

2010 BUDGET BRIEFING NOTE

PF&R Ski Hills Direct Operating Cost Recovery

Issue / Background:

The 2010 Recommended Operating Budget for Parks, Forestry and Recreation includes \$0.149 million in savings in 2010 and incremental savings of \$0.448 million in 2011 as a result of renting out the Centennial Park Ski Hill, Earl Bales Park Ski Hill to third parties.

During the Budget Committee meeting on March 3, 2010, the General Manager of Parks, Forestry and Recreation was requested to report to final wrap-up meeting on a funding model for the ski hills that permits:

- Full cost recovery and partial cost recovery;
- Access for persons under Welcome Policy; and
- Continuing the program by Parks, Forestry and Recreation.

Divisional Operating Cost Recovery in Ski Hills:

Renting out the Centennial Park and Earl Bales ski hills will result in savings of \$0.149 million in 2010 and \$0.448 million in 2011 for total annual savings of \$0.597 million.

The costs currently reflected in the budget for Ski Hills do not represent the Full Cost of the operation. The \$2.6 million in budgeted operating costs include salaries and benefits, materials and supplies related to programming and maintenance of the two sites and exclude divisional overhead, capital maintenance, depreciation and corporate overhead allocation.

To respond to this request, Parks Forestry and Recreation staff considered the impact of increasing the cost recovery rate for ski hills operations by 10%, 20% and 30%. The net savings target from renting out the ski hills to third parties for 2010 and 2011 is \$0.597 million. To realize the net savings, the fees in all ski categories need to increase by 30% with no loss of customers.

Incremental Revenues	2009 Volume	Current Revenue*	Revenue Impact from 10% increase	Revenue Impact from 20% increase	Revenue Impact from 30% increase
Registrations	7,435	\$1,215,130	\$121,513	\$243,026	\$364,539
Drop In	53,670	\$439,080	\$43,908	\$87,816	\$131,724
Memberships	645	\$20,100	\$2,010	\$4,019	\$6,029
Equipment Rentals	17,091	\$313,120	\$31,312	\$62,623	\$93,935
Incremental Revenue		\$1,987,430	\$198,743	\$397,484	\$596,227

Impact by budget year					
2010	25%	\$496,858	\$49,686	\$99,371	\$149,057
2011	75%	\$1,490,573	\$149,057	\$298,113	\$447,170
Incremental Revenue		\$1,987,430	\$198,743	\$397,484	\$596,227

* Figures represent full calendar year, not the ski season.

Although these ski operations have no competition in the City, the demand for programs may be adversely affected by the fee increases which would be required to increase the cost recovery rate. It is estimated that fee

increases may reduce demand by up to 10% for adult ski lessons, ski passes and rentals. The demand reduction estimates have not been included in revenue impacts.

The following four registered programs constitute 44% of total registrants for registered programs at the ski hills and would comprise 67% of total fee increases. A reduction in demand in these four programs would impact the Division's ability to recover its costs. The table below outlines new fees for these four registered programs under each considered scenario:

Ski Program	Current Fee	Registrants	Revenues	Fees with 10% Increase	Fees with 20% Increase	Fees with 30% Increase
Ski Child Package A	\$202	1,188	\$239,976	\$222	\$242	\$263
Ski Child Package B	\$306	1,140	\$348,840	\$337	\$367	\$398
Snowboard Child A	\$202	476	\$96,152	\$222	\$242	\$263
Snowboard Child B	\$306	438	\$134,028	\$337	\$367	\$398
Total		3,242	\$ 818,996			

Comparable rates for ski hills in the GTA are outlined in the table below:

PROGRAM INFORMATION - 2010 Rates						Toronto Fees with Increases		
Hourly Rates	Toronto Current	Glen Eden	Uplands	Brampton	Chicopee	10%	20%	30%
Private Lesson	\$56.00	\$86.00	\$75.00	\$38.00	\$82.00	\$61.60	\$67.20	\$72.80
Additional Person	\$28.00	\$59.00	\$35.00	\$21.50	\$38.00	\$30.80	\$33.60	\$36.40
Ski Lesson Only								
3-5yrs old	\$16.75	\$44.13	\$42.14	\$16.30	\$35.83	\$18.43	\$20.10	\$21.78
6-8yrs old	\$25.25	\$30.38	\$41.43	\$16.30	\$32.58	\$27.78	\$30.30	\$32.83
9-14yrs old	\$25.25	\$30.38	\$41.43	\$16.30	\$32.58	\$27.78	\$30.30	\$32.83
15yrs+	\$25.25	\$35.75	\$41.43	\$16.30	\$32.58	\$27.78	\$30.30	\$32.83
Adult Exclusive	\$19.75	\$37.86	\$41.43	N/A	\$32.68	\$21.73	\$23.70	\$25.68
Snowboard Lesson Only								
3-5yrs old	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6-8yrs old	\$25.25	\$30.38	\$41.43	\$18.70	\$32.58	\$27.78	\$30.30	\$32.83
9-14yrs old	\$25.25	\$30.38	\$41.43	\$18.70	\$33.33	\$27.78	\$30.30	\$32.83
15yrs+	\$25.25	\$35.75	\$41.43	\$18.70	\$32.58	\$27.78	\$30.30	\$32.83
Adult Exclusive	\$19.75	N/A	\$41.43	N/A	\$32.58	\$21.73	\$23.70	\$25.68
Cost of rental ski								
1hour programs	\$12.75	\$20.00	\$20.00	\$12.25	\$13.00	\$14.03	\$15.30	\$16.58
1hour + programs	\$9.93	N/A	N/A	N/A	\$13.00	\$10.92	\$11.92	\$12.91
Cost of rental snbd					\$13.00	N/A	N/A	N/A
1hr program	\$12.75	\$20.00	\$20.00	\$17.50	\$13.00	\$14.03	\$15.30	\$16.58
1hour+ programs	\$9.93	N/A	N/A	N/A		\$10.92	\$11.92	\$12.91
Discover Ski	\$40.00	\$54.95	\$45.00	\$39.50	\$59.00	\$44.00	\$48.00	\$52.00
Discover Snowboard	\$40.00	\$54.95	\$50.00	\$46.75	\$59.00	\$44.00	\$48.00	\$52.00
Freestyle	\$12.62	\$25.20	N/A	N/A	N/A	\$13.88	\$15.14	\$16.41
Instructor Prep	\$15.68	\$21.69	\$17.14	N/A	\$35.08	\$17.25	\$18.82	\$20.38

If the City continues to operate ski hills with cost recovery rates, Welcome Policy participants will be able to continue to use them. However, projected fee increases would result in a larger portion of the available Welcome Policy funding supporting ski participation, reducing available subsidy for other programs.

The average Welcome Policy subsidy use for children and youth is \$85 per registered program and \$311 per year. Assuming the proposed 30% fee increase, an instructional ski program for Children & Youth would be \$369. This amount is more than four times greater than the average subsidy for a registered program for children and youth of \$85 and by comparison also exceeds the average annual Welcome Policy expenditure per participant of \$311.

The Division estimates that a 30% increase in registered ski program fees would deplete an additional \$120,000 of Welcome Policy subsidy, with the same level of Welcome Policy usage.

The Division was asked to consider how access for Welcome Policy participants could be accommodated if the ski hills were operated by a third party through a rental agreement. Under this scenario the request for proposals could include the condition that the proponents provide reduced rates to Welcome Policy clients through a service agreement with the City.

Conclusion:

A 30% increase in ski hill user fees would be required to recover ski hill net operating costs of \$0.597 million annually. While such an increase in ski hill user fees would result in rates which are comparable to those at facilities in the surrounding area of Ontario (except for the highly subsidized Brampton municipal facility), a 30% fee increase will likely reduce service demand and put the City at risk of not achieving the targeted income.

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