

## Recovery Response for Community Recreation, Parks and Sport Facility Closures & Program Interruption Caused by COVID-19

### *Summary statements*

- Community recreation, parks and sport are a fundamental service that enhances the quality of life for Canadian communities.
- These municipal services provide public access to opportunities that may otherwise not be financially accessible.
- Municipal recreation, parks and sport are immediately facing a significant loss in revenue as facilities and programs are shuttered due to COVID-19. But in addition, individuals and communities are experiencing a significant loss of social benefits that cannot be provided while facilities are shuttered - this is particularly true for children, seniors and marginalized Canadians.
- Returning these services are fully, safely and quickly as possible in a post-pandemic context must be fundamental priority.
- Canada-wide, recreation facilities require municipal subsidies because the \$1.7B produced in programming revenues is insufficient to pay for the cost to operate and program these facilities.
- Fixed costs to operate Canadian recreation facilities are estimated at \$2.9B, which is incurred by municipal operators even if the facilities sit idle.
- Recreation program delivery subsidies across Canada amount to approximately \$350M per year.
- Programs delivered outside of facilities generate about \$106M in surplus revenues which is lost during the current lockdown.
- Every month that recreation facilities remain shuttered costs Canadian municipalities a combined \$221M.
- When facilities resume operations, new disease deterrence procedures (hygiene, cleaning, social distancing, etc.) could raise Canadian facility operating costs by as much as \$226M annually.

### *Preamble*

The vast majority of facilities that accommodate community sport and recreation programs and activities are owned and operated by municipalities and non-profit organizations.

Across Canada, pools, arenas, community centres, sports fields, cultural facilities and other recreational spaces have been shuttered and programs cancelled in attempts to slow and hopefully stifle the spread of the COVID-19. These closures and cancellations have meant that municipalities and non-profits are unable to provide access to the spaces that are vital to a healthy, active and connected community. And, there are significant financial consequences to

these closures and cancellations. Substantial facility rental revenue is being foregone, program fees are not being paid and program and prepaid rental fees are being refunded; while at the same time non-variable costs for utilities, security and mandatory staffing continue to be incurred.

The Canadian Parks and Recreation Association has examined a number of data sets and sector specific variables to quantify the financial impact imposed on the primary providers of community sport and recreation facilities and programs – which are municipalities and non-profit organizations. The foundational data and supporting information has been drawn from:

- Canadian Infrastructure Report Card – State of Canada’s Public Infrastructure 2019
- Municipal Financial Information Reporting Data - 2018
- Municipal Benchmark Network Canada - 2018
- Industry Metrics from Statistics Canada data and recreation/sport experts

### *Financial Implications for Municipal Facility Owners*

Revenue generated by recreation facilities and related spaces arise from rental charges, passes, memberships, lesson fees and other charges for recreational and sport activities. The most recent Statistics Canada infrastructure survey data suggests that there are 40,000 publicly accessible sport and recreation facilities throughout Canada, the majority of which are owned by municipalities. All of these facilities are now closed. Revenue that would normally be generated by these facilities is therefore foregone and is non-recoverable.

**If these closures were to extend for a 12-month period, foregone gross revenue across the entire sector would amass to an annual total of over \$1.7 B.**

The national vision for public recreation in this country is one in which every Canadian is engaged in meaningful, accessible recreation experiences. Throughout Canada, municipalities provide access to recreation experiences that are in keeping with this vision. In doing so, they establish fee policies and financial assistance programs to ensure that the “ability to pay” is not a barrier. As such, on many occasions total program registration fees and rental charges are insufficient to cover all program delivery costs and hence the short-fall is borne by the general tax base.

The COVID-19 related restrictions that have closed facilities and disrupted services have also stopped the aforementioned cost/revenue short-falls from occurring. As a result, if facilities were to remain closed for a 12 month period, **municipalities would actually avoid service delivery deficits in amounts approximating \$350 million.**

Municipalities constantly attempt to limit recreation facility operating costs by containing variable costs such as payroll, supply purchases, etc. However, items such as utilities, insurance, asset maintenance, security, etc. are fixed and not easily suppressed. Furthermore,

the current state of uncertainty regarding the timing of reinstating services means that municipalities must be fully prepared to quickly reopen facilities and restart programs as soon as possible after restrictions are lifted. Therefore, fixed costs will continue to accumulate even as the facilities are shuttered.

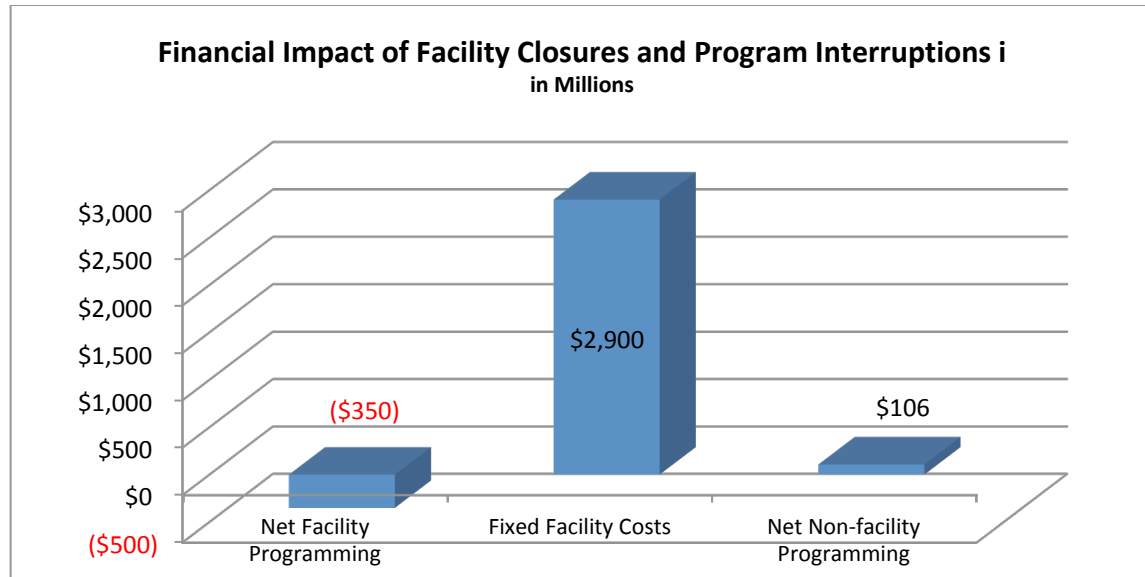
Over a 12 month period, **these fixed expenses (incurred regardless if facilities or spaces are being used or not) would amount to total of almost \$2.9 B.**

Other program revenue is generated by municipalities and non-profits outside of the confines of sport and recreation facilities. For example, day camps, outdoor activity classes, in-parks art and crafts initiatives, bocce, pickle ball, ball hockey and sport court activities are examples of these types of income sources that would fall into the programming category of revenue production. An analysis was undertaken using municipal financial information reports and extrapolated to reflect program revenue that normally flows to municipalities across the country.

Programming activities that occur outside of recreation facility and physical spaces produce over \$520 million annually. **Assuming that these programs result in a return of 20%, the sector would absorb a \$106 million shortfall if restrictions were to last for a year.**

As long as people are unable to congregate in groups and while parks and general gathering places remain closed, these revenue streams will also be forgone with no chance of recovery.

In summary, there are three variables that will result in financial harm to the recreation sector while facilities are closed and programs are interrupted: (1) avoidance of net facility programming deficits; (2) the obligation to continue paying facilities' fixed costs; (3) and the net programming surplus of non-facility based activities. **If the current restrictions were to last for 12 months, the combined financial impact on the national recreation sector would be approximately \$2.7 B.**

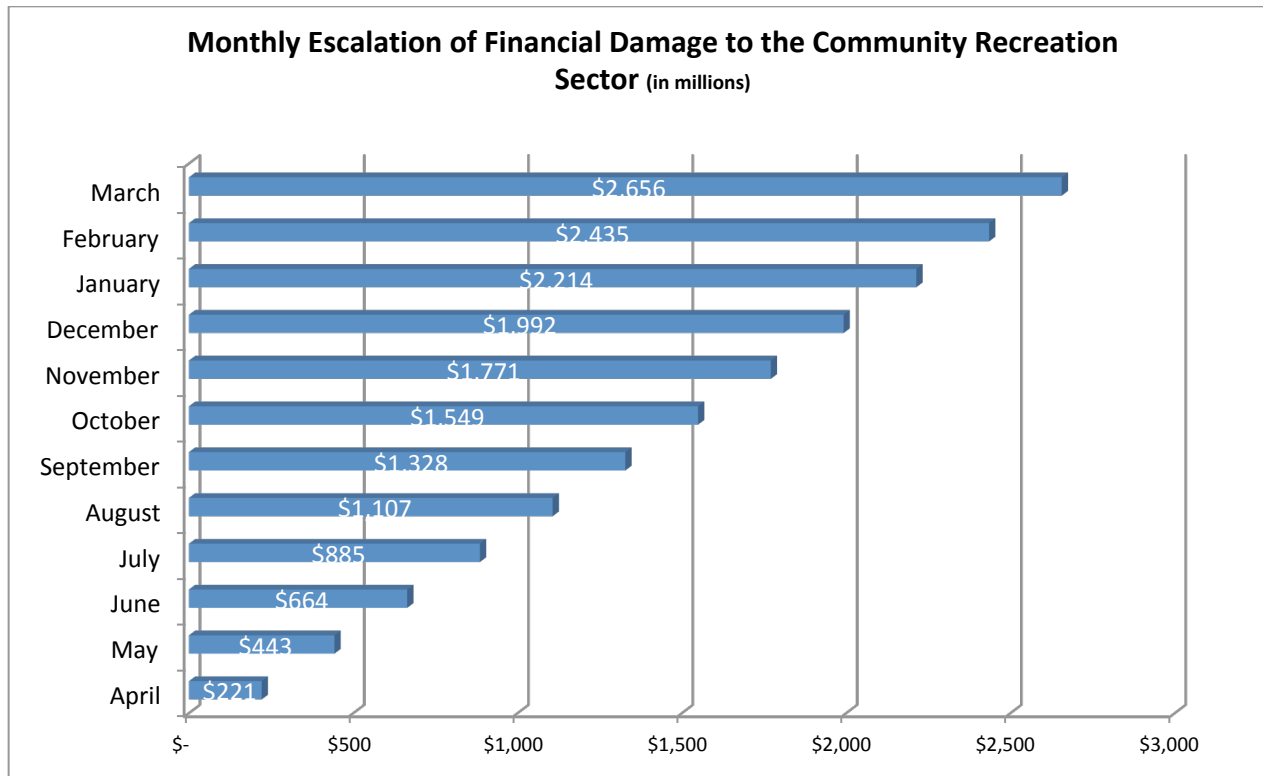


At the moment, there is no clear timetable as to when the COVID-19 health crisis might subside but several reports suggest our national battle will continue for many months. Consequently, we can only speculate about how long social distancing orders, stay at home directives and travel bans will last.

Additionally, after these restrictions are lifted, what will be the length of time required for parents to feel comfortable about registering their children again in swim lessons or seniors to believe they can safely attend their exercise class or social programs or adults wanting to return to their sport leagues? What increased costs will be incurred by municipal or non-profit facility operators to ensure that they comply with new guidelines and required procedures? What will be the financial and operational impacts on all recreation service providers to become more “pandemic-ready” for future public health situations? No one can answer these questions with any degree of certainty right now. But one fact is indisputable; the current cost while under restrictions and the post-pandemic costs that will follow will be monumental to the community sport and recreation sector.

The most likely scenario is that the facilities and programs will gradually come back on-line as the health threat posed by COVID-19 begins to subside. While at the moment it is impossible to predict exactly when facilities will re-open or when programming will be reinstated, a look at the month by month escalation of mounting municipal costs is enlightening. Simply put, for every month that the current restrictions remain in place, the financial damage suffered by the recreation sector will rise by \$221 M – month after month, after month.

**While everyone hopes this crisis is over sooner than later, if restrictions were to last until March 2021, the combined financial damage to the sector would amount to \$2.66 B.**



The financial impacts of on the sector will be felt differently between regions of Canada. These differences will be determined by the types and number of facilities within each province and territory, local pricing policies, service delivery cost structures, etc. But regardless of these differences, the sector as a whole needs financial help – how this help is distributed can be determined later.

***Input from the Sector***

Recreation and parks facilities and services are not just important, but critical to the health and wellbeing of every segment of the Canadian population. For many years, the recreation and parks sector has been a vehicle through which individual and community health has been advanced, and now is the prime opportunity to leverage municipal recreation departments’ and non-profit operators’ close connections with their communities to deal with the challenges that surely lie ahead. Some interesting input has arisen from within the sector.

### *Operating and Financial Considerations*

- The timing of this general shutdown will have disastrous consequences on youth and student employment for the foreseeable future. Springtime recruitment and training of staff to deliver summer programs such as day camps or to organize community events like farmers markets is now, all but lost. Even if the current restrictions were lifted by (say) June, municipal recreation and parks departments, YMCA's, Boys and Girls Clubs, etc. would not be able to find and train staff in time to offer programs that have come to be staples in the lives of children when schools let out for the summer. Therefore, countless summertime jobs will be lost, causing financial hardship for this vulnerable segment of the workforce. Further, the parents of kids who would normally be enrolled in playground activities, registered in lessons at outdoor pools or attending organized events at the beach will now be forced to make other supervisory arrangements that will undoubtedly carry additional costs.
- It is currently impossible to predict what adjustments to facility operating protocols will be caused by the COVID-19 crisis. Sector specialists have suggested that there could be changes in five service areas affecting recreation facilities and programs: supply procurement; operating procedures; human resources management; facility and space design; and partnerships. Some of these may be imposed or mandated for municipalities by senior levels of government in the short term (such as additional a "deep cleaning" requirement before a community recreation centre is be allowed to re-open) or become the new normal standard in the long term (like reducing the capacity levels of program spaces to allow for more robust social distancing in the future). None of these considerations have been fleshed out at this point. But it is possible that building codes could change, public health standards be adjusted and other legislative obligations are modified that will influence recreation service delivery and facility management in the future. It is impossible to accurately predict what these changes may be or what cost implications they may create. **However, if the combination of operating modifications were to increase costs by a modest 5% for the inventory of facilities mentioned earlier, the municipal recreation and non-profit sector would be exposed to an additional \$226 M in annual operating costs.**
- Most departments have laid-off or furloughed a portion of their staff complements during the COVID-19 crisis. Municipal officials report that it will be a daunting and expensive administrative challenge to reintegrate such a large number of personnel once the crisis abates. Municipalities do not qualify for the new Canada Emergency Wage Subsidy program and thus layoffs were the only option. And, as in the previous point, layoffs will affect more part time and casual workers thereby having the largest impact on youth and temporary workforces and those in lower income brackets.

- The Federal/Provincial/Territorial ***Investing in Canada Plan*** specifically provided a dedicated envelope to fund enhanced public parks, recreational facilities and other spaces that make communities great places to live. Shortly after this Plan was announced in 2018, municipal governments began in earnest to evaluate their recreation and sport facility needs compared to their existing supply. Additionally, many have undertaken facility assessment studies to determine repair, renovation or modifications requirements to ensure these important community amenities are safe, able to support the service requirements of different demographic groups and sustainable in the long term. These pre-planning activities have resulted in a stockpile of “shovel ready” projects that are simply awaiting funding commitments from senior levels of government to kick-start development activities. Starting these projects in the near term would not only fulfill a demonstrated community need but also provide economic stimulus through job creation, creating demand for materials and supplies and thereby contributing to local, provincial and national economy.

### *Looking Forward*

- Recreation departments are uniquely positioned to play a key role in assisting individuals and entire communities recognize the need for and to adopt alternative personal and group behaviours that align with the new parameters of physical distancing – both in the near and longer term future
- It is a well known fact that recreation is crucial to the mental wellness of Canadians. As life gradually gets back to a new normal, the recreation sector can play a key role in supporting the various segments of our populations to identify and embrace the new behaviours and circumstances at a pace that works for them.
- Recreation service providers work on a daily basis with all segments of the population and are uniquely positioned to deliver messages, services and programs that will contribute to the national COVID-19 recovery effort.

***Proposed Recovery Mechanism:  
Youth Employment in Municipal Sport and Recreation***

Post COVID-19 economic stimulus provided by government should include a youth employment program targeted at jobs in municipal sport and recreation. Providing financial support (via 75-100% wage subsidy) to municipalities and community organizations would:

- Create jobs for youth experiencing a slow up-take in employment post COVID-19;
- Support municipalities who will have endured tremendous revenue loss and would not otherwise be able to hire for these jobs;
- Connect youth to their communities as part of the societal recovery from COVID-19;
- Increase the speed by which municipalities can ramp-up the return of their sport and recreation services.

***Proposed Recovery Mechanism:  
Community Sport and Recreation Fund***

Municipalities will face multiple challenges and significant costs in resurrecting sport and recreation services in a post COVID-19 environment, including:

- Re-hiring/hiring/training of new staff;
- Cleaning of parks and facilities for public return;
- Preparing major infrastructure (pools, arenas) that has been unused for several months;
- Addressing new and enhanced public health concerns about facilities and programs.

Federal and provincial/territorial governments should create a funding program that municipalities can immediately access to help support the costs of ramping-up sport recreation services to support individual and societal recovery of COVID-19.

***Proposed Recovery Mechanism:  
Investment in Sport and Recreation Community Infrastructure***

A government economic stimulus program to support community sport and recreation infrastructure will not only address an existing multi-billion dollar deficit but also address new infrastructure needs in a post COVID-19 setting.

The public may have hesitations in returning to large public recreation facilities and thus this new 'normal' may require infrastructure adjustments (i.e. hand washing stations) that will require financial investments.

In addition, recreation has been long identified as one of the municipal infrastructure systems in most need of investment. And now, unlike road, water and bridges that have not been impacted by COVID-19, recreation is in further need of support.



Stimulating jobs and the economy through investing in community sport and recreation infrastructure addresses multiple economic and social government priorities and would be an investment that the public would prioritize in a post-COVID-19 environment.

The federal government has an existing infrastructure envelope dedicated to sport, culture and recreation that it can utilize as an efficient mechanism to deliver funding or can use a 'gas tax' structure to allow for the more direct funding straight to communities.

***Proposed Recovery Mechanism:  
Funding Support for Not for Profits***

The economic impact of COVID-19 on not-for-profit organizations is monumental. The cancelling of conferences, fundraisers and programs for the foreseeable future has major financial impacts, as these are often the only generator of income for organizations. While the federal wage subsidy program has been a critical first step, without additional federal and provincial/territorial government stimulus, there will be many not-for-profits (including in the sport and recreation sector) that will not have the financial capacity to keep doors open after the COVID-19 crisis.

The government must provide an emergency and stabilization fund of grants and interest free loans is required to ensure the survival of these fundamental community services.

### *Overview of Financial Calculation Methodology*

- Recreation facility inventory data was drawn from the 2019 survey undertaken by Statistics Canada in support of the upcoming Canadian Infrastructure Report Card - State of Canada's Public Infrastructure
- Facility revenue, operating expenses and fixed cost projections are based on industry specific metrics drawn for recreation/sports facility master plans, facility provision plan and business case studies
- Program revenue drawn from the 2018 Municipal Financial Reporting Information available on provincial web sites
- Projections were tested against established thresholds presented by Municipal Benchmarking Network in the 2018 MBNCanada Performance Measurement Report
- Perspectives from the recreation sector solicited and recorded through written submissions as well as conference call interactions with CECs, presidents and other leaders of every provincial/territorial recreation association across Canada