipated timeline for Bylaw update is end of Q2 2025.
2. Include a resident registration priority program as part of the operational planning for Building a Stronger Kelowna related facilities and services.
3. Development of a business case to assess the implementation of a Resident Discount Program and related administration for Council consideration.

Internal Circulation:

Financial Services

Communications

Information Technology

Existing Policy:

[Council Policy 222 - Recreation and Cultural Services – Philosophy](#)

Legal/Statutory Authority:

[Fees & Charges Bylaw No. 9609 - Active Living & Culture Services](#)

Communications Comments:

There are no immediate communications requirements at this stage, however the implementation of a resident-first program would require substantial customer communications strategies staged over time through implementation.

Considerations not applicable to this report:

Legal/Statutory Procedural Requirements:

Financial/Budgetary Considerations:

Consultation and Engagement:

Submitted by: L. Regnier, Finance & Business Services Manager, Active Living & Culture

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

Attachments:

Attachment A: Investment Framework Report

Attachment B: Municipal Review – Resident Discount Structure

Attachment C: Participation Metrics

Attachment D: ALC Fees and Charges – Update Presentation

cc: General Manager, Corporate Services
Deputy Chief Financial Officer, Financial Services