

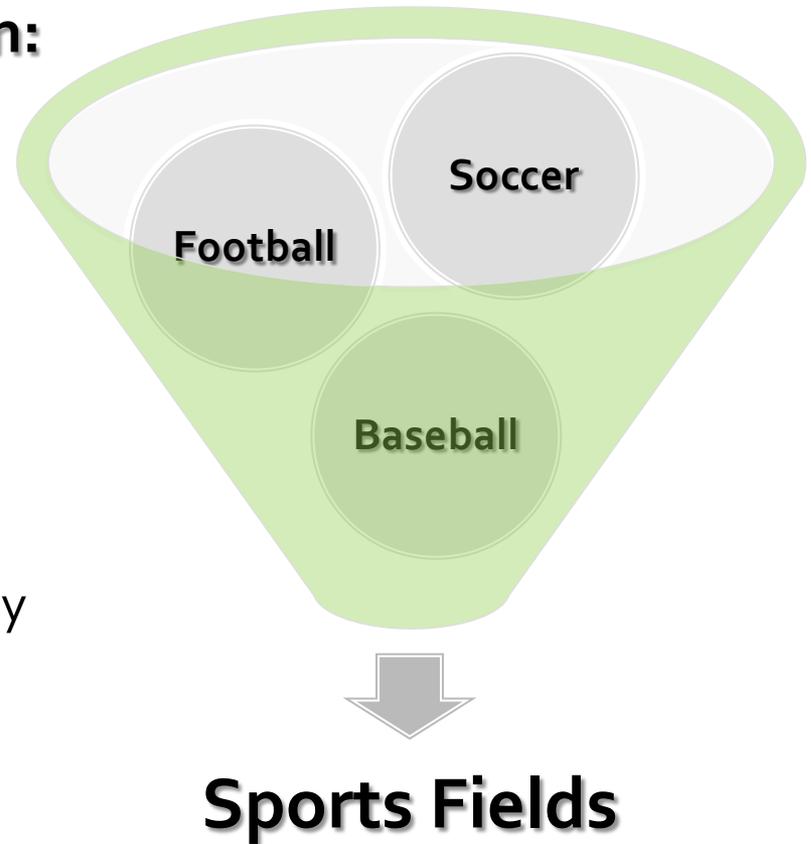


User Fees and Recoveries – Sports Fields

By: Brian Bigger, Auditor General
On: November 13, 2012
To: Audit Committee

Audit Objectives

- **A Review of current practices in:**
 - ✓ **Establishing,**
 - ✓ **Applying,** and
 - ✓ **Recovering** user fees (within Leisure Services, and specifically for Sports Fields).



Assisting Council

Quality of Stewardship // Value For Money

■ **Why User Fees For Sports Fields?**

- ✓ Ties in well with key principles found in Council's Long Term Financial Plan
- ✓ Assists Council in their 2013 Budget Review. (user fees are accepted)
- ✓ Taxpayers, key users, and council may not be aware of the trends and relationship between user fees and Full Costs of programs.
- ✓ Ties in well with Council's enthusiasm for developing Sports Tourism



Impact Of User Fee Setting

FOR THE MOST PART:

- ✓ WHAT IS NOT COLLECTED THROUGH USER FEES

IS

- ✓ COLLECTED THROUGH MUNICIPAL TAXES



Audit Objectives

■ **Why Sports Fields?**

1. Ties in well with Council's enthusiasm for developing Sports Tourism
2. Key users can be identified (Leagues, Associations, Clubs)
3. Key users have common goals of improved facilities
4. Finding the way forward to fund these "Capital" improvements is everyone's interest
5. "Equity" is a strong theme
6. Enhancement of sports fields provides almost exclusive benefit to key users, and user fees can be collected
7. The current user fee contribution to the City represent a small % of total cost to participants (increases in contribution to the City's budget does not necessarily mean a equal increase in amount paid by participants)



Audit Objectives

- **Our audit procedures were designed to evaluate whether:**
 - The process for establishing user fees was effective in considering the future sustainability of CGS facilities and programs within Leisure Services – Sports Fields;
 - Whether criteria used to establish user fees (e.g. operating costs, fixed costs, overhead costs) and cost recovery targets for new and existing Sports Fields within Leisure Services are established and maintained;
 - User fees for Sports Fields are charged and collected according to the City of Greater Sudbury's (City) by-law;
 - User fees for Sports Fields are periodically reassessed.

Setting A Target Recovery Percent

- A best practice for user fees is for the City to set a policy framework that provides transparency and clarity, promotes consistency, and makes cost sharing amongst users more equitable.

Management should present user fee **Target Recovery Options** to Council after performing a full cost analysis.

- Since the decision for establishing user fees rests with Council, full cost analysis will better inform Council of cost recovery target options as well as their impact on user fees.
- Management may want to consider implementing these recommendations within Leisure Services prior to rolling it out to other departments within the City.

Setting A Target Recovery Percent

CURRENT USER FEE EVALUATION METHOD				
Sports fields			Percent Of Needs Recovered by User	
	2009	2011	2009	2011
User Fee Revenues Collected	\$ 249,891	\$ 296,575		
Annual Operating Requirement (Required to operate sports fields)	\$ 1,703,209	\$1,648,124	14.7%	18.0%

PROPOSED USER FEE EVALUATION METHOD				
Sports fields			Percent Of Needs Recovered by User	
	2009	2011	2009	2011
User Fee Revenues Collected	\$ 249,891	\$ 296,575		
Annual Operating Requirement (Required to operate sports fields)	\$ 1,703,209	\$1,648,124		
Annual Capital Requirement (Required to replace existing assets)	\$ 554,555	\$ 645,190		
Annual Full Cost Requirement (Operating and Capital)	\$ 2,257,764	\$2,293,314	11.1%	12.9%

Setting A Target Recovery Percent

- **How Can This Save On Taxes In The Future?**
 - Reviewing user fees while considering full costs, and setting a **TARGET RECOVERY PERCENT** for user fees:
 1. A direct link between revenues and full costs is established
 2. Directors are compelled to develop a fiscally sustainable (full cost) plan for City programs and services
 3. Future increases in full costs must be justified in light of the impacts on user fees to participants.

Setting A Target Recovery Percent

With A Direct Connection Between:

REQUESTED INCREASES IN FULL COSTS

AND

REQUESTED INCREASES IN USER FEES

Fiscal Accountability is increased

Recommendations:

Hourly vs Per Participant Fees

- **Evaluate whether the youth per participant rate should be replaced by an hourly rate.**
 - If any changes are required, it should be reflected within the User Fee By-law approved by Council.
 - If the City continues to charge a per participant fee for youth associations, Leisure Service should consider including a provision for **participant number verification rights** within the Facility Agreement for youth leagues similar to other revenue generating contracts within the City.

Hourly vs Per Participant Fees

- Considerations In A Shift To Per Hour Rates From Per Participant Rates:
 1. Leagues and clubs currently enjoy unlimited usage within the season
 2. The linkage to operational and capital costs can be improved
 3. The goal of equity between participants might also be improved

League	Number of Participants	Number of Hours Booked on Natural Turf Fields	Rate Per Hour
Sudbury Minor Girls Softball	138	334	\$ 6.20
Valley East Soccer	1692*	1799*	\$ 16.56
Sudburnia Soccer Club	1,235	3,372	\$ 5.49
Joe MacDonald Football League	274	100	\$ 41.10
Greater Sudbury Soccer Club	385	1,073	\$ 5.38

* Includes both Adult and Youth as they were all charged by the number of participants

Table 1 – Rate per hour for field usage for youth associations in 2011



Recommendations:

Collection Before Use

- For adult associations, the City should ensure that the terms within the Facility Agreement which is signed by each association are followed so that fees are collected prior to the use of the City's facilities.
- Leisure Services should amend the payment terms in the Facility Agreements for youth leagues, so that the City collects user fee revenue prior to the use of the facilities, similar to adult associations.



Recommendations:

Reviewing Rates and Exceptions

- User fee rates for James Jerome artificial turf should be re-evaluated to ensure they are meeting established program objectives.
- Although the exceptions found in our limited review of Sports Fields did not have a significant dollar impact, any user fee charged should be specified within the User Fee By-law which is approved by Council. Exceptions to the By-law should not be given unless explicitly approved by the General Manager.



Recommendations:

Joint Use Agreements

- Ensure the Joint Use Agreements are updated in a timely fashion with all school boards participating in this agreement. Ensure they accurately reflect the current understanding amongst all the parties in regards to field maintenance, usage and restrictions.
- Additional clarification should be made in the User Fee By-law as to which City fields are major or minor complexes. This should include fields covered under Joint Use Agreements for which the City can charge a fee.

Quality Of Stewardship // Value For Money

- The most notable of improvements expected as a result of this audit will be to:
 - Make the linkage between full, sustainable, program costs and revenues more direct;
 - Enhance communication of full, sustainable, program costs to support decision making, leverage community partnerships, and establish more reliable funding sources towards fiscal sustainability of Leisure Service programs;
 - Increase the depth of periodic reviews for established user fees to ensure they are in line to meet established objectives and targets;
 - Establish formal Joint Use Agreement(s) with local school boards;
 - Provide some additional clarification within the User Fee By-law.