



INFORMATION ONLY COUNCIL REPORT

To: Paul Gipps, CAO

Date: November 24, 2020

From: Erin Goodwin, Facilities and Recreation Manager

Subject: **COVID-19 Financial Impact – Recreation Services**

EXECUTIVE SUMMARY

The purpose of this report is to provide Council a COVID-19 update related to the financial impacts associated with City of West Kelowna (CWK) Recreation Services.

The report will also provide a summary of the 2021 budget amendments being proposed to try to alleviate some of the financial impacts COVID-19 has created.

BACKGROUND

In March 2020, the Province of BC declared a state of emergency, banned mass gatherings of more than 50 people, and imposed restrictions and orders that forced various types of businesses and facilities to close their doors to the public, including CWK recreational facilities.

The closures had a significant financial impact to CWK recreational services that resulted in loss of revenue for the CWK Recreation Department and Johnson Bentley Memorial Aquatic Centre (JBMAC).

Note: The CWK has an operating agreement with Active Living Enterprises Ltd. (ALE) for the Johnson Bentley Memorial Aquatic Centre. The CWK pays approximately \$53,000 per month to assist in the annual operation of JBMAC. This amount was reduced to about \$25,000 during the pandemic closure and increased to about \$42,000 when the facility was partially opened during the months of June, July, and August. Once the aquatic centre was fully operational in September, ALE started receiving the monthly \$53,000 payment again.

The current agreement with ALE is written with the intention of the annual operating budget for JBMAC being a break-even budget. If the budget is ever in a profit situation, then ALE can submit a request to share those profits with the CWK. If the budget is ever in a deficit situation, then any shortfall shall be the responsibility of the CWK to pay.

Due to the COVID-19 pandemic, JBMAC anticipates having a shortfall in revenue for both 2020 and 2021. As a result, an additional payment by the CWK would be required to create a break-even budget for this facility.

Listed below is some of the rationale associated with lost revenue in 2020

| Rationale for Lost Revenue - 2020 | |
|--|--|
| CWK Recreation Department | Johnson Bentley Memorial Aquatic Centre |
| <ul style="list-style-type: none"> Recreational facilities and programs were shut down for approximately 3 months. Ice rentals require an additional 15 minutes to ensure proper COVID-19 procedures are being maintained which includes but is not limited to additional cleaning between user groups. 30 minutes between user groups instead of 15 minutes results in about 4-5 hours of lost revenue per day (\$150,000 per year). Larger social events in our community halls had to be cancelled to comply with Province's Gathering and Events Order (weddings, parties, etc) Some programs were cancelled due to reductions in registrations. Other programs could not run because of COVID-19 guideline restrictions. Some programs had to reduce class sizes to comply with social distancing requirements and other provincial guidelines. To maintain proper social distancing, CWK employees were moved to temporary locations that normally could be rented out for revenue. Some of these locations included Royal LePage Place, Westbank Lions Hall, Lakeview Heights Community Hall. | <ul style="list-style-type: none"> Operation was closed from March 17th to June 29th Phased -in re-opening with no water in the pool until September. Limited dry floor classes permitted to be offered due to COVID-19 restrictions Limited class participants due to COVID-19 restrictions No use of lockers (rentals) permitted due to COVID-19 restrictions No merchandise sales during this period No vending machine (income) due to high touch point COVID-19 restrictions Reduced hours of operation due to COVID-19 restrictions Pool /swimming area was closed until phase II limited implementation commencing September 24th. No public swims, no rental groups, no steam room etc. Limited pool water class sizes and number of classes due to COVID-19 restrictions. |

Budget Breakdown - 2020

Due to COVID-19, the CWK anticipates a shortfall in revenues for both the Recreation Department and JBMAC. The CWK also anticipates expense savings due to reductions in wages, program supplies, office supplies, equipment rentals, contracted services, utilities, etc.

Below are the 2020 projected values for revenue and expenses.

| Projected Budget Values - 2020 | | |
|--------------------------------|---------------------|-------------------|
| | CWK Recreation Dept | JBMAC |
| Revenue Budget | \$2,021,300 | \$1,424,327 |
| Projected Revenues | \$1,573,000 | \$924,327 |
| Revenue Net Loss | \$448,300 | \$500,000 |
| Expense Budget | \$1,514,277 | \$1,424,327 |
| Projected Expenses | \$1,256,650 | \$1,000,300 |
| Expense Net Savings | \$257,627 | \$424,000 |
| Total Net Result | (\$190,673) | (\$76,000) |
| Grand Total | (\$266,673) | |

Listed below is a general overview of some of the areas that had significant revenue losses in 2020.

| 2020 Projected Revenue Loss – Recreation Department | |
|---|--------------------|
| Budget Item | Projected Net Loss |
| Sport Dome Rentals | \$145,000 |
| Ice Rentals | \$130,000 |
| Lions Hall Rentals | \$57,000 |
| Field Rentals | \$40,000 |
| Rec Programs | \$35,000 |
| Leisure Guide Advertising | \$15,000 |
| Lakeview Heights Community Hall Rentals | \$5,000 |

| 2020 Projected Revenue Loss – JBMAC | |
|-------------------------------------|--------------------|
| Budget Item | Projected Net Loss |
| Aquatic Instructional Programs | \$105,000 |
| General Programs | \$100,000 |
| Aquatic Recreational Programs | \$78,000 |
| Try 3 Passes | \$77,000 |
| CWK COVID-19 Subside Adjustments | \$75,000 |
| Fitness Programs | \$20,000 |
| Swim Club | \$18,000 |
| Circuit Revenue | \$11,000 |
| Locker Rentals | \$9,500 |

2021 Proposed Budget

Recreation Department

| | |
|----------------------------------|-------------|
| 2021 Projected Expense Estimates | \$1,300,000 |
| 2021 Projected Revenue Estimates | \$1,600,000 |
| Projected Net Total | \$300,000 |

NOTE: Facility operational costs are not included in the Recreation Department expenses; however, they are partially funded by Recreation Department revenues. These costs are included in the Facilities Department budget with no anticipated reductions in 2021.

During a typical budget year, the Recreation Department would normally see a projected net total closer to \$500,000.

Net Loss (2021 vs 2019): **\$200,000**
(2019 was the last full budget year prior to COVID-19)

Johnson Bentley Memorial Aquatic Centre

| | |
|--|------------------------------------|
| 2021 Projected Expense Estimates | \$1,233,689 |
| 2021 Projected Revenue Estimates <i>(before CWK contract contribution)</i> | \$516,063 |
| 2020 CWK Management Contract Contribution | \$632,827 |
| 2021 Proposed CWK Contract Increase | \$84,799 |
| Projected Net Total | \$0.00 <i>(balanced budget)</i> |

CONCLUSION

COVID-19 has had a significant financial impact to City of West Kelowna Recreational Services, including the Johnson Bentley Memorial Aquatic Centre. Active Living Enterprises and the Recreation Department continue to work with the Finance Department to try to find creative ways to generate revenue and reduce expenses to lessen the overall financial impacts.

In saying this, there are many physical and mental benefits when offering recreational services during this pandemic period where people are coping with fear, anxiety, stress, financial concerns, sadness, boredom, and isolation.

Some of those benefits include, but are not limited to the following:

**(courtesy of Health Link BC)*

| Health Link BC Benefits of Keeping Active | |
|--|---|
| Decreases in: <ul style="list-style-type: none"> • Anger • Anxiety • Confusion • Depression • Headaches • Stress and tension (you'll likely be able to cope better with stress) | Increases in: <ul style="list-style-type: none"> • Assertiveness • Confidence and feeling able to do things • Emotional stability • Independence • Memory • Having a positive mood • Perception • Positive body image • Feeling of well-being • Self-worth and self-esteem |

Our goal is to continue offering recreational services to the community and not have to shut down any of our facilities.

The CWK and Active Living Enterprises will continue creating a safe environment by operating our facilities in a manner that complies with the Provincial Health Officer orders and the recommendations of organizations such as the BCRPA, Via Sport, RFABC, and Life Saving Society.

FINANCIAL IMPLICATIONS

| | |
|----------------------------|------------------|
| Estimated Net Loss (2020): | \$266,673 |
| <i>JBMAC</i> | <i>\$76,000</i> |
| <i>CWK Recreation Dept</i> | <i>\$190,673</i> |

| | |
|---|------------------|
| Estimated Net Loss (2021): | \$284,799 |
| <i>Recreation Department 2019 vs 2021 budget numbers.</i> | <i>\$200,000</i> |
| <i>Additional subsidy request for JBMAC balanced budget</i> | <i>\$84,799</i> |

REVIEWED BY

Warren Everton, Director of Finance/CFO

Shelley Schnitzler, Legislative Services Manager/Corporate Officer

APPROVED FOR THE AGENDA BY

Paul Gipps, CAO

Powerpoint: Yes ☒ No ☐