

# Red Deer Multi-Use Aquatic Centre

City of Red Deer

Prepared by The JF Group



October 2011



# BUSINESS PLAN

FINAL REPORT, rev.2



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## TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
SECTION ONE INTRODUCTION	3
1.1 BACKGROUND TO THIS STUDY	3
1.2 STUDY PURPOSE	3
1.3 STUDY LIMITATIONS	3
SECTION TWO CONTEXT FOR THE BUSINESS PLAN	5
2.1 COMMUNITY PROFILE	5
2.2 TRENDS AND BEST PRACTICES	8
2.3 INFLUENCE OF TRENDS	12
2.4 P3'S IN RECREATION	14
2.5 BENEFITS OF A DOWNTOWN LOCATION	17
SECTION THREE RED DEER'S AQUATIC CENTRES	18
3.1 CURRENT INVENTORY OF AQUATIC CENTRES	18
3.2 PROFILE OF RED DEER'S POOLS AND COMMUNITY CENTRES	19
3.3 SUMMARY	25
SECTION FOUR STAKEHOLDER CONSULTATION	26
SECTION FIVE PROPOSED MULTI-PURPOSE AQUATIC FACILITY	27
5.1 FACILITY ELEMENTS	27
5.2 ORDER OF MAGNITUDE CAPITAL COST	28
5.3 THE FACILITY DESIGN PROMOTES USE FLEXIBILITY	28
5.4 FUTURE FACILITY USE	31

SECTION SIX	BUSINESS PLAN	32
6.1	POTENTIAL GOVERNANCE STRUCTURE	32
6.2	POSITIONING THE MULTI-PURPOSE CENTRE	32
6.3	STAFFING PLAN	32
6.4	FEES ASSUMPTION	35
6.5	PROGRAM IMPLICATIONS	35
6.6	PREMISE OF ASSUMPTIONS	35
6.7	REVENUE ASSUMPTIONS	35
6.8	COST ASSUMPTIONS	36
6.9	FIVE YEAR FINANCIAL PROJECTIONS	37
6.10	FINANCING COST IMPLICATIONS	38
6.11	ASSET MAINTENANCE AND RENEWAL STRATEGY	38
6.12	SYSTEM WIDE MUNICIPAL SUPPORT IMPLICATIONS	38
SECTION SEVEN	MARKETING AND CUSTOMER SERVICE PLAN	39
7.1	MANAGING CUSTOMER SERVICE	39
7.2	MARKETING THE MULTI-PURPOSE CENTRE	40
APPENDIX 1	SUMMARY OF INPUT FROM USER GROUP QUESTIONNAIRE	44

## EXECUTIVE SUMMARY

This business plan provides direction for the development and operation of a new Multi-purpose Aquatic Centre in Red Deer. The plan presents the City's demographic profile and population forecasts that will influence the facility's future utilization. It also provides insight into the manner in which the new Centre will enhance Red Deer's aquatic facility inventory and the manner in which the Centre should be differentiated from the City's other Centres. Most notably, the plan provides insight, direction and analysis of all aspects of the facility's future operations including revenue and cost projections for its initial five years.

The following is a summary of the key elements of the business plan.

### COMMUNITY PROFILE

- The City's population has grown by 58% over the past two decades (from 58,252 in 1991 to 91,877 in 2011). Population projections suggest that the City will continue to grow at a rate of approximately 1.8% per year for the next 20 years.
- Although Red Deer is a relatively young community, older adults will make up a larger proportion of the City's population in the next 20 years. Over the same period, the proportion of children and youth in the community will decline.
- Properly positioned, the new Centre will meet the recreation and sport needs of children in the City while appealing to the broader and expanding adult and older adult markets. The Centre's proximity to the downtown core will allow it to target programs and initiatives to meet the needs of the working population within a reasonable travel distance to the Rotary Recreation Park site.

### TRENDS, INFLUENCES AND BENEFITS

- The concept plan for the Centre and the elements of this business plan reflect up-to-date facility development trends and operational best practices. The facility's programs will be structured to capitalize upon the connection between sport and recreation participation and good health. In so doing, the Centre will contribute to Red Deer's social and community well being.
- The multi-purpose nature of the Centre and the flexibility designed into its elements will definitely be on-trend. The Centre's mix of features and its open and welcoming layout will maximize its appeal, contributing to its ability to successfully meet the sport and recreational needs of Red Deerians.
- Located near the City's downtown core, the new Centre will be aligned with Red Deer's Greater Downtown Action Plan, be highly visible, be very accessible, and be convenient to numerous potential individuals and groups of users.

### THE CITY'S AQUATIC INVENTORY

- The Multi-purpose Aquatic Centre will augment the City's aquatic system. The Centre's development will trigger the City's intent to close the Michener Aquatic Centre that is currently leased from the Province of Alberta. The new Centre will accommodate the aquatic program requirements of the Recreation Centre's existing and expanded patronage as well as Michener's clientele.
- The Collicutt Centre and the G.H. Dawe Community Centre will continue to serve the family wellness and leisure needs of Red Deer residents. It is anticipated that both facilities will remain popular venues for a variety of aquatic and recreational activities. Now that the renovations to the G.H. Dawe Community

Centre are complete, the City's aquatic environment will stabilize allowing pool patrons to resume their normal participation routines.

- The Multi-purpose Aquatic Centre's services will focus on health, wellness education, fitness, sport training and cross generational programming that influence personal and social behaviors. The Centre will be differentiated from the other City aquatic facilities while expanding the sport and recreation opportunities available to Red Deer residents. This position will also help to reduce competition between the City's three major community facilities.

## **THE BUSINESS PLAN**

- There are a variety of models available to the City for the management and operations of the new Centre. For the purposes of preparing the elements of this plan and presenting the most accurate financial projections, the plan is based on a municipal management approach.
- The financial assumptions are realistic, defensible and consistent with industry norms. To protect against providing an overly optimistic financial forecast, revenue projections are conservative while cost estimates are consistent with a facility of the Centre's size and sophistication. This approach resulted in financial projections that are realistic and conservative.
- The new Multi-purpose Aquatic Centre staff plan takes full advantage of all available efficiencies. The offices for the Recreation Section of the Recreation, Parks and Culture Department will be located on the second floor administration area.
- The Centre's staff plan assumes that the Recreation Centre and Michener Aquatic Centre staff will be located at the new facility. The plan includes a Customer Service/Marketing Specialist and a Finance Specialist to handle the new and expanded duties required at the Centre - these two individuals will also have responsibilities at the G.H. Dawe Community Centre. A Dry Land Program Specialist will be responsible for programming the extensive wellness centre.
- The new Centre will be operated by a combination of full time and part time personnel. A complement of 38.3 full time equivalent personnel (FTEs) is included in the plan. This represents an increase of 14.43 FTEs in comparison to the combined work forces of the Recreation Centre and the Michener Aquatic Centres.
- It is assumed that the new Centre's fees will be consistent with the G.H. Dawe Community Centre price schedule.
- All revenue projections are based upon individual line item calculations that reflect estimated traffic and program or service sales levels multiplied by the price of each program or service. Payroll cost projections are based upon the proposed staff plan and the City's prevailing compensation rates plus benefits. All other cost projections are based upon industry norms and averages that have been adjusted to reflect the nature of the new Centre as well as the City's usual operating metrics.
- The business plan projects that the new Centre will produce about \$1.2M in revenue compared to total expenses of approximately \$4.5M - therefore requiring municipal support of \$3.35M in its first year of operation. This level of support is about \$1.5M more than the combined annual support for the Recreation Centre and Michener Aquatic Centre.

## SECTION ONE – INTRODUCTION

### 1.1 BACKGROUND TO THIS STUDY

The City of Red Deer is a dynamic, growing community centrally located between Alberta's two largest cities, Calgary and Edmonton. The City's 91,000 residents enjoy a beautiful natural environment and excellent sport and recreational opportunities. Red Deer's diversified economy includes a growing manufacturing industry, a strong retail and wholesale service industry, agriculture, tourism and oil and petrochemical industries. The City boasts first class health and education facilities, beautiful parks, trails and abundant amenities<sup>1</sup>.

The municipality currently offers a wide variety of sports, recreation and leisure programs to residents of all age levels. In doing so, the City operates a number of recreation and leisure facilities such as pools, arenas and community centres. Moreover, City personnel provide a number of leisure programs and activities in venues such as cultural centres, schools, parks, open spaces, etc.

Red Deer currently operates four major aquatic facilities – the Michener Aquatic Centre, the Recreation Centre, the G.H. Dawe Centre, and the Collicutt Centre. Collectively, the facilities serve a wide variety of interests ranging from aquatic instruction, recreational swimming, fitness programs, club use, etc. Individually, the facilities serve the surrounding communities and act as the home venue for athletic and sport clubs.

### 1.2 STUDY PURPOSE

Over the past decade, there has been considerable discussion about the value of incorporating an indoor 50 metre multi-use pool into the inventory of recreation facilities available to Red Deerians. In 2008, the Greater Downtown Action Plan identified Rotary Recreation Park as a significant place in the recreation and cultural context of Red Deer and that it should be considered as a primary site for a major recreation complex containing a substantial aquatic component. Indeed, the complex would contain many of the facilities evaluated in the City's Recreation, Parks and Culture Community Asset Needs Assessment (2008)<sup>2</sup>.

The Central Alberta Aquatics Centre and the City of Red Deer (CAAC/CORD) jointly created a Planning Committee comprised of members from each organization. In March 2011, Marshall Tittmore Architects and MacLennan Jaunkalns Miller Architects (MTA/MJMA) worked with the CAAC/CORD Committee to complete the first of a multi-phase study examining the implications of developing the multi-purpose recreation complex. Phase One was a green field comparative site analysis that concluded locating the new complex at Rotary Recreation Park was the preferred option. This conclusion was reached because Rotary would be more successful in achieving the urban and sustainable goals set out in the joint Committee's planning agenda<sup>3</sup>.

MTA/MJMA then completed Phase Two of the study - the conceptual model for a multi-use aquatic facility. Working with functional requirement input from the Committee, the architects created a concept that contains a wide range of core aquatic uses including competitive swimming and diving, instructional classes, fitness, and therapy as well as indoor and outdoor leisure components. Pools and spectator seating along with support amenities for athletes and spectators would be designed to accommodate large regional swim meets. Additionally, the pool will have a moveable floor and bulkheads along its depth and length to be adjusted to fit a number of simultaneous pools activities such as water polo and synchronized swimming or beach entry leisure and hydro therapy, ensuring maximum use and program flexibility. The flow rider would expand the targeted demographic met by the centre's facilities to ensure that the teenagers will have a place in the Red Deer Multi-purpose Aquatic Centre<sup>4</sup> (4).

<sup>1</sup> City of Red Deer Web site, August 2011.

<sup>2</sup> Red Deer Rotary Recreation Park and South Side Study Report, August, 2010

<sup>3</sup> Red Deer Multi-use Aquatic Centre, Phase 2: Conceptual Model, July 2011

<sup>4</sup> ibid

The JF Group was commissioned to prepare a business plan that considers key trends and influences likely to affect the facility's future success. Specifically, the consultant was to:

- determine the most appropriate market position for the new Centre;
- determine the potential and projected uses of the facility;
- present options for the Centre's governance/management model;
- suggest an organizational structure;
- recommend a pricing structure; and
- develop a business plan that estimates the revenue and costs of the facility for its first five years of operation.

Consistent with the project requirements, the early sections of this report describe trends, issues and influences that will be key factors in the future programmatic and financial success of the Centre. Additionally, the report presents overarching business directions that not only respond to the facility's key success factors but also support the City's Recreation Parks and Cultural Department's mandate and operating protocols. The report concludes with a business plan inclusive of the projected five-year financial implications of the new Multi-purpose Aquatic Centre.

### **1.3 STUDY LIMITATIONS**

The study was completed in a relatively short time frame. Because of the condensed timing, The JF Group did not undertake primary research, but rather relied on secondary information sources including previous reports and studies, data assembled by City staff, input provided by local aquatic groups, Statistics Canada data, and other associated materials. While The JF Group has attempted to verify all data used in the study's analysis, we make no representation as to the accuracy or completeness of the information received.

The contents of this report reflects the consultant's best judgment and knowledge of the project and is based on available information and circumstances at the time of our analysis and this report's preparation. Any third party use of this report or reliance on the report's contents for decision making is the responsibility of such third parties. The JF Group accepts no responsibility for damages, if any, suffered by a third party as a result of decisions made or actions taken based on the contents of this report.

## SECTION TWO - CONTEXT FOR THE BUSINESS PLAN

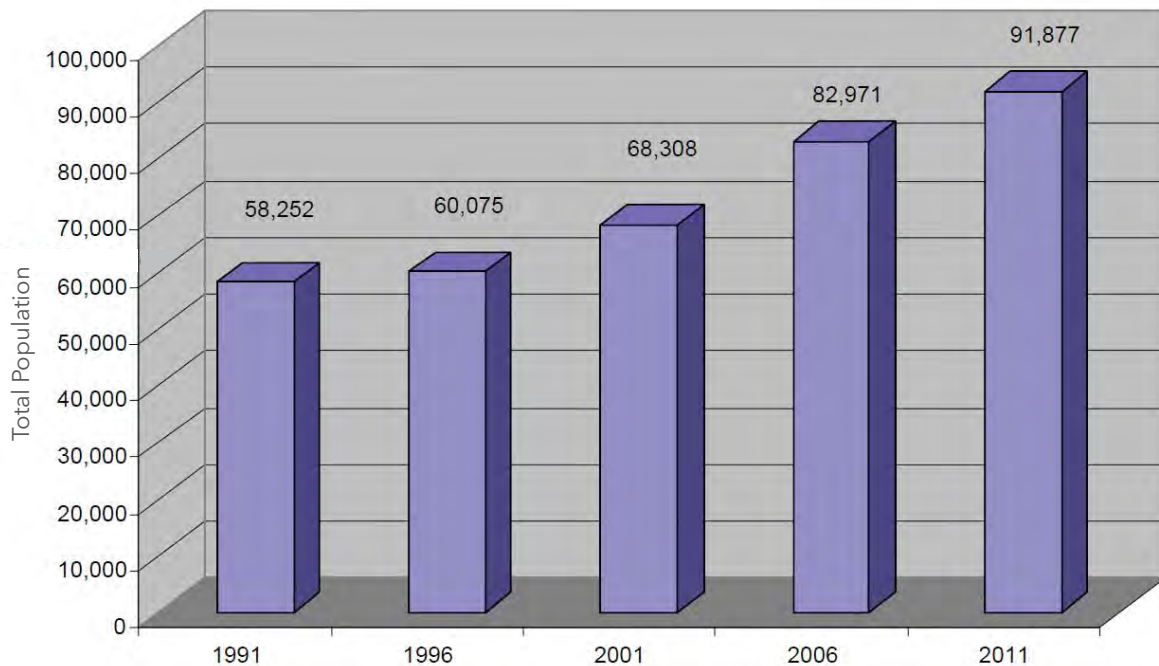
### 2.1 COMMUNITY PROFILE

#### Historical Population Growth

The City of Red Deer has experienced significant population growth (58%) over the past 20 years. According to the City's 2011 Municipal Census Report, Red Deer is now home to almost 92,000 residents making it the third largest City in Alberta - behind Calgary and Edmonton.

Located on the Queen Elizabeth II Highway between Alberta's two largest cities, Red Deer is now described as the centre or hub of the most vibrant economic corridor in the country<sup>5</sup>.

Chart One:  
City of Red Deer Population Growth 1991 - 2011



Source: Statistics Canada and 2011 Municipal Census Report, City of Red Deer

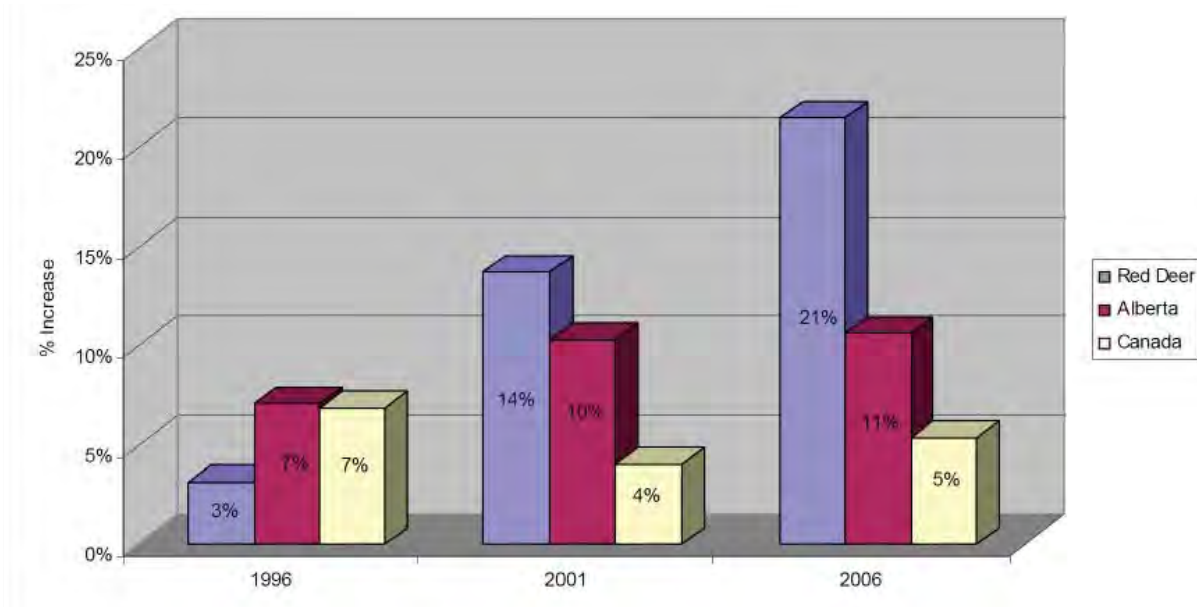
According to Statistics Canada, over the past decade, Red Deer's growth has outpaced population increases of both the province of Alberta and Canada as a whole. Interestingly, with the exception of Grande Prairie and Wood Buffalo, Red Deer is the fastest growing municipal jurisdiction in Alberta.

In 2006, almost 55% of Alberta's entire population resided in the Calgary-Red Deer-Edmonton corridor.

<sup>5</sup> Demographic and Socioeconomic Trends of Red Deer Report, November 2008



Chart Two:  
Red Deer, Alberta & Canada Population Growth 1996 - 2006



Source: Statistics Canada

The consistency of Red Deer's population growth coupled with the City's proximity to Alberta's most populous municipalities suggests that the new Multi-purpose Aquatic Centre would have access to a variety of markets and potential patrons that could take advantage of the Centre's diversified mix of facilities and services.

#### Age Profile

Consumers within defined age cohorts utilize recreation facilities differently. Children and youth are the primary participants in registered and instructional programs such as swimming lessons. Furthermore, many sport clubs that serve children and youth are frequent renters of facility space and time. On the other hand, adults visit facilities for training, wellness and fitness purposes while older adults generally have an expanded 'time of use window' to participate in a host of active or passive activities.

The City's median age is 33.4 years which is almost three years younger than the provincial median (36 years) and six years younger than the country as a whole (39.5 years). Yet, there has been a progressive decline in the proportion of the city's children age 0 - 14 years. Between 1996 and 2001, there was a decrease in the absolute numbers of children - a decline of 13,575 to 20.1% of the total population. The trends were reversed in 2006 when the absolute number of children increased by 15,010 yet a further decline in the proportion of children occurred - to 18.1% of the total population<sup>6</sup>.

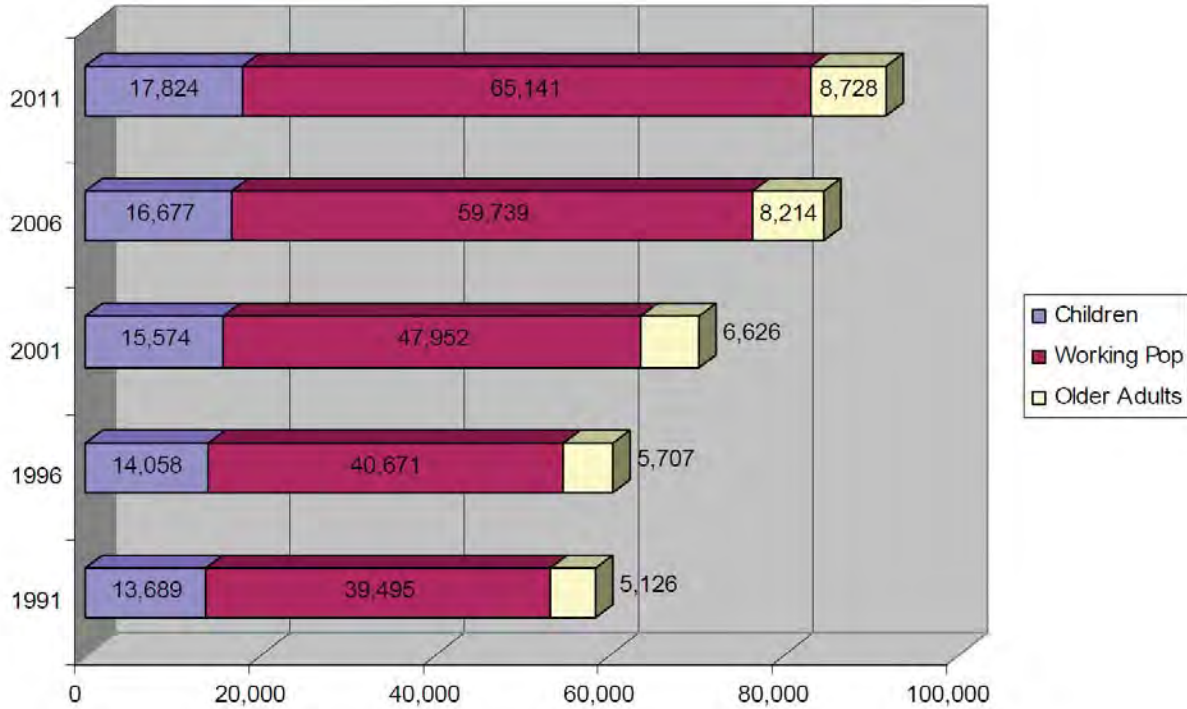
Not surprisingly, an examination of the older adult population (over 65 years) reveals a reverse relationship compared to the children's trends. In 1991, older adults represented 8.8% of the City's population while in 2006 the proportion had climbed to almost 10% - meaning that one in ten residents is an older adult. The trend in the growth in absolute numbers and proportion of seniors in the city indicates an aging population which is expected to continue over time.

To simplify the presentation of Red Deer's age profile, we have created three classifications of potential users of the Multi-purpose Aquatic Centre - children 0 - 14 years; the working population 15 - 64 years; and older adults 65+ years. The following charts illustrate the historical absolute number of individuals that fall into

<sup>6</sup> ibid

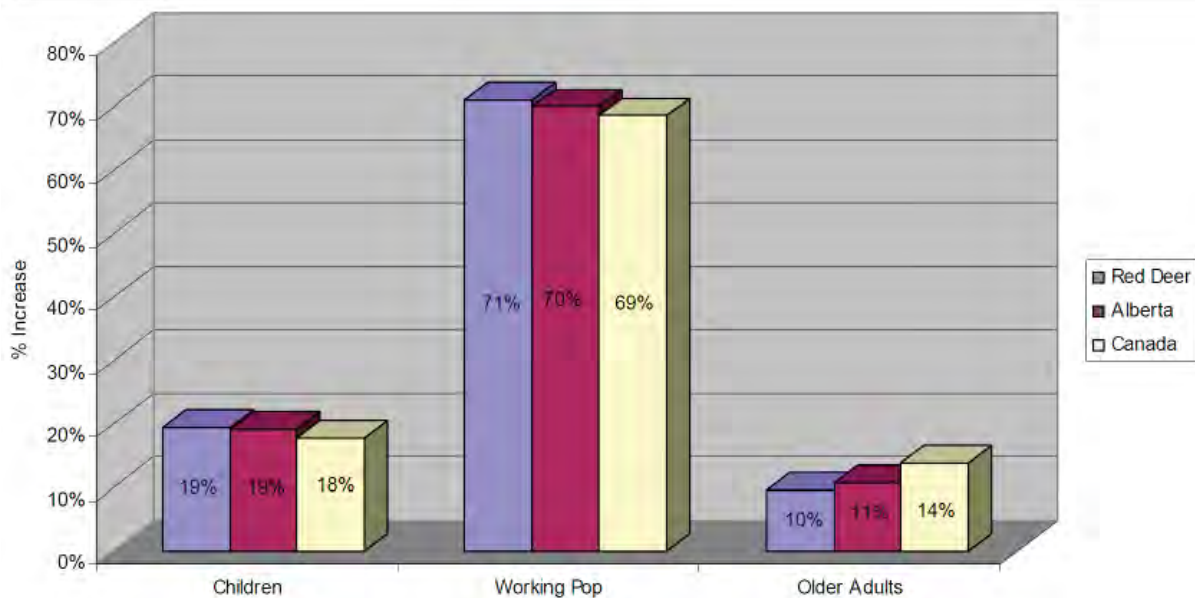
each of these categories as well as the proportion of the City's 2006 population in these groups compared to Alberta and Canada.

Chart Three:  
Red Deer Age Segmented Population Growth 1991 - 2011



Source: Statistics Canada and 2011 Municipal Census Report, City of Red Deer

Chart Four:  
Red Deer, Alberta and Canada Age Segmented Population, 2006



Source: Statistics Canada and 2011 Municipal Census Report, City of Red Deer

### Implications of Community Profile Data

The preceding information suggests that the City is likely to maintain its historical population growth patterns. Therefore, the new Centre will have continuous access to an increasing number of potential patrons. The age profile data indicates that there may be proportionately fewer “age qualified” participants in certain types of programs because the relative number of children is expected to shrink. However, properly positioned, the new Centre could meet the recreation and sport needs of children residing in the neighbouring communities while also appealing to the broader and expanding adult and older adult markets. In fact, the Centre’s proximity to the downtown core would support targeting programs and initiatives at the working population within a reasonable travel distance to the Rotary Recreation Park site.

## 2.2 TRENDS AND BEST PRACTICES

### Balancing Fiscal and Service Priorities

Many municipal recreation or community service departments are attempting to maintain traditional levels of service while improving financial productivity. This sometimes gives rise to the introduction of adjusted business approaches that respond to the operating requirements of new types of facilities, shifts in market conditions, changes in consumers’ tastes or new legislative requirements. Initiatives suggested in this plan support Red Deer’s current business framework while ensuring that the Multi-purpose Centre is best positioned to realize its full potential.

### General Trends and Influences

The following section presents current and future trends that are expected to impact the leisure, sports and recreation sector in Canada. The trends are based largely on data and literature reviews as well as our ongoing consultation with knowledgeable stakeholders in the field. The information offers a useful context for planning decisions and future directions for the City’s aquatic, physical activity and fitness endeavours.

- **Aging Populations** -The “greying” of the population suggests that there will be an increased demand for programs and facilities to serve an older population. Yet, this does not mean that there will be a dramatic shift to less physically rigorous activities. Experts predict that the country’s future older adult population will be more active than ever before. They will be searching for leisure activities that are interesting, engaging and that combine a variety of independent activities. It is also very likely that this group will be more self directed and therefore expect that time will be available for spontaneous activities rather than having to sign up for a class or clinic. This will have an influence on the manner in which future facilities are scheduled and programmed. It is also expected that aging Babyboomers will continue to participate in activities that they have come to enjoy, regardless of their age. Consequently, it is likely that leisure endeavours that are currently popular with participants from the 50+ cohort - wellness and fitness training, water exercise, walking/hiking, boating, golf and canoeing, etc. - will continue to be common pursuits for the foreseeable future.
- **Older Adults and Affordability** - The older cohort will generally have a higher disposable income than previous generations, indicating that there will be a greater ability for these participants to “pay their own way”<sup>7</sup>. This raises an interesting dilemma for public recreation service providers that have traditionally offered fee discounts to seniors. Anecdotal evidence suggests that many municipalities are revising historical pricing approaches to ready themselves with a more aggressive user pay policy before the Babyboomers reach retirement.
- **Income** - Not only have recreational studies identified income as a significant barrier to recreation participation, economists and demographers are predicting a growing disparity between the rich and the poor in Canada. The importance of providing recreational services to disadvantaged groups may,

<sup>7</sup> Statistics Canada, The Asset and Debts of Canadians: An overview of the Results of the Survey of Financial Security, 2001

therefore, increase. Furthermore, as the gap in wealth distribution widens, it is possible that ability to pay will become a participation barrier for individuals and families currently considered part of the middle-income cohort. The 2005 Census Canada results indicate that wealth and (family) income increases with age - the highest net worth being with the 55 - 64 age cohort<sup>8</sup>. As such, it will generally be the older cohort that will be most able to afford to participate in structured recreational activities.

- **Changing Patterns of Work and Leisure** - Canadians have, in every survey conducted by the Canadian Fitness and Lifestyle Research Institute since 1988, identified "lack of time" as the most significant variable affecting participation in leisure activities. Adding to this is the fact that Canadians are working longer hours and perceive themselves to be more "time-stressed"<sup>9</sup>. Recently, younger age groups have also been found to be experiencing the same "time crunch" due largely to other demands on their free time, such as over programming by parents, time in front of television or computer screens or hand held devices on the Internet. Furthermore, the growth in two-person working households and the increase of less traditional family structures are expected to continue. Implications of this trend on the provision of recreation facilities and services include increased demand for services at both peak and non-traditional hours and for multi-purpose facilities that provide cross-programming opportunities which can serve more than one family member at the same time.
- **Family and Related Influences** - Not surprisingly, family composition, socio-economic status and community size influence the amount of time individuals are able to expend on leisure pursuits. Intuitively, it would seem that families having children under 18 living at home would have less time for active interests yet in fact they dedicate more time participating in leisure activities, sports, movies and events than individuals without children. Furthermore, individuals who are considered the most physically active watch less television and spend more time on more passive leisure activities. Statistical and anecdotal evidence suggests that participation in unstructured, non-rigorous activities will significantly rise in the future - especially if they can occur outdoors. Aging Babyboomers will be walking, swimming, gardening, cross-country skiing, golfing and boating while youth and young adults will be in-line skating, hiking, biking on trails or enjoying "adventure type" activities<sup>10</sup>.
- **Physical Activity** - In 2007-08, 52% of Canadians were considered to be "insufficiently active for optimal health benefits"<sup>11</sup>. Although this percentage was much higher in the 1980s and early 1990s, there has been little change since 1995 indicating that progress has now stalled. Residents in Alberta and British Columbia are more likely to be active than the national average. In regard to youth, more than half of Albertans ages 5 to 17 are not active enough for "optimal growth and development". Although girls tend to be less active than boys, men and women aged 45 to 65 years are equally as likely to be at least moderately active.

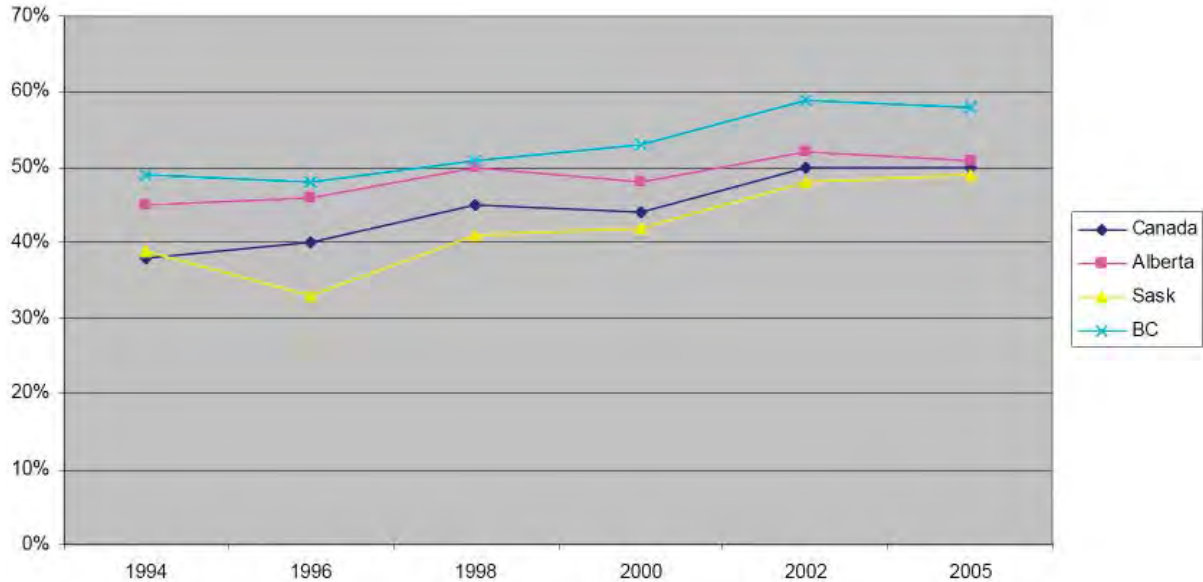
8 Bond, Dr. David E., Advertisers shun affluent boomers at their peril" Globe and Mail, March 18th, and Statistics Canada, The Assets and Debts of Canadians: An Overview of the Results of the Survey of Financial Security, 2001.

9 Statistics Canada, General Social Survey: Time Use, 1998 and Statistics Canada, An Overview of the Time Use of Canadians"

10 Canadian Fitness and Lifestyle Institute, 2005 Physical Activity Monitor

11 Canadian Fitness and Lifestyle Research Institute, Physical Activity Monitor, 2008.

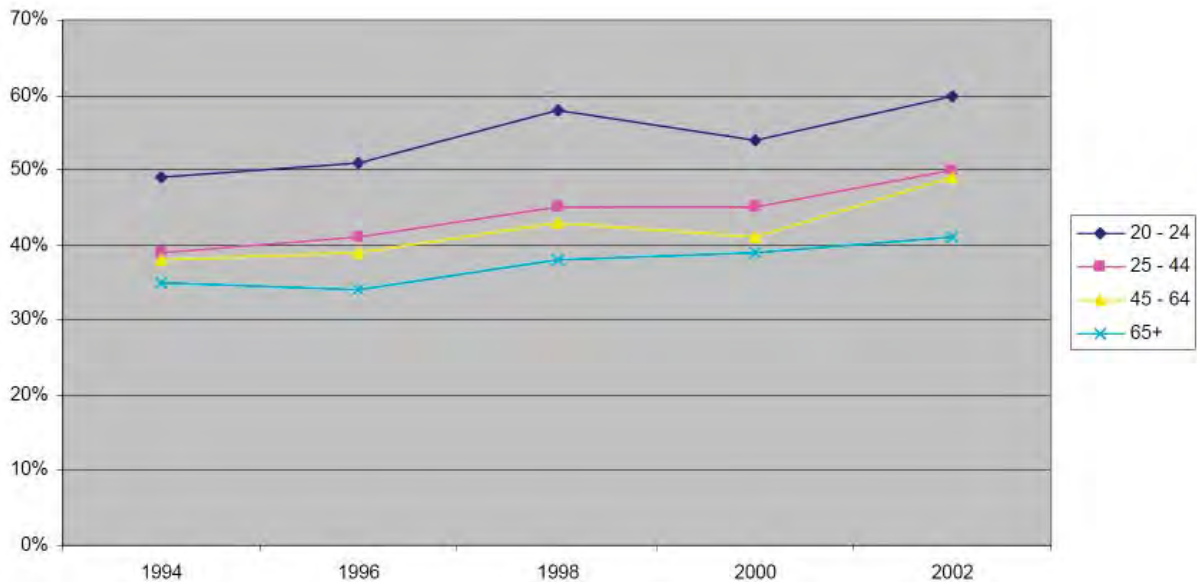
Chart Five:  
Proportion of 20+ Population Meeting Physical Activity Requirement



Source: Rethink Trends Report

Generally, activity levels tend to decline as people age. This trend is evident when examining the age segmented activity patterns of Albertans.

Chart Six:  
Proportion of Albertans Meeting Physical Activity Requirement



Source: CFLRI Physical Activity Monitor 2008

- **Popularity of Physical Recreation Activities Among Adults** - The most popular activities for Canadians ages 18+ continue to be walking, gardening/yard work, home exercise, swimming, social dancing, and bicycling. Interestingly, walking for exercise is the number one physical activity choice of individuals in all age groups, dispelling the notion that walking is more prevalent with the older age cohorts. Conversely, home exercise and social dancing are most popular with the 18 to 34 age groups, dropping off with age. A gender comparison reveals that women walk and exercise at home more frequently than

men<sup>12</sup>. According to the CFLRI Physical Activity Monitor, communities, organizations and agencies can do a number of things to encourage adults to become more physically active. These include providing incentives, reducing costs, providing accurate and convenient information about activity opportunities, providing a range of activities that are appealing to a variety of lifestyle choices and ages, increasing social supports and helping to build supportive infrastructure such as a linked network of trails and paths<sup>13</sup>.

- **Popularity of Physical Recreation Activities Among Youth & Children** - The most popular sports for children are soccer (38%), hockey (23%) and swimming (17%). Other popular activities include basketball, baseball, softball, martial arts, volleyball and football<sup>14</sup>.
- **Role of Government in Supporting Physical Activity** - For children, access to safe streets and other public places ranked first among resources and supports for physical activity, followed by access to school based facilities, services and programs and access to outdoor facilities<sup>15</sup>. According to the Physical Activity Monitor, the majority of Canadians (97%) feel that spending to support physical activity should increase or remain the same. This could create interesting partnership opportunities through which recreation departments, not-for-profit groups and schools work together to increase the number of programs and supports that influence the children's uptake of physical activity utilizing facilities in the public recreation or school systems.
- **Declining Sport Participation** - Participation in sport peaks between the ages of 15 to 18. There are gender preferences for sport. Favoured activities for women are swimming, golf, baseball and volleyball while men prefer hockey, golf, baseball or basketball. In fact, golf and soccer have surpassed hockey as the most popular sport activities for Canadians. Research indicates that, although participation in golf and soccer has increased in recent years, this increase has been offset by a decline in sports such as baseball and softball. The cyclical nature of sport participation is linked to a particular sport being dominated by an age cohort, which begins to diminish in numbers.
- **Health, Fitness and Obesity Levels** - Inactivity and obesity have been declared a national health crisis. The current younger generation is the first in many generations that will not enjoy the lifespan and quality of health of their parents. To confront this disturbing trend, all levels of government are developing strategies to increase participation in active pursuits and encourage wise food choices. Over the last decade, diminished resources have caused a serious decline in school based sport and physical activity programs. The result is that about half of Canada's children and youth are not meeting minimum physical activity levels and are therefore at risk of becoming obese and potentially contracting diabetes. Between 1970-1972 and 1998 the proportion of Canadian adults considered overweight or obese increased from 40.0% to 50.7%<sup>16</sup>. The Canadian Community Health Surveys found that approximately 58.8% of Canadian adults - 65.2% of men and 52.4% of women - were either overweight or obese. Between the 2000 and 2004 surveys, the proportion of overweight Canadian adults increased by more than 11% while the prevalence of obesity alone increased by more than 8%<sup>17</sup>. The Canadian overweight and obesity problem is not restricted to the adults - children's trends mirror those of adults<sup>18</sup>. Rates of overweight (including obesity) among children ages 7 to 13 increased by 200% - 300% between 1981 and 2001, though they appear to have stabilized somewhat in recent years.
- **Indoor Facilities** - Without question the leading facility trend has been the emergence of larger, high

12 Ibid

13 Ibid

14 Ibid

15 Canadian Fitness and Lifestyle Research Institute (1998), *Progress in Prevention*, Bulletin # 30.

16 Peter T. Katzmarzyk, "The Canadian Obesity Epidemic: An Historical Perspective," *Obesity Research*, Vol. 10, No. 7, July 2002, pp. 666-674

17 Statistics Canada, *Canadian Community Health Survey, 2000-2001, 2003, and 2004*

18 Raine (2004) and Canadian Institute for Health Information (CIHI), *Improving the Health of Canadians*, Ch. 5, "Obesity," September 2004, pp. 106-147

quality multi-purpose facilities. Rising expectations for quality service, value for money and a growing focus on personal autonomy and choice are largely responsible for the popularity of these facilities. Consumers are willing to travel further than normal to access these facilities. One specific area of change is in facilities for seniors. As older adults become fitter (as demographics suggest) traditional stand-alone senior centres struggle to meet the programming needs of everyone within this age group. The result is a greater reliance on multi-purpose and multi-generational community centres that offer a grouping of activities and flexible program spaces for all ages. Youth are also a preoccupation of many recreation service providers as this age group is often identified as a neglected cohort. This perception, compounded with the fact that the overall size of this age group is peaking has translated into a surge in the construction of sport specific facilities (skateboard parks) and multi-purpose spaces such as gymnasiums targeting the needs of youth.

Leisure patterns and sport participation trends will not only influence the design of indoor facilities but also the manner in which they are programmed. As mentioned earlier, people are interested in more spontaneity and less structure. Consequently, recreation departments may opt to create opportunities for “scheduled spontaneity” by dedicating open time for “pick-up games” to replace organized leagues. Furthermore, the demand for a well-maintained network of linked hiking and bike paths will likely increase in the future. In the long term, the trend literature indicates that consumers will be seeking more home-based options for fitness and leisure. While this may result in a decline in the use of traditional facilities, the trend may produce demands for new types of supports such as instruction or program coordination delivered via the Internet.

### 2.3 INFLUENCE OF TRENDS

Table One:

Influence of Trends on the Multi-purpose Centre’s Development and Operations

	Trend	Description and Implication to Red Deer
Recreation Participation Trends	Connection between sport and recreation participation and good health	There is general recognition that physical activity - through physical activity, sport participation or other recreational pursuits - is a leading contributor to social and personal health. This recognition could be leveraged to promotional advantage of the new Multi-purpose Centre. Furthermore, the diverse facility and programs offered at the Centre will allow for cross-programming and opportunities to appeal to a host of different users simultaneously. This could enhance the appeal of the Centre because its overall environment will be viewed as exciting and motivational.
	Aging Population	As Red Deer’s population ages there will be an increased need for programs that target the needs of the older adults in the City’s working population cohort. A combination of tailored programs and adjustments to facility scheduling will be called for.
	Personal Finances Under Pressure	A fundamental principle of the CAAC/CORD Committee is that no individual will be denied access to the Centre due to their inability to pay. Subsidies or low to no cost program options can help alleviate financial burdens to participation.
	Lack of Free Time	Lack of time is the single most important barrier to participation for adults, youth and children. Multi-purpose facilities create opportunities for families to participate in different activities concurrently.

Recreation Participation Trends	The Obesity Crisis	There is no doubt that lack of physical activity and poor eating habits contribute to unhealthy weights for adults, youth and children. The Multi-purpose Centre's program inventory should include clusters of attractive options that help people become more active or more knowledgeable about healthy dietary choices. Additionally, outreach programs arising from the Centre could contribute to the overall health of the community.
	Self scheduled Unstructured Activities	The trend towards more spontaneous unstructured activities should be considered in the Centre's program and scheduling mix. Allocating blocks of time during which people can drop in and participate in activities they choose should be featured in the Centre's program plans.
Recreation Facility Trends	Multi-purpose facilities	One stop shopping destination for multiple recreation and other civic and social services is preferred. Furthermore, multi-purpose facilities allow for more efficient use of resources due to their magnitude of scale. Facilities such as the Multi-purpose Aquatic Centre frequently become community hubs that offer welcoming and motivational environments which will stimulate higher levels of participation in activities. Additionally, the diversity and multiplicity of choices creates a sense of excitement and an atmosphere that is not normally achievable in a single purpose facility.
	Aging infrastructure	Most of Alberta's sport and recreation infrastructure was built in the 1960s and 1970s and are therefore inconsistent with current facility standards (such as accessibility), generally undersized and not responsive to current recreation programming needs. The new Multi-purpose Centre will be consistent with the spatial and programmatic requirements of provincial and local competitions, sport teams and local sport groups. Consequently, the Centre will very likely become the facility of choice for individuals and groups seeking state of the art competitive and training environments.
	Flexible spaces	Multi-use facilities are designed with flexible spaces with the potential to expand. The abundance of multi-use rooms and general purpose space planned into the Centre will provide operators with an array of opportunities to meet a variety of user group requirements at the same time. Furthermore, the flexibility of the space will allow for a variety of different types of uses in the same space over the course of a day, week or month.
	Rising costs	Generally speaking, recreation facility operating costs are rising primarily due to increased energy costs and payroll. The new Multi-purpose Centre will have the most up-to-date technology especially in the area of energy conservation. Furthermore, the facility design will ensure that sightlines and other control mechanisms are sensitive to the need for additional staff which should help to contain labour costs.



## 2.4 P3'S IN RECREATION

Municipalities are faced with intensifying demands to provide quality, accessible services in spite of shrinking budgets, reductions in traditional forms of funding, and changes in resource deployment priorities. In response to these pressures, many local governments are pursuing alternative methods of delivering and managing infrastructure and related services. In certain cases, departments are streamlining, reducing services, or consolidating operations. Others are attempting to increase revenues through user fees or maximizing the outputs of entrepreneurial activities. Recently, an increasing number of municipalities are considering collaboration with non traditional partners in an attempt to maintain or possibly enhance the quality of services.

While linkages between municipal governments and outside interests are not new, certain jurisdictions are contemplating relationships that are dramatic departures from traditional approaches to the delivery of services. Examples of this trend in the recreation field include partnerships through which traditional municipal leisure services are entirely delivered by a third party. For example, the YMCA is operating facilities and providing aquatic and/or community wellness programs in jurisdictions where the municipal recreation department was once the sole provider of services - London Ontario, Kelowna BC, etc. Likewise, certain municipalities have opted to align with private rink operators who help to develop, manage and program community arenas - Hamilton Ontario, Halifax Nova Scotia, etc.

Understandably, non-traditional partnerships - especially those involving the private sector - have been met with a degree of scepticism by public sector staff and to a certain extent taxpayers. However, there is increasing evidence that well conceived and thoughtfully designed relationships can provide mutual benefit to both partners while protecting the interests of the community they serve.

There is no question that the concept of partnerships between governments and non traditional partners is a growing trend. According to the Canadian Council of Public Private Partnerships, more P3 projects were put into place in 2010 than ever before, making this past year the most active on record. The CCPPP suggests that this is a testament to the commitment of the Canadian and provincial governments to use the P3 model as well as the capabilities of Canadian and international companies working in the partnership market<sup>19</sup>. And, with national and provincial ministries dedicated specifically to the cultivation of successful partnerships (P3 Canada, Partnerships BC, Infrastructure Ontario etc.), it is unlikely that trend will diminish any time soon.

Not surprisingly, alternate service delivery arrangements are becoming more creative and successful as partners learn more about transition issues and the need for ongoing management of these new forms of relationships. There is no single formula that will satisfy all potential partnership situations. However, as the concept evolves, best practices and guidelines are beginning to emerge and be more widely accepted as process templates. Municipal governments are preparing to wrestle with the many facets of alternate service delivery by developing frameworks within which all potential relationships will be conceived, crafted, evaluated, and managed.

### Choosing a Partner

Research has found nine factors that should be in place when choosing to enter into a partnership or selecting a potential partner.

- Individual excellence - partners have something of value to contribute to the relationship.
- Importance - the contemplated alliance fits the strategic goals of each partner.
- Interdependence - the partners need each other and their complementary skills, to fulfill the goals and objectives of collaboration.

19 2010 CCPPP National Awards Case Study (2010)

- Investment - there is tangible commitment of resources by all involved.
- Increased reach - the size of the partners' market or scope of services is expanded.
- Information - there is open communication regarding goals, conflicts, problems and changes.
- Integration - there are many connections between partners at several levels.
- Institutionalization - the alliance has a formal status in all organizations and cannot be abandoned on a whim.
- Integrity - no partner will try to undermine the alliance.

#### Types of Potential Relationships

Although there are numerous forms of partnership structures available to local governments, our research suggests that most municipal arrangements can be grouped in one of the following categories.

- Strategic Alliance - a relationship that involves two or more organizations collaborating on planning and delivering select services and programs.
- Contract Agreement - services contracted to another partner organization, whereby the contracting partner may assist in the development of the service but has no responsibility for managing/operating the service other than ensuring the service is delivered to specification.
- Rental Agreement - facilities rented by one partner from another, where the renter either allocates designated times to affiliated groups or directly delivers services and programs to its constituents in the rented facility.
- Service Agreement - services provided through an agreement with two or more partner organizations, where services are jointly controlled, managed and operated by the partners as specified in the agreement.
- Facility Development (Equity) Agreement - facilities that are mutually planned and jointly funded, and where constituents of the participating partners would have access to the facilities in accordance with an agreement governing facility use and operations.

#### Realistic Expectations

Our review of partnership case studies suggests that the concept is a reasonable option for creating cost-effective solutions to both capital and operating challenges confronting certain recreation systems. However, partnerships are not a cure-all or a panacea for all the problems currently facing the public leisure sector. Too often, expectations are beyond the capacity of a partnership to deliver and consequently the relationship is eventually perceived as a failure. Also, a partnership must be mutually beneficial and therefore there will likely be considerable give-and-take in terms of the project outputs. It is therefore advisable to establish clear and attainable objectives at the outset of the project and to tie the expectations of senior officials directly to the likely results of the relationship.

#### Potential Partnership Outcomes and Benefits

Partnerships between municipalities and outside interests generally involve one of the following objectives and/or outcomes.

- to create or maintain public infrastructure
- to improve customer service

- to acquire access to more information
- to reduce the cost of government procurement
- to commercialize municipal resources
- to provide public agencies or community groups with greater access to new sources of capital
- to capitalize on collective energies and expertise of participating groups
- to optimize the use of public sector resources
- to undertake major social or economic initiatives

### Myths About Partnerships

As mentioned above, most partnerships will not result in benefits that solve all the problems currently facing municipal leisure service providers. Common misconceptions include the following:

All risks will be transferred – while certain risks may be shared between the partners, the municipality will always be exposed to certain operational and commercial risks. For example, taxpayers will always look to the municipality to resolve disputes or other operational problems even though an outside entity is responsible for service delivery. Additionally, it is impossible to transfer risk without also transferring control over the elements that will influence risk. For example, a municipal partner will not likely be successful in transferring revenue risk while retaining control over price setting. Even though a municipality might decide to contract-out the delivery of certain services, it is likely the municipality will still be on the hook for any complaints or criticisms associated with service quality or interruptions in services. There have been cases in Canada where third party providers have abandoned projects that were valued by the community forcing the municipality to step in to resurrect the service. These situations are troubling because they are often unforeseen which means municipal staff must respond in an emergency fashion. Also, municipalities have had to deal with financial issues where former third party providers have received advanced payment for services that were not delivered.

Private equity will solve capital funding problems – private sector capital investment is often more expensive than traditional municipal funding models. Typically the private sector anticipates returns on investment that are higher than municipal borrowing rates. Furthermore, traditional lending institutions are less likely to provide private partners with financing assistance in the absence of a municipality's covenant to backstop the loan. It is for this reason that many capital projects involving private partners have been entirely funded by local government.

Sponsorships/naming right fees will make an otherwise unviable project viable –while sponsorships, naming rights and creative marketing endeavours can produce useful streams of revenue, we are unaware of any cases where these activities have converted a loser to a winner.

Partners with similar mandates will have a solid and successful relationship – frequently this is not the case because of conflicts in styles, branding issues or differing approaches to certain aspects of the business. For example, some municipalities that have entered into recreation facility operating agreements with not-for-profit groups have later discovered that the municipality's brand has all but disappeared from the facility. In other cases, under the operating agreement, municipal recreation clients are required to pay membership fees to access the facility or participate in its programs – a client relationship that is significantly different than a traditional municipal approach. These issues have resulted in substantial reshaping of the agreement or outright cancellation.

Once the relationship is struck, the municipality has little to do - to be successful, partnerships need to be effectively managed. It is not sufficient for the municipality to nurture a relationship and then leave the partner to its own devices. It is the municipality's obligation to maintain an ongoing relationship with its partner to ensure that service standards are maintained; contractual obligations are met; required supports are provided; and potential problems are addressed through joint planning. A balance must be struck between the municipality's responsibility for audit and oversight and the partner's right to conduct business with minimal interference. Each party should appoint one person to be the main contact point on all matters relating to the administration of the agreement. They should meet on a regular basis to stay abreast of

emerging issues, resolve potential problems and identify opportunities where additional resources are required to enhance the success of the relationship.

## **2.5 BENEFITS OF A DOWNTOWN LOCATION**

There are distinct benefits in developing the Multi-use Centre in a Recreation Campus concept located on the downtown location.

- The new development will be the hub of activities in Red Deer's "multi-purpose park for all ages and all seasons". The new development will be the centrepiece in the park that already accommodates the Golden Circle to the north, the Museum to the east and the tennis and park area to the south.
- Developed in the downtown core, the new Centre will be easily accessible by public transit making the facility a desirable destination for most Red Deerians.
- The Centre will be convenient for people working in the downtown core to engage in a pre-work, lunch time and post-work swim or training sessions.
- Locating the development downtown will advance the City's Active Transportation Agenda and create additional healthy and active transportation opportunities - biking, walking trails, connecting to Alexander Way, etc.
- The multi-use nature of the facility will promote the inclusion of cultural programs and clubs (Pottery Club, Art Club, Photography Club, etc.). These valuable community activities will co-exist in a central location with a diverse array of other recreation, leisure and life-style pursuits.
- The new Centre is aligned with Red Deer's Greater Downtown Action Plan that is focused on revitalizing the downtown area and attracting more businesses to the City's core.
- The diverse nature of the new Centre will create opportunities for cross-training.
- Programs offered at or arising from the new Centre may be attractive to downtown hotels or hotels in close proximity to the Centre - especially those without their own aquatic facility.
- The hospital and/or medical professionals could use the aquatic facilities and hot water amenities for rehabilitation purposes.
- Red Deer College's Donald School of Business is currently opening downtown which means 350 to 400 students will be within walking distance from the new Centre.
- The Centre will be convenient to the large senior population who live in close proximity to the site. The Centre could offer increased senior programming opportunities and leverage the existing senior traffic to local amenities such as the Museum, Golden Circle Seniors Resource Centre and Heritage Square.
- The downtown location will provide additional programming opportunities for youth and will facilitate contact between youth groups and recreation staff - given the proximity of the Skate Board Park and the arenas.

## SECTION THREE – RED DEER'S AQUATIC CENTRES

### 3.1 CURRENT INVENTORY OF AQUATIC CENTRES

Red Deerians have access to four recreation centres that include pools. The Centres serve resident needs throughout the City and provide a combination of aquatic and dry land activities. A description of each Centre is presented below.

Table Two: Red Deer's Recreation and Aquatic Centres

<b>Collicutt Centre – 3031-30 Avenue</b>	
Recreation Features	ENMAX water park, fitness and wellness studio, indoor running track, drop in fitness programs, field house, drop in sports, ice arena, climbing and boulder area, and soccer pavilion
Support Amenities	Chartwell's Café, Red Deer Gymnastics Association, Euro-sport Retail, Optimum Performance Centre and Dance Magic Studios
Programming Position	The centre targets the needs of playful families, adventurers and fitness buffs.
<b>G.H Dawe Community Centre – 56 Holt Street</b>	
Recreation Features	Five pools and two water slides, an arena, fitness centre, food services, gymnasium, multi-purpose rooms, fitness studio and boardroom.
Adjacencies	The centre is located beside St. Patrick's School, the G.H Dawe Elementary School and the G.H Dawe branch library.
Programming Position	The centre targets the needs of families in pursuit of wellness and leisure opportunities in a comfortable environment.
<b>Recreation Centre – 4501-47A Avenue</b>	
Recreation Features	Indoor 25 metre five lane pool, steam room, sauna and whirlpool, fitness studio, exercise room and multi-purpose rooms as well as outdoor facilities including a 50 metre six lane pool, a shallow pool area with spray feature, a five metre dive tower, plus three and one metre diving boards.
Support Amenities and Adjacencies	Children's wading pool and playground area, Red Deer museum and art gallery, Seniors Resource Centre, Red Deer Tennis Club, Heritage Square, lawn bowling green, horseshoe pits, picnic area.
Programming Position	The centre is well positioned to serve the needs of serious aquatic and wellness training.
<b>Michener Aquatic Centre – 51A Street and 38A Avenue</b>	
Recreation Features	25 metre six lane indoor pool, dive tank, warm pool, sauna, fitness area, multi-purpose room.
Programming Position	The centre supports the less-abled community and is a family friendly neighbourhood facility.

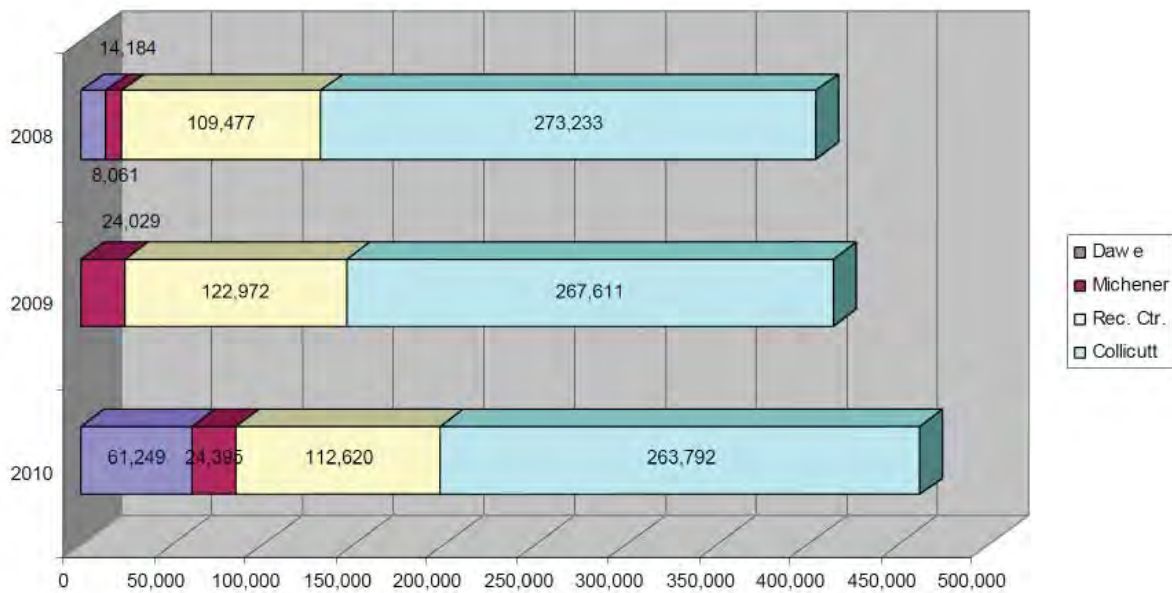
### 3.2 PROFILE OF RED DEER'S POOLS AND COMMUNITY CENTRES

#### Public and Open Swims

According to the City's attendance records, in each of the past three years, Red Deer's pools have accommodated more than 400,000 bather visits during public and open swim times - 462,000 in 2010. The Collicutt pool attracts more than half of the City's annual bather load with the Recreation Centre being the second most popular swimming venue. It is noteworthy that the G.H. Dawe pool was closed for renovations for all of 2009 as well as portions of 2008 and 2010. And, there does not seem to be any obvious correlation between rises in recreational swim totals at the other three pools during the time periods that Dawe was closed - which would have implied that Dawe's aquatic clientele simply relocated their swimming sessions to another site. Therefore it would seem reasonable to suggest that the potential volume of recreational swim visits available from within the City's population is higher than is reflected in the data used for this analysis.

Chart Seven:

Public and Open Swim Bather Loads



Source: City Statistics

On a year over year basis, about four of every ten open swim visits result from paid admissions. The other six visits are by individuals who have either elected to buy a membership or who have purchased a multi-visit 10-punch card. Therefore, general admission revenue - which is paid by pay-as-you-go users - arises from about 40% of open swim bathers.

Table Three:

Proportion of Public Swimmers that Pay Admissions

	2010	2009	2008
Dawe	61%	NA	28%
Michener	17%	16%	13%
Rec. Ctr.	23%	21%	24%
Collicutt	50%	51%	51%
Total	43%	40%	42%

#### Variable Pricing

The Recreation Parks and Cultural Department has established a hierarchy for its pools and community centre based upon their size, amenities and facility mix. Based upon the application of the City's Facility Tiering by Amenity Evaluation Tool, Collicutt is the top ranked facility followed by Dawe, the Recreation Centre and Michener.

General admission fees are established in accordance with the User Fee Guide (2009 - 2011) that sets out the guiding principles and pricing framework for all recreation, parks and culture department facilities and programs. The 2010 fees for admission to each of the City's community recreation facilities including a pool are present in the following table.

Table Four  
2010 General Admission Fees based on Facility Hierarchy

Centre	Adult	Senior	Student	Youth	Child	Family	Rank
Collicutt	\$ 8.00	\$ 7.25	\$ 6.50	\$ 5.50	\$ 4.00	\$18.00	1
Dawe	\$ 5.75	\$ 5.25	\$ 4.50	\$ 4.00	\$ 3.00	\$13.00	2
Michener	\$ 4.75	\$ 4.25	\$ 3.75	\$ 3.50	\$ 2.50	\$10.50	3
Rec. Ctr.	\$ 4.75	\$ 4.25	\$ 3.75	\$ 3.50	\$ 2.50	\$10.50	3

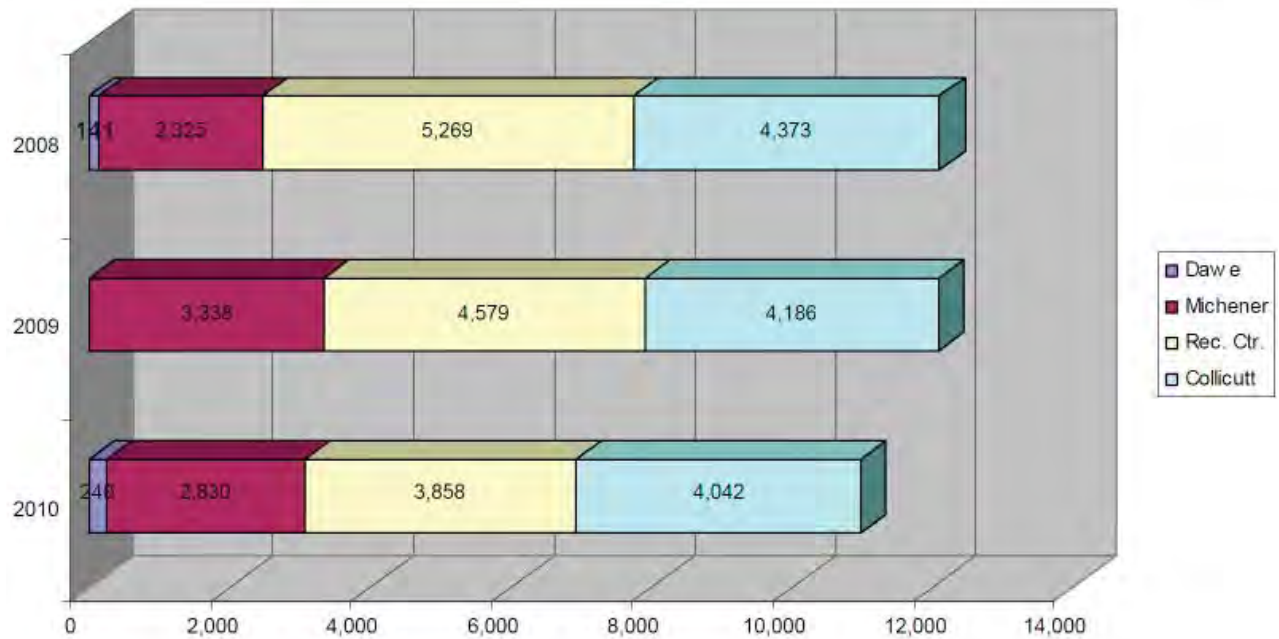
This pricing approach leads to differences in revenue garnered from general admissions to each facility. For example, in 2010, Collicutt generated \$6.02 for each paid admission to the pool while the average Recreation Centre pool visit produced \$3.66.

It is anticipated that when the Multi-purpose Aquatic Centre becomes reality, the Department will re-evaluate its pricing strategy such that general admission fees to the new facility will be more in line with either the Collicutt or Dawe venues.

#### Participation in the Instructional Program

The City offers a robust aquatic instructional program that has attracted more than 35,000 registrants over the past three years. Registrations in 2008 and 2009 were almost identical (12,108 and 12,103 respectively) even though the G.H. Dawe pool was unavailable all of 2008 and a portion of the 2009 and 2010 seasons. This would suggest that parents in neighbourhoods around the Dawe pool registered their children in lessons at alternative facilities while their local pool was out of commission.

Chart Eight:  
Aquatic Instruction Registrations



Source: City Statistics

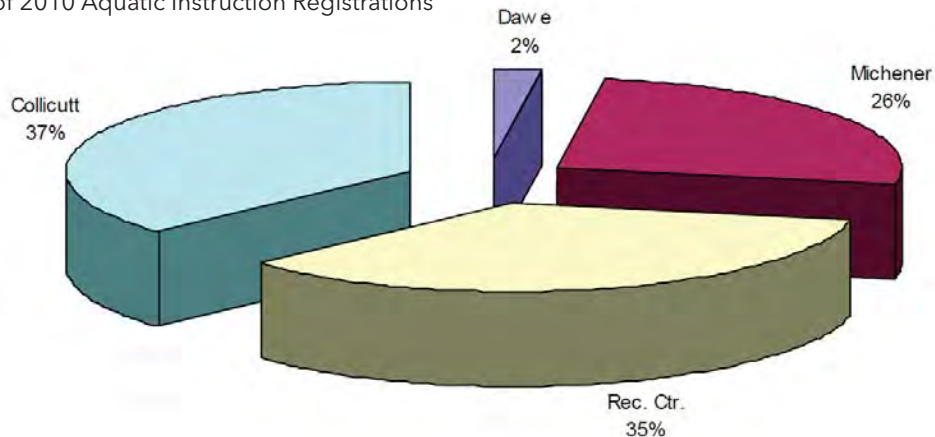
Even though the Dawe pool was available for the swim lessons from September to December 2010, the City's total number of lesson registrations declined by 9% compared to 2009 performance - 12,103 in 2009 to 10,970 in 2010. In 2010 all of Red Deer's pools attracted fewer lesson participants than in the previous two years.

Staff have heard from parents that the decline in lesson registrations is most likely linked to the economic slump which began in earnest in 2008. This would seem to be supported by the demographic data. Children and youth are normally the primary registrants in instructional programs. It is therefore noteworthy that in the same years that lesson registrations declined, the number of City residents in the 4 - 19 year age cohort increased - suggesting that a smaller proportion of the cohort elected to take lessons presumably due to the Dawe facility being out of service. However, recent data implies that the tide may have changed - system wide lesson revenue in August 2011 was 7.4% above revenues received in August the previous year.

In the 2010 season, the Collicutt pool attracted 37% of the City's total lesson registrants representing the largest instructional program amongst the City's four aquatic venues. Redevelopment plans for the Multi-purpose Aquatic Centre contemplate relocating all of the Michener pool programs to the new Rotary Recreation Park facility. Staff believe that registration levels can be maintained in that traditional Michener patrons will be willing to travel to gain access to the new facility. Based upon our experience in other communities, this would seem to be a reasonable assumption.



Chart Nine:  
Distribution of 2010 Aquatic Instruction Registrations



Source: City Statistics

Note: in 2010 the Dawe pool was available for only four months - Sept. to Dec.

**Influence of Disruptions in Facility Availability**

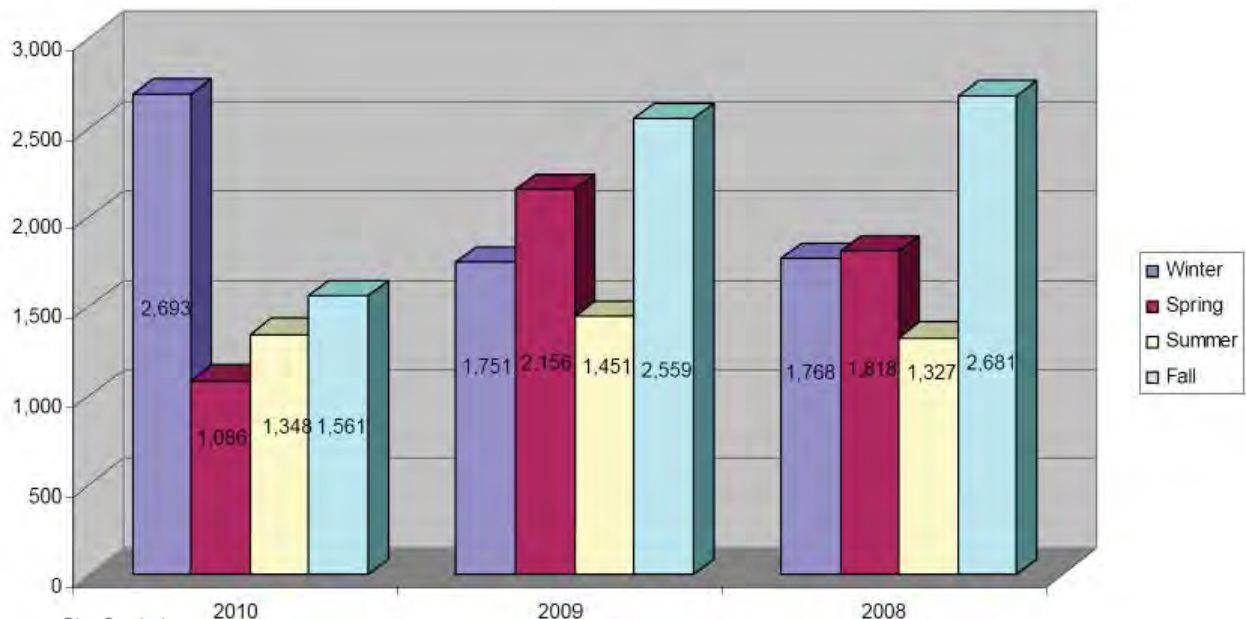
There is little question that the Dawe renovation had a detrimental impact on general swim admissions and lesson registrations over the past three years. According to CAAC representatives with direct knowledge of the situation, the renovation not only reduced the number of pool hours available to accommodate usual levels of aquatic activity but also disrupted swimmers normal routines. This resulted in a degree of uncertainty about where programs were located and when open swimming was available at the remaining venues. This confusion caused some swimmers to take up other forms of activity during the facility's 20-month renovation. Consequently, CAAC suggests that attendance will rebound now that Dawe is back to being fully on-line which has stabilized the municipal swimming environment.

**Seasonal Lesson Fluctuations**

In virtually all communities throughout Canada, registrations in aquatic lesson programs fluctuate seasonally - and Red Deer is no exception. Examining the combined Recreation Centre and Michener's programs indicates that in 2008 and 2009 the fall program was most popular. In 2010, the winter session attracted the most participants.

Chart Ten:

Seasonal Distribution of the Combined Recreation Centre-Michener Lesson Registration



Source: City Statistics

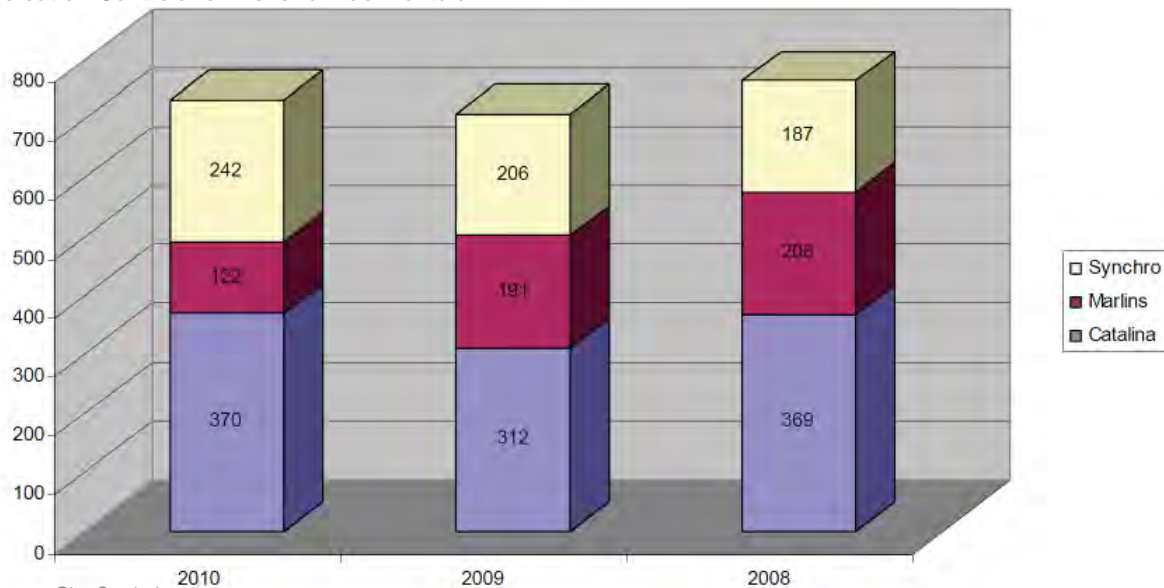
As is currently the case in all of Red Deer's aquatic venues, it will be important to continually track the use patterns of the facilities to enable the establishment of an effective and efficient program schedule to accommodate the most participants in the widest variety of programs. It will also be necessary to monitor seasonal and annual lesson registration levels to identify any further erosion which would call for the implementation of remedial action.

#### Pool Rentals

Over the past three years, aquatic clubs have annually rented more than 700 hours of pool time in the Michener and Recreation Centre facilities. The Catalina Club - that offers a year round competitive swimming program - is the most prolific renter occupying more than 300 hours of pool time each year.

Chart Eleven:

Recreation Centre and Michener Pool Rentals



Source: City Statistics

Aquatic club input regarding future needs and willingness to relocate pool rentals is discussed in the next section of this report.

#### Memberships

As mentioned earlier, Red Deerians can buy memberships to each of the City's four Centres. Residents can choose between a number of different membership types, based upon age or family structure. Additionally, they can choose to buy a monthly card or a 10-visit punch pass. While the Collicutt and Dawe Centres offer corporate packages, meagre sales of these annual memberships (less than 100 annually) would suggest that they are not very popular.

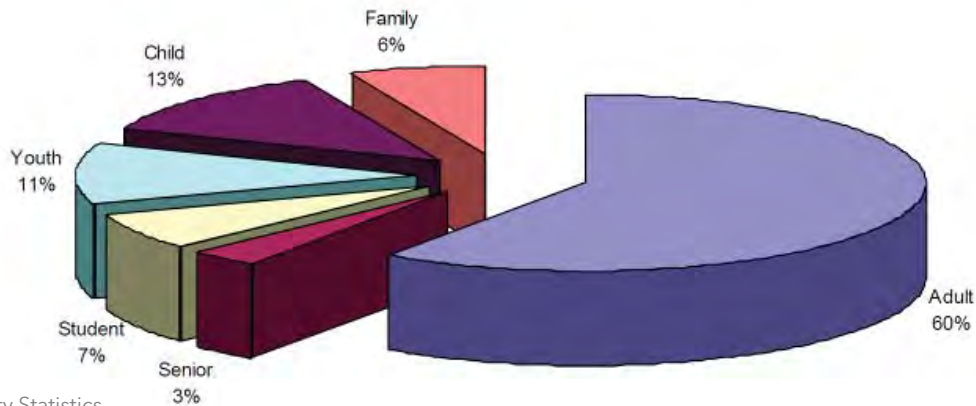
Almost three quarters (71%) of the total monthly or punch pass membership sales are associated with the Collicutt facility. This is not surprising given that a relationship with Collicutt allows the cardholder access to all of the other City's facilities. Sixteen per cent (16%) of the system-wide card holders are members at the Recreation Centre. The Centre's location - conveniently adjacent to downtown - likely motivates individuals to patronize a facility on a frequent basis consequently justifying the purchase of either a membership or a punch pass.

Table Five  
2010 - Facility Memberships by Type

Centre	Adult	Senior	Student	Youth	Child	Family	Total
Dawe	944	47	15	35	311	109	1,461
Collicutt	4,570	204	684	1,161	1,092	1,707	9,418
Michener	222	30	7	7	25	4	295
Rec. Ctr.	1,233	127	109	191	313	80	2,053

System-wide, 60% of 10-visit pass or monthly cardholders are adults. Children and youth passes represent about one quarter (24%) of the total memberships sold annually.

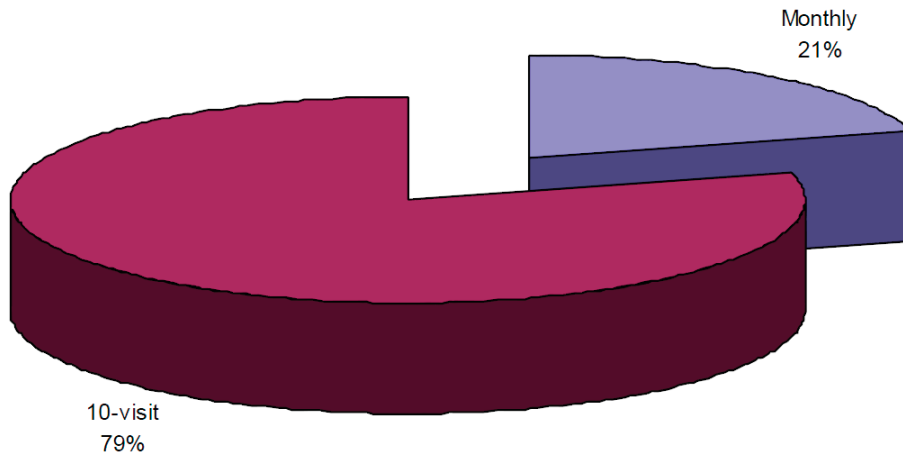
Chart Twelve:  
System Wide Memberships by Type



Source: City Statistics

Almost eight of ten pass holders elect to buy 10-visit punch cards rather than monthly memberships.

Chart Thirteen:  
System Wide Memberships by Length of Membership



Source: City Statistics

Table Six:  
2010 10-Visit Card Fees based on Facility Hierarchy

Centre	Adult	Senior	Student	Youth	Child	Family	Rank
Collicutt	\$64.00	\$58.00	\$52.00	\$44.00	\$32.00	\$144.00	1
Dawe	\$46.00	\$42.00	\$36.00	\$32.00	\$24.00	\$104.00	2
Michener	\$38.00	\$34.00	\$30.00	\$28.00	\$20.00	\$84.00	3
Rec. Ctr.	\$38.00	\$34.00	\$30.00	\$28.00	\$20.00	\$84.00	3

The membership sales pattern is most likely linked to a price-value judgement of the two membership options. By way of example, an adult 10-visit punch card at Collicutt equates to \$6.40 per visit and the card can be used over several months. An adult monthly card to the same Centre costs \$40.00. For the monthly card to be of equal value to the punch pass, the individual would have to use the pool or dry land facilities seven or more times in the month.

Industry statistics suggest that on average, physical activity enthusiasts –swimmers, fitness centre users, etc. – patronize their facility between 1.25 and 1.75 times per week. Therefore, for the one month membership to be of equal value to the punch card, a cardholder would need to be a reasonably heavy user averaging no less than 1.75 visits per week. And this value judgment would be made on a month-to-month basis each time a new pass was purchased.

#### Room Rentals

All of the Centres within Red Deer's system rent community rooms to sports groups, stakeholder organizations, businesses and private individuals for a wide variety of purposes. Room rental charges vary depending upon the facility, the nature of the organization (serving youth, adults, or affiliated sports organizations), the time of year and the room in question. According to staff, there are too few rooms to meet the rental demand especially during prime time and peak seasons.

Through 2010, the Recreation Centre and Michener collectively rented rooms on 804 occasions to many different organizations. In view of the inequity between the supply and room availability, it is reasonable to assume that the City could increase its rental business if there was more room inventory from which to draw.

### 3.3 SUMMARY

The City's community aquatic centres and associated amenities offer a wide variety of recreation, sport and physical activity alternatives to Red Deerians. The facilities accommodate programming offered by the Department and are home venues for sport clubs and groups serving the needs of a broad spectrum of Red Deer's citizenry.

Currently, the facilities are used to the extent that there is very little time that is available for program expansion or to accommodate the needs of new or expanding groups. In this environment, it is not surprising that there is excitement about the prospect of redeveloping the Recreation Centre to the extent that it includes the facilities contemplated for the new Multi-purpose Aquatic Centre. The following sections present stakeholder attitudes regarding the new development as well as the likely operational and financial implications of the new facility.

## SECTION FOUR – STAKEHOLDER CONSULTATION

The business plan study process offered stakeholders an opportunity to provide input through a questionnaire that was circulated by the Department on behalf of the CAAC/CORD Committee. The questionnaire was sent to user groups that rent time at the City's pools as well as aquatic organizations in the regional district. The survey probed for information that would help frame elements of the plan that would be influenced by facility use, shifting demands, desired improvements to existing facilities and equipment, and key priorities for users moving forward. The questionnaire was circulated in the last week of June 2011 and respondents were asked to return completed surveys to the department by the third week in July 2011.

Completed surveys were received from:

- Synchronized swimming;
- Masters swim;
- Special Olympics;
- Marlins – summer competitive swimming; and
- Catalina – year round competitive swimming.

A high level summary of user group input is provided below. The full summary of their comments is included in the appendix of this report.

- Collectively, the groups provide programs and services for all age groups. The Marlins and Catalina swim clubs primarily serve children and youth while the Masters Swim Club accommodates the needs of people over 18 years of age. Synchronized Swimming and Special Olympics serve children and adults.
- All groups report relatively stable membership levels over the past three years.
- Masters Swim and Catalina maintained waiting lists of up to 20 individuals in 2010. While all the other groups reported being at capacity, they do not maintain waiting lists.
- All groups expect their programs to grow over the next five years. While Special Olympics expects a modest 3% rate of growth, Catalina, Masters Swim and Synchronized Swimming anticipate their programs will grow as much as 25%. Write-in comments suggest that the rate of expansion and registration growth will be a function of more pool time availability in the future.
- All groups report having sufficient time to accommodate current requirements; however, if programs were to grow at the anticipated levels, additional time would be required on a proportionate basis.
- All groups report a willingness to relocate their entire future programs to the new Multi-purpose Aquatic Centre.
- All of the facility features requested by respondents is included in the architect's concept plan for the Centre. Furthermore, the groups did not identify the need for equipment or support amenities that would be in addition to the current concept.

## SECTION FIVE – PROPOSED MULTI-PURPOSE AQUATIC FACILITY

### 5.1 FACILITY ELEMENTS

The following table presents descriptions of the components and approximate sizes of the architect's concept for the new Multi-purpose Aquatic Centre. The space program should be considered as preliminary and subject to change during future design phases of the project. Refinement to the space program and associated capital costs will likely take place prior to the construction of the facility.

The concept plan involves renovating the Recreation Centre and re-purposing several of its existing spaces. At approximately 36,000 square feet, the renovated space will represent about 24% of the new Centre's entire footprint. New construction of approximately 115,000 square feet will bring the total size of the new facility to slightly more than 151,000 square feet.

For more details, the reader should refer to the Red Deer Multi-use Aquatic Centre Phase Two: Conceptual Model – Final Report.

Table Seven:

Description of the Facility Components of the Multi-purpose Aquatic Centre

Component	Description	Proposed Sq. Ft.
Aquatic Centre	The existing aquatic hall will be renovated and updated. Between the pool and the hot tub, the hall will have the bather capacity of 195 individuals. The existing spectator area (78 seats) will be updated. The new aquatic hall will offer a 54 metre by 25 metre competitive tank, a 25 metre by 15 metre dive tank, whirlpools and a flow rider. In combination, these new features will have a bather load of 1,436 individuals bringing the total aquatic capacity to over 1,600 bathers. The new aquatorium will offer 422 permanent spectator seating with an additional 500 retractable seats on the pool deck. An on deck viewing area will be provided for parents' convenience. Adequate storage and aquatic support space will be conveniently located within the aquatic centre.	87,446
Change Rooms	New change rooms will be built in the expansion. Sizable men's, ladies and family change rooms will be available.	11,840
Wellness Centre	A new wellness centre will replace the existing lobby. This bright, airy and sizable space will offer an enjoyable and motivational workout area.	3,983
Program Rooms	The two existing multi-purpose rooms, the pottery, art and dark room will be maintained. A new child minding area will be added.	5,888
Administration	Four new administration offices will be included in the expansion and the existing offices will be maintained on the ground and second floors. A new board room, general office area, servery and lounge would be added. The current staff lounge and change space will be maintained.	14,435
Public Spaces	These spaces will be open and welcoming. The large lobby area will act as both the reception and traffic control points for the facility. Public space will also include new community rooms, concessions and retail outlets plus the public washrooms on the ground and basement levels.	19,850
Building Services	These spaces will be dedicated to the maintenance manager's office, maintenance staff room, maintenance and custodial room, storage, mechanical, electrical, laundry and furnace rooms.	7,276

## 5.2 ORDER OF MAGNITUDE CAPITAL COST

The architect's concept report provides a high level order of magnitude cost estimate for the new development. "The estimate provides an indication of the total cost of the project, based on the user's functional requirements to the degree known at the time. This is based upon historical data for similar work, adjusted for such factors as: effect of inflation, location, risk, quality, size and time. All related factors affecting cost are considered to the extent possible"<sup>20</sup>.

The architects note that the estimate is strictly a rough order of magnitude indication of the project cost with an expected degree of accuracy of +/- 20%.

Table Eight:  
Order of Magnitude Capital Cost

Renovated existing facility	\$3,834,000
Addition	\$67,740,750
Exterior lap pool and deck	\$3,150,000
Naturalized bio-filter pond and parking	\$753,000
Site	\$250,000
Total hard costs	\$75,728,000
Soft costs	\$9,845,000
Total capital cost	\$85,573,000
Site development cost	\$4,369,000
Total project cost	\$89,942,000

## 5.3 THE FACILITY DESIGN PROMOTES USE FLEXIBILITY

The architect's concept and design takes full advantage of the Multi-purpose Aquatic Centre's Rotary Recreation Park location by linking many of the facility's components with other aspects of the Park. For example, the wellness centre will be an attractive training alternative for tennis club members while the outdoor leisure pool and sunbathing terrace will augment the aquatic experience of lane swimmers and their families.

By design, the new Centre will increase the City's capacity to service existing pool users. But as importantly, the new and redesigned spaces will be flexible and have the ability to simultaneously serve different types of users. Additionally, advanced systems will expand the breadth of opportunities available to a broader range of patrons. Not only will existing users – such as clubs, lane swimmers, lesson registrants and aquafit participants – benefit from more pool availability and higher levels of service, but entirely new types of activities will be possible.

Based upon the Kelowna experience, the Flow Rider will be an instant hit with the youth market. And, the additional water and augmented aquatic features will spawn new clubs, more renters and increased traffic by individual users. Activities such as scuba, kayaking, water polo, and diving represent new and potential use possibilities. The hot tubs will be used for therapy and general relaxation and a warm water pool could be used for hydrotherapy. There is no doubt that the new Centre will raise the City's capacity to provide better service to a wider range of aquatic patron.



PARK USE / FEATURE DIAGRAM





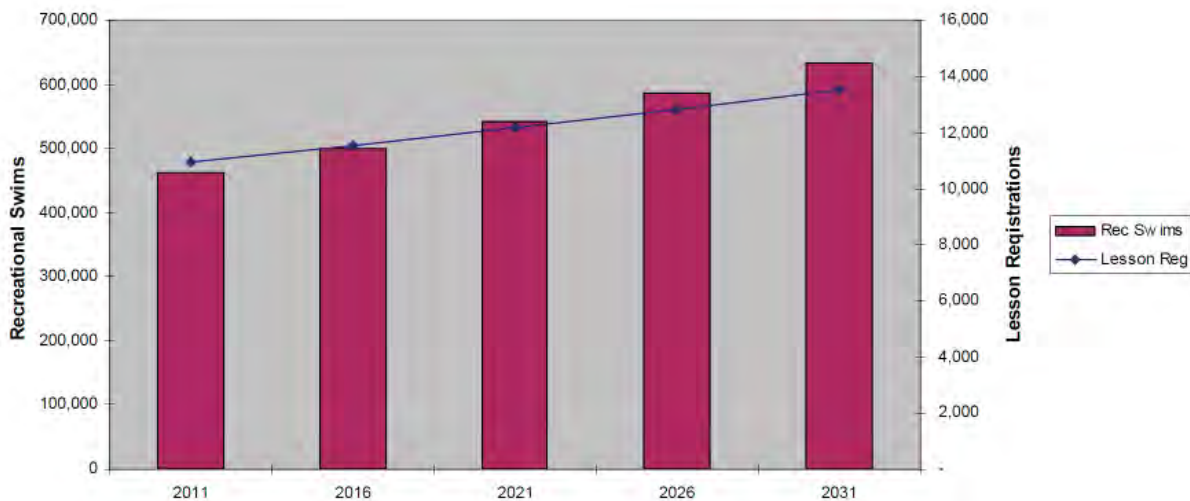
## AQUATIC USER GROUPS

## 5.4 FUTURE FACILITY USE

Undoubtedly, the new Multi-purpose Aquatic Centre will become a popular recreation, sport and training venue in Red Deer. The facility will not only stimulate new types of uses but also accommodate expanded use of traditional patrons that are currently vying for more pool time. Additionally, the venue will increase the City's capacity to deal with expanding demand related to population growth.

In 2010, the city-wide aquatic system handled 5 recreational swim visits for each resident and slightly more than .6 lesson registration for each of Red Deer's child or youth. To demonstrate the future use profile of traditional pool patrons, we have applied the per capita participation rates to the City's population projections to 2031.

Chart Fourteen:  
Projected System Wide Aquatic Activity



As demonstrated above, Red Deer's aquatic system will be required to handle a demand increase of 37% for recreational swimming and 23% for lessons based on population growth alone. Other emerging new uses will escalate the number of individuals and groups vying for pool time. The addition of the new Multi-purpose Aquatic Centre to Red Deer's inventory of pools will ensure that the City is well positioned to accommodate heightened future demand.

## SECTION SIX - BUSINESS PLAN

### 6.1 POTENTIAL GOVERNANCE STRUCTURE

The Central Alberta Aquatic Centre Committee has been instrumental to the process of bringing the Multi-purpose Aquatic Centre to Red Deer. Committee members are well connected in the community, understand the City's aquatic, physical activity and sport environment and have degrees of expertise that could be beneficial to the new Centre.

The CAAC Committee could become a Liaison Committee that would act as a conduit of information from the community and user groups to the Department and the facility's management team. The Committee's role would be solely advisory - it would not have approval or decision-making authority. If the City were to add a Liaison Committee to the Centre's governance structure, it would be necessary to create a Terms of Reference detailing the Committee's roles and responsibilities.

The Red Deer Recreation Parks and Culture Department utilizes an "asset based management approach" in operating the City's community centres, pools and arenas. This is the most common management and operating protocol utilized by recreation and community service departments throughout Canada. Based upon our work with staff throughout the course of this study, we believe the Department employs sound and effective systems and procedures to manage the City's facilities and to deliver its inventory of programs. We therefore support that the Department should manage the Multi-purpose Aquatic Centre utilizing its customary operating approach.

The Department's Recreation Section administrative offices are located at the Rotary Recreation Park facility and will remain in the same space after the Recreation Centre is renovated. This will ensure a continuance of the effective deployment of personnel that is currently in place.

### 6.2 POSITIONING THE MULTI-PURPOSE CENTRE

The Multi-purpose Aquatic Centre will be positioned as a uniquely different venue in Red Deer's recreation facility inventory. Featuring a flexible design that offers numerous sport and recreational features under one roof, the Multi-purpose Centre will be a premium site for fitness and sport training, wellness activities, family entertainment and relaxation in a warm and welcoming environment. The facility will be located next to the downtown core making it extremely convenient to local work forces as well as the substantial older adult market that resides in adjacent neighbourhoods. Equally important is the fact that the Centre's services will focus on health and wellness education, fitness and sport training and cross generational programming which is entirely "on-trend" in terms of what will influence personal and social behaviors for the foreseeable future. Finally, the Centre's distinct position will differentiate it from the other City facilities - it will fill an underserved market niche - expanding the sport and recreation opportunities available to Red Deerians while reducing competition between the City's three major community facilities.

### 6.3 STAFFING PLAN

The proposed staffing plan for the Multi-purpose Aquatic Centre mirrors the prevailing staff deployment strategy at the Recreation Centre. In accordance with the magnitude of the new facility and the expanded breadth of programming, we have proposed additional or adjusted positions in the new Centre's staff plan.

The Administration Area will include a team of staff that manages and administers the new facility. The current positions which will make up this Area are the Recreation Facilities Supervisor, the Centre Coordinator, and the Administration Assistant. We recommend augmenting the Area with a Facility Pass and Booking Specialist. This position will be required to handle an increase in administrative functions caused by more facility traffic, an escalation in membership and pass sales and a more complicated facility schedule. Given that the Recreation Facilities Supervisor fulfills citywide responsibilities, the Centre's payroll budget will carry only 50% of the Supervisor's salary.

The Aquatics and Program Area will be responsible for supervising and delivering programs in all pools and associated aquatic facilities. The Area's staffing will include a Program Specialist, an Aquatic Program

Leader as well as life guards and instructors that will be largely part time personnel. Plans call for Michener's staff complement to be moved to the new Centre once it is ready for occupancy. This means that about 2.5 full time equivalent positions (FTEs) will be internally transferred and 7.5 FTEs will be added (beyond the current Recreation Centre staff complement) in anticipation of increased pool traffic and the need for more programming in the new Centre.

The Program Area will handle all of the new facility's fitness, wellness and active living programs as well as the ongoing supervision of the wellness centre. The Area will include a new Dry Land Program Specialist as well as the current Program Assistant plus contracted fitness instructors. The Dry Land Program Specialist is a new position which will be necessary to manage the substantial number of programs and activities anticipated for the new wellness centre. However, the system-wide payroll costs will not be increased because the Michener's Specialist position and related costs will be transferred to the new Centre.

The Operations Area will be responsible for all of the facility's systems and maintenance. The Area will be staffed by a Facility Maintenance Specialist and numerous maintenance and custodial workers. The proposed plan for the new facility anticipates doubling the personnel complement currently deployed at the Recreation Centre.

The Centre's Finance Area will be responsible for all of the Centre's controls including traffic supervision at the reception desk, cash management and budgets. The Area will include a Finance Specialist, a Lead Cashier and several Cashiers that will be both full and part time personnel. The Area will also include a new position - a Customer Service/Marketing Specialist. This individual will supervise the operations of the reception desk, develop and implement a robust customer service program and work with other City staff in marketing the Centre. It is anticipated that the Financial and Customer Service/Marketing Specialists will have dual roles, fulfilling similar functions for the Dawe Centre. Therefore, the new Centre will be responsible for only half of the related payroll costs.

It is noteworthy that the proposed new Multi-purpose Aquatic Centre staff plan takes full advantage of all available efficiencies. The offices for the Recreation Section of the Recreation, Parks and Culture Department will be located in the second floor administration area of the Centre. This allows senior Department personnel first-hand supervisory opportunities - simply by being on site - and provides Centre staff convenient access to decision makers as well as other important supports. Also located at the Centre is the Neighbourhood and Community Development staff complement that oversees the operation of many smaller community facilities and facilitates the engagement of cross-community organizations in the development of recreation and sport opportunities.

Michener's staff will be transferred to the new Centre which reduces the need to increase the system-wide personnel complement and helps to limit escalations in the associated payroll cost. For example, new fitness expertise will be acquired by adding a Dry Land Program Specialist to the new Centre's staff complement but there will be no related increase in the system-wide labour cost because the current salary allocation of Michener's Program Specialist will be moved over to the new Centre. Finally, the Financial and Customer/Service Marketing Specialists will be split between the Multi-purpose Centre and the Dawe facility further augmenting the City's ability to implement an efficient staff deployment strategy.

The proposed staff plan and the anticipated number of full time equivalent personnel that will fill the positions in each of the new Centre's Areas are presented in the following table. The table also provides a comparison of the current number of FTE's deployed at the Recreation and Michener Centres with the staff complement proposed for the Multi-purpose Aquatic Centre.

Table Nine:  
Multi-purpose Aquatic Centre Staff Plan

Position	Multi- purpose Proposed FTE's	Rec Centre Current FTE's	Michener Current FTE's	Change in FTE'
<b>Administration Area</b>				
Recreation Facilities Supervisor	0.5	0.5	-	-
Centre Coordinator	1	1	-	-
Administration Assistant	1	1	-	-
Facility Pass/Bookings Specialist	1	-	-	1
<b>Aquatics Program Area</b>				
Program Specialist	1	1	1	-1
Aquatics Program Leader (2)	1	1	-	-
Advanced Life Guard Instructor	9.4	3.7	1.1	4.6
Lifeguard Instructor	5.8	1.6	1.28	2.92
<b>Program Area</b>				
Dry Land Program Specialist	1	-	-	1
Dry Land Program Assistant	1.4	0.7	-	0.7
Fitness Instructors (contracted)	NA	NA	-	-
<b>Facility Operations Area</b>				
Facility Maintenance Specialist	1	1	1	-1
Facility Maintenance Worker/Lead	2	2	0.4	-0.4
Facility Maintenance Worker	5.2	1.6	0.49	3.11
<b>Finance Area</b>				
Finance Specialist	0.5	-	-	0.5
Customer Service/Marketing Specialist	0.5	-	-	0.5
Lead Cashier	1	1	-	-
Cashiers	5	2.5	-	2.5
<b>Total FTE's</b>	<b>38.3</b>	<b>18.6</b>	<b>5.27</b>	<b>14.43</b>

#### **6.4 FEES ASSUMPTION**

Within the City's current pricing policy, general admission and membership fees to the Recreation and Michener Centres are 41% less than fees charged for similar services at the Collicutt Centre. Fees to the G.H. Dawe Centre are 28% below the top tier facility. In view of the magnitude and breadth of facilities and programs that will be available at the Multi-purpose Aquatic Centre, it would seem reasonable to assume that the City will revisit its pricing policy when the new Centre is completed. For the purposes of the financial projections included in this business plan, we have employed admission and membership prices that are based on the 2010 Dawe fee schedule.

#### **6.5 PROGRAM IMPLICATIONS**

As indicated earlier in this plan, the development of the Multi-purpose Aquatic Centre will trigger the City's intention to discontinue its use of the Michener facility, which is currently leased from the Province of Alberta to meet the aquatic needs of Red Deer. For the purposes of this business plan, we have assumed Michener's programs and the associated patrons would relocate to the new Rotary Recreation Park facility and the Michener Aquatic Centre would close as was the Province's intent in 2004. Furthermore, the City's prevailing schedule of programs has been used as the basis for projecting the types and volume of programs that will be available at the new Centre.

#### **6.6 PREMISE OF ASSUMPTIONS**

The premise that underpins the revenue and cost assumptions contained in this business plan is that they must be realistic, defensible and consistent with Red Deer's traditional operating performances. As is the case in any business planning exercise, revenue is the most difficult component to accurately predict. To protect against providing overly optimistic revenue projections, we have adopted a conservative approach but have remained relatively true to the City's traditional performance metrics. On the cost side, we have employed Red Deer specific data, adjusted to reflect the larger and more sophisticated facility type that will be added to the City's inventory. Utilizing this approach has resulted in financial projections that are realistic yet conservative.

#### **6.7 REVENUE ASSUMPTIONS**

Revenue projections are based upon the following assumptions.

**General Admissions** - in 2010, the total combined pool traffic at the Recreation and Michener Centres was 137,015 individuals. Slightly more than one in five swimmers (22%) paid general admission fees while the balance gained access via a membership or multi-use pass. We have assumed that the appeal of the new facility will increase bather load by 10% to more than 150,000 bathers and that 25% of these bathers will pay admission fees. We have based the revenue on an average of \$4.50 per bather (the Dawe rate) in the first year projection. In our experience, new aquatic facilities experience a decline in patronage in their second and third year of operations - sometimes referred to as the honeymoon affect. This affect is due to a waning of the initial enthusiasm, interest and appeal of the new facility. To account for this, the projections assume that year two patronage will be 80% of the first year's attendance and year three will be 90% of year one. The projections assume that the pool will regain its initial year's traffic by the fourth year of operations.

**Instructional Program** - instruction revenue is based upon the 2010 lesson registrations and the average revenue produced per registrant at the Recreation and Michener Centres - 6,688 registrants at \$62.00 per registrant. Year two and three registration levels have been reduced to reflect the honeymoon affect.

**Pool Rentals** - a pool rental schedule was developed in response to the number of hours requested by user groups. The schedule anticipates 140 rented lane hours per week over a 40 week cycle. The schedule also anticipates an additional 35 rented lane hours per week for miscellaneous rentals by existing or emerging groups. Projected revenue is based upon the City's current rental price per lane hour.

**Room Rentals** - revenue arising from room rentals is based upon each of the new Centre's rooms rented twice per week over a 40 week cycle at \$25.00 per rental.

**Memberships** - it is anticipated that the location, size and appeal of the new facility will stimulate a 100%

increase in membership sales compared to current membership levels at the Recreation and Michener Centres - 4,700 compared to the current combined membership level of 2,348. It is also anticipated that the number of members will grow by 10% per year beginning in year two. Membership revenue is based upon an average of \$40.00 per member (the Dawe rate).

**Wellness Revenue** - the wellness centre in the Multi-purpose Centre will be the largest and most impressively equipped fitness facility within the City's inventory. Furthermore, the Centre will benefit from the expertise of a Dry Land Program Specialist with fitness expertise that will be charged with the responsibility of promoting programs and selling services such as personal training. It is therefore anticipated that wellness revenue will climb by 125% of the existing Recreation Centre performance.

**Retail and Other Revenue** - these revenue items are based upon the Recreation Centre's existing performance including retail sales, vending and locker rentals. The projections have been increased in accordance with anticipated rises in facility traffic. Estimates do not include additional revenue that could be realized from a larger concession operation in the new Centre because the business model - self managed, contracted-out, leased, etc. - has yet to be determined and therefore accurate revenue estimates are not possible. Likewise, revenue projections do not take into account advertising or sponsorship revenue that could arise from signage, advertising or the sale of naming rights. Municipalities have experienced mixed success in generating revenue from these initiatives and therefore including projections would be speculative.

**Price Increases** - all revenue projections include an anticipated annual price increase of 3%.

## 6.8 COST ASSUMPTIONS

Cost projections are based upon the following assumptions.

**Labour** - as is always the case in operating major aquatic facilities, labour costs will be the most significant expense item for the new Multi-purpose Aquatic Centre. The projected payroll costs are based upon the staff plan for the Centre and the City's prevailing compensation rates for each position. Labour projections also include the appropriate benefits cost for each position.

**Utilities** - facilities that are of the scope and size of the Multi-purpose Aquatic Centre consume significant quantities of water, gas (heat) and electricity. While it is anticipated that the Centre will take advantage of the most up-to-date equipment, technology and procedures to conserve energy and contain the associated costs, utility expenses will be significant. Because utility costs will significantly impact the financial performance of the Centre, we have employed significant rigor in projecting this important expense item. We have taken into account the Recreation Centre's current utility expense and applied cost metrics from comparable aquatic and community centre facilities in Ontario, Alberta and British Columbia. We have examined the rates of utility consumption of long-course and 25 metre aquatic pools that are included in multi-tank facilities and have prepared models on a cost per unit consumed and a square foot basis. We then applied these metrics to the allocated space estimates for the renovated and new facility components in the Multi-purpose Centre. It is noteworthy that our utility cost projections are based on the energy saving technologies available in 2011. It is reasonable to assume that the Centre will benefit from new and more sophisticated conservation tools that become available between now and when the facility is constructed. Consequently, it is possible that the actual energy costs may be less than those presented in this business plan.

**Administration and Programming** - these costs reflect the combination of the Recreation and Michener Aquatic Centres' current performance escalated by 25%. Items contained in this cost area include travel, training, security, conference fees, freight, fleet expense, advertising and promotion, licenses and permits, general supplies, office supplies, printing and the Activity Guide.

**Repairs and Maintenance** - it is generally less expensive to keep a new, modern building in good repair than it is to maintain an older facility. Also, most of the Multi-purpose Aquatic Centre's equipment will be new and covered under warranty for most of the first five years of the facility's operation. Consequently, repair and maintenance costs should be less for the new Centre than is currently the case at the Recreation Centre. Items contained in this cost item include equipment repair and maintenance, building repair and maintenance, maintenance supplies and materials, contract maintenance labour and parking lot maintenance. The repair

and maintenance expense projection is based on \$2.00 per square foot of new space where as the current cost is over \$4.00 per square foot.

**Credit for Recreation Section Administration Space** – as mentioned earlier, the administration offices for the Recreation Section of the Recreation, Parks and Culture Department will be located on the second floor of the renovated Multi-purpose Aquatic Centre. While this is a convenient location for the Section's staff, their roles and responsibilities are city-wide, not exclusively for the Centre. Therefore, it is reasonable to assume that the costs to operate the administration space should be borne municipally and not be solely the responsibility of the Centre. We have therefore assumed that the facility will receive a credit equal to the proportionate utility, building operations and custodial costs (\$20.00 sq. ft.) applied to the size of the office space (6,017 square feet).

**Affect of Inflation** – all expense items have been increased by 2% per year to reflect the influence of inflation.

## 6.9 FIVE YEAR FINANCIAL PROJECTIONS

The following table presents the revenue and cost projections for the new facility over its first five years of operation.

Table Ten:  
Multi-purpose Aquatic Centre - Five Year Financial Projections

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
<b>Revenue</b>					
Memberships	\$ 187,840	\$ 212,823	\$ 241,128	\$ 273,198	\$ 309,534
Aquatic Instruction	\$ 414,656	\$ 341,677	\$ 395,918	\$ 453,106	\$ 466,699
Admissions	\$ 169,556	\$ 139,714	\$ 161,894	\$ 185,278	\$ 190,837
Wellness Programs	\$ 147,222	\$ 151,639	\$ 156,188	\$ 160,873	\$ 165,700
Facility/Pool Rental	\$ 161,980	\$ 166,839	\$ 171,845	\$ 177,000	\$ 182,310
Retail	\$ 72,684	\$ 74,865	\$ 77,110	\$ 79,424	\$ 81,806
Other	\$ 8,556	\$ 8,813	\$ 9,077	\$ 9,349	\$ 9,630
<b>Total</b>	\$1,162,494	\$1,096,369	\$1,213,160	\$1,338,229	\$1,406,515
<b>Expenses</b>					
Labour	\$2,455,391	\$2,504,498	\$2,554,588	\$2,605,680	\$2,657,794
Utilities	\$1,409,208	\$1,437,392	\$1,466,140	\$1,495,463	\$1,525,372
Admin. Program	\$ 226,512	\$ 231,042	\$ 235,663	\$ 240,376	\$ 245,184
Repairs & Maint.	\$ 381,298	\$ 388,924	\$ 396,702	\$ 404,636	\$ 412,729
Other	\$ 42,442	\$ 43,291	\$ 44,157	\$ 45,040	\$ 45,941
<b>Total</b>	\$4,514,851	\$4,605,148	\$4,697,251	\$4,791,196	\$4,887,020
Credit (Admin)	\$ 120,340	\$ 122,747	\$ 125,202	\$ 127,706	\$ 130,260
<b>Municipal Support</b>	\$(3,232,017)	\$(3,386,032)	\$(3,358,889)	\$(3,325,261)	\$(3,350,244)



### **6.10 FINANCING COST IMPLICATIONS**

The City will likely underwrite the capital cost to the Multi-purpose Aquatic Centre using a combination of funding strategies including: accessing federal and provincial infrastructure program funds; utilizing funds from municipal reserves; undertaking a fund raising campaign; and financing through a debenture.

The City borrows from the Alberta Capital Finance Authority (ACFA) at rates that generally reflect market conditions. For example, as of June 15, 2011, the rate was 4.157% for a 30 year debenture. At this point in the planning process, it is impossible to predict if the City will be required to finance a portion of the capital cost. However, any borrowed funds will attract financing charges that will proportionately increase the City's subsidy for the project.

For illustration purposes, based on the preceding terms, the City's annual debenture cost would be \$58,152 for every \$1,000,000 borrowed to finance the project.

### **6.11 ASSET MAINTENANCE AND RENEWAL STRATEGY**

While the City recognizes the importance of regular building repairs and capital maintenance, there is no municipal policy or customary practice of setting aside funds in a capital reserve account. Large repair costs for facilities in the City's current stock are put forward as part of the annual budgeting process. For more recent projects, budgets receive preset annual allocations that are designed to assist with infrastructure repairs and maintenance. For example, the Collicutt Centre's annual budget includes a repairs and maintenance allocation of \$175,000. The City's Finance Department recommends that the Multi-purpose Centre's business plan include an annual maintenance and repairs allocation of a reasonable amount.

Most municipalities begin contributing to capital reserves after the building and equipment warranties have expired. It is therefore reasonable to expect that the City will begin including capital repairs and maintenance allocations in the Centre's budget in the fourth or fifth year of operations. For this reason, this section of the business plan has described the need for a capital allocation but the financial projections do not bear the allocated costs.

### **6.12 SYSTEM WIDE MUNICIPAL SUPPORT IMPLICATIONS**

As mentioned earlier, the development of a Multi-purpose Centre in Rotary Recreation Park will trigger the City's move out of the Michener Centre. This business plan anticipates that the new development will accommodate the program, instructional and leisure activities currently taking place at the Michener Aquatic Centre and the Recreation Centre plus increased patronage generated by the appeal of the new elements contained in the Centre.

Comparing the Multi-purpose Centre's projected revenue and expenses to the combined 2010 financial performance of the Recreation and Michener Aquatic Centres provides an indication of the system-wide financial implication of the new development. In 2010, the two Centres generated combined revenue of \$1.08M compared to total operating expenses of \$2.9M. This resulted in municipal tax base support for both facilities that amounted to \$1.8M.

The business plan projects that the new facility will produce about \$1.2M in revenue compared to total expenses of approximately \$4.5M. These estimates suggest that the Centre will require municipal support of \$3.35M in its first year of operation. Based upon this analysis, municipal support will increase by about \$1.5M when the new Multi-purpose Centre comes on line. It is noteworthy that this subsidy is exclusive of any debt financing - to cover debenture costs - or budget allocations for capital maintenance and repairs.

## SECTION SEVEN - MARKETING AND CUSTOMER SERVICE PLAN

The staff plan calls for the introduction of a Customer Service and Marketing Specialist who will supervise the operations of the reception desk, develop and implement a robust customer service program and work with other City staff in marketing the Centre. This would be a new direction at the Rotary Recreation Park location but would be in large part similar to the operating protocols employed at the Collicutt Centre. To help illustrate the application of this operating approach, we offer the following advice and examples of customer service and marketing initiatives successfully implemented by other municipalities.

### 7.1 MANAGING CUSTOMER SERVICE

Consumers of public recreation services are becoming more sophisticated and demanding - they have much higher expectations than in years past. And, the degree to which they are treated is often more important in their "value judgement" than the quality of the program or physical state of the facilities themselves. In fact, many recreation managers believe that: (1) quality customer service is the key success for any employee with customer service responsibility - which is everybody in the organization, and (2) quality customer service is the foundation upon which an organization's success is built. In recognition of this trend, Red Deer's Recreation, Parks and Culture Department has previously taken steps to "raise the bar" in its own attempt to meet escalating expectations through developing its Customer Experience Model.

Many public recreation organizations concentrate too heavily on the technical side of service delivery and devote far too little time to the "people side of the business". Customer service training is often sporadic because of limited resources, busy schedules or a generally perceived lack of time. Also, many supervisors or program coordinators do not have enough experience in customer service principles to properly guide staff to improve their customer service skills.

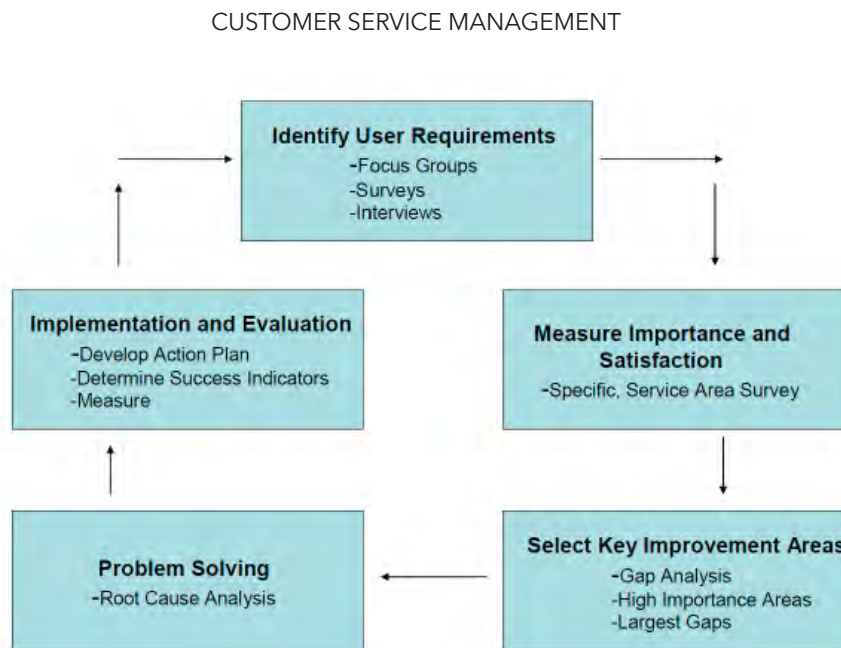
A prevalent misconception in the recreation business is that enthusiastic staff with program delivery responsibilities will be "naturals" at providing quality customer service. But in reality, customers will only receive top-quality service if the organization dedicates the necessary time and resources to managing the service process.

There are two primary dimensions that make up quality customer service. The procedural side of service consists of established systems and procedures to deliver first class products or/and quality services. The personal side of service is how service personnel, using their attitudes, behaviors and verbal skills, interact with customers. Both of these dimensions need to be effectively managed.

There are numerous customer service management systems described in countless books on the topic. While the systems may differ, they all include five basic elements:

- identifying customers' needs and requirements;
- prioritizing their needs and figuring out what is most important to them;
- analyzing the existing service delivery methodology and identify gaps;
- strategizing about how gaps can be filled; and
- developing and implementing an action plan and monitoring results.

The following customer service management model is suggested for the Multi-purpose Aquatic Centre:



To effectively manage customer service, the Centre management team will need to develop systems and have procedures in place to ensure that the level of service experienced by facility patrons is maintained at appropriate standards. It is important to realize that the customer service management process presented above is cyclical and should be repeated annually. This is because as facility patrons and program clients become accustomed to a certain level of service, their expectations change and a new, higher standard becomes a baseline against which they will measure the Centre's service performance. In effect, their expectations will go up in direct proportion to the facility's successes in improving customer service standards. This will force the management team to constantly look for methods to "raise their customer service bar" so they are in a position to continually impress their facility patrons and program participants.

The importance of a well managed quality-focused customer service system can not be overstated. Top performing recreation centres respond to the need for this critically important business function by allocating sufficient resources as well as an appropriate number of well trained staff to fulfill the customer service expectations of their clientele.

## 7.2 MARKETING THE MULTI-PURPOSE CENTRE

### Business and Marketing Plans

To differentiate the operating responsibilities of the Facilities Supervisor and the Customer Service and Marketing Specialist it is important to distinguish between the terms "business plan" and "marketing plan".

A **business plan** provides planning guidelines that direct business initiatives, determine budgets and help guide staff management and policy decisions. A business plan represents a dynamic process of planning and reviewing a business agenda over time. It requires documentation in a format that allows regular updating in response to fluctuating business conditions. The hallmark of a successful business plan is that it is always current because it is constantly refined and adjusted in accordance with changes in the marketplace.

Initiatives normally described in a marketing plan are important elements of every business plan. Frequently, marketing issues become the most critical aspects of the business plan and should therefore receive appropriate emphasis.

Quite often, marketing objectives become the key determinants of the facility's priorities driving the business

plan. In this case for example, the Multi-purpose Centre's market position will be to focus on the health, wellness and training needs of adults and youth - which will separate the mandate of the new Centre from the "family fun" agendas of the Collicutt and Dawe Centres. The mandate will also guide certain business decisions such as the Centre's scheduling, program mix, peak and non peak hours and pricing. Therefore, the process of establishing the Centre's marketing objectives must take into account the likely influence that these decisions will have on shaping operational and business plans.

#### External and Internal Marketing Initiatives

Marketing is a critical aspect of any successful sport or recreation enterprise. However sometimes managers focus more attention on operations - such as programming, staffing and scheduling - rather than effectively promoting their facility, products and services to potential customers. Sport and recreation patrons are becoming increasingly sophisticated and rightfully expect top-level service. Furthermore, the sport, recreation, physical activity and leisure environment is becoming more competitive as new types of facilities and programs are brought to market. To be successful, smart operators adopt an external marketing program to attract new business and implement a coordinated internal program to bolster client retention.

A synchronized and targeted marketing plan will be an important factor if the Multi-purpose Centre is to reach the participant capture rates described in the preceding sections of this report. For example, the membership projections anticipate a 100% increase compared to 2010 performance. To reach this sales level, potential monthly pass and punch pass holders must know about the new facility and understand the personal and financial value of developing an ongoing relationship with the Centre. Marketing messages should present compelling reasons to become a member or use the facility and should encourage sport and fitness enthusiasts to become involved in one or more of the Centre's programs.

External marketing is the pursuit of new clients. The Centre's external marketing messages and initiatives should target the specific interests of each intended audience - i.e. skill development for swimmers and divers, fitness improvement for wellness centre participants, etc. The external marketing plan should include networking (such as personal contacts already undertaken by staff and the CAAC Committee), referral incentives, outreach programs, introductory trials, cross-programming campaigns, targeted invitations, bought media and signage.

The marketing plan should also include initiatives that respond to the needs of the Centre's existing customers - its members, patrons and program participants. Policies, procedures, lines of communication, orientations, feedback mechanisms and complaint strategies are all barometers of the importance the organization places on the needs of its existing clientele. Not only do these systems help in "staying close to the customer" but they also demonstrate that the Multi-purpose Centre values its patrons and appreciates their loyalty.

Another important aspect of the Centre's marketing philosophy will be that the aforementioned customer service plan stresses a retention attitude amongst staff. Accurately assessing the service expectations of patrons and ensuring that they consistently receive top-notch service will cement their devotion to the Centre and increase the chances they will recommend it to others. The marketing benefit of a quality customer service program cannot be overstated.

#### Elements of the Marketing Plan

Through its various initiatives, the Centre's marketing plan should address the seven elements of an effective marketing mix - frequently called seven P's.

The Centre's facilities, programs and services represent its product offering. While the facility will be the City's largest and best equipped sport training venue, it will be Centre's programs that define its "business personality". The portfolio of program and service should be diversified to capture the interests of the various groups of clients (i.e. individual users, sport group renters, event organizers, elite athletes, instructional program participants, etc.).

Place is important in terms of marketing exposure and maximizing convenience. The Centre's location should be leveraged to take advantage of the proximity to the downtown core and the local residential senior

population. Exterior signage and introductory trial coupons distributed to the various downtown businesses and neighbourhoods should be considered.

**Partners** should be included in the Centre's marketing plan. Affiliations with local sports businesses and interested individuals can be effective methods of raising the facility's profile and gaining access to new markets. Creating alliances with organizations that represent the interests of potential patrons can also be leveraged for marketing advantage.

A customer service strategy that focuses on increasing client retention is sometimes called the people strategy. While this is more of a mindset than a program, it should be blended with the Centre's marketing initiatives so all aspects of the internal and external communications are developed with a focus on pass holders, casual patrons and regular program participants.

The **price** of a multi-pass, participating in special event or accessing the Centre's various programs and services will be important to its marketability. The proposed price schedule described in the business plan is fair, affordable and competitive. Future price decisions should take into account the popularity of the facility, the economic environment, the financial capacity of targeted clients and the facility's position in its life cycle.

The **promotional** mix should include the City's traditional advertising vehicles (Activity and Program Guide), personal contacts, public-relations, posters, public announcements, open houses, trial use programs, referral campaigns, special events, campaigns including contests or any other innovative method of exposing the Centre to potential members or users. The development of themes and mottoes can add to the effectiveness of these messages and help to link elements of the promotion campaign.

The Centre's products and services should be carefully packaged. For example, multi-use pass holder options should be generally consistent with the desired use profile of potential users while remaining sensitive to the financial realities of operating a year-round facility. Although introductory passes and trial memberships are useful for promotional and orientation purposes, short-term membership options are sometimes difficult to administer or counterproductive in terms of customer retention. Consequently, long-term memberships should be encouraged - three to six months or more. Creatively conceived membership packages and pricing structures should include incentives that help the individual reach and sustain their training objectives while remaining consistent with the facility's operating and financial requirements.

An aerial photograph of a large body of water, likely a lake or ocean, showing intricate patterns of ripples and reflections. The water is a deep, vibrant blue, with lighter blue and white highlights where the sun reflects off the surface. The reflections create a shimmering, textured effect across the entire scene. A white rectangular box is positioned in the upper right quadrant, containing the word 'APPENDIX' in a simple, black, sans-serif font.

APPENDIX

	Synchronized Swim	Masters Swim	Special Olympics	Marlins	Catalina
Member Profile	5 yrs to adults	18+ yrs	1 yrs +	4 yrs - 24 yrs	5 yrs - 17 yrs
2009 to 2011 Membership Levels	41 - 57 - 46	140 - 150 -160	20 -25 -35	85 - 110 - 110	95 - 109 - 122
Wait List	0 - 0 - 0	0 - 5 - 5	0 - 0 - 0	0 - 0 - 0	0 - 0 - 20
Future Member Pattern	Increase by 15% to 20%	Increase by 25%	Increase by 3%	Increase by 10%	Increase by 15% to 20%
Current Programming	Introductory, recreational, competitive, masters	Coached stroke improvement for swim club and 50+ swim club members	Swim instruction, fitness training and skill development	Training for competition, learn to swim for younger ages and swim fit for non competitive (11 -18 yrs)	Learn to swim competitively and train for regional to national competitive levels
Future Programming	50% increase	75% increase	3% increase	25% increase	15% to 20% increase
Current Facility Use	Michener Dive Tank - 14 hrs/wk 40 wks/yr  Recreation Centre - 8 hrs/wk 40 wks/yr	Michener pool - 10 hrs/week  Need more evening or early morning hours to accommodate working clientele	Michener pool - 1 hr/week but need at least 1 more hour added to the current block of time	Michener pool - 10 hrs/wk 16 wks/yr  Recreation Centre - 4 hrs/wk 8 wks/yr  Michener pool - camp 50 hrs for 1 wk/yr	Michener pool - 20 hrs/wk 48 wks/yr  Recreation Centre - 5 hrs/wk 40 wks/yr  Recreation Outdoor - 10 hrs/wk 12 wks/yr
Future Facility Use	Need the same amount of time (22 hrs/wk on mid week evenings in 2 hr blocks) consolidated at the Recreation Centre	Possibly more hours would be required as membership grows	2 hrs would be sufficient for current number of participants	No additional pool time as required	Require more lane space and more pool time
Likelihood of Use Relocation	Would relocate entire program to the new multi-use Centre	Would relocate entire program to the new multi-use Centre	Would relocate entire program to the new multi-use Centre	Would relocate entire program to the new multi-use Centre	Would relocate entire program to the new multi-use Centre
Transportation Mode	95% private car	100% private car	50% private car 50% public transit	10% walking 80% private car 10% public transit	100% private car
Travel Time	16 - 30 minutes	11 - 15 minutes	16 - 30 minutes	11 - 15 minutes	11 - 31 minutes

	Synchronized Swim	Masters Swim	Special Olympics	Marlins	Catalina
Key Priorities	Expand membership  Increase coaching resources  Be more competitive  Host meets	Expand membership  Develop a triathlon program  Be more competitive	Develop athletes skills and training for competitive purposes and to foster a sense of personal accomplishment	Increase competitiveness and improve ability to host major meets  Would like to expand programs if additional pool time was available	Overall growth  Ability to host provincial and national meets  Become internationally competitive
Physical Requirements	Six lane width  25 metre length  3 metre depth	50 m X 10 lane pool with moveable bulkhead  Sufficient turn depth at each end  Touch pad and digital timing clock  More hand paddles  Better starting blocks	Pool must be user friendly and accessible for all handicapped individuals	50 m X 10 lane pool with moveable bulkhead  Sufficient turn depth at each end  Small shallow pool at same location	50 m X 10 lane pool with section dedicated to competitive swimming  Deck and dry land space available for athlete training  Up-to-date starting blocks
Facility Planning Advice	Facility should be planned to host synchronized meets  Design feature should allow for simultaneous use by different groups during premium times  Consider a moveable floor  Consider on-deck temperature and spectator comfort especially during events.	Sufficient spectator space for major events  More deck space  Ample changing rooms with appropriate amenities - hair dryers, showers, boot rack, etc.  Large hot tub, sauna and steam room  On deck conveniences such as hooks for bags  Fitness area including spin bikes for triathlon training  Child care	As above	As above	The ideal facility allocation would be:  Monday through Friday 4:00 PM to 8:00 PM - 10 lanes X 25M and 6:00 AM to 8:00 AM 6 lanes X 50 M  Saturday 7:00 to 11:00 AM Sept through March 2 X 10 lanes X 25M  Saturday 7:00 to 11:00 AM April through Aug 1 X 10 lanes X 50M  Dry land training space needed for 75% of booked pool time