Recovery Response for Community Recreation and Sport Facility Closures & Program Interruption Caused by COVID-19 Provincial/Territorial Implications

Preamble

Municipalities and non-profit organizations in Canadian provide and maintain a wide range of sports and recreation facilities that match the needs of their local communities. This assessment considers the most common facility types operated by public or non-profit entities in each province and territory. The analysis does not include cultural centres (like galleries or exhibition halls) or libraries. The numbers of individual venues within each facility category significantly vary between jurisdictions primarily due to the wide ranging population differences between provinces and territories as well as the recreation, sport and activity preferences of local populations.

For approximately seven weeks, pools, arenas, community centres, sports fields and other sport and recreational spaces have been shuttered in most provinces and territories within Canada. Additionally, sport and recreation programs have been cancelled to avoid social contact between participants 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 municipalities and non-profit organizations that are the primary providers of community sport and recreation facilities and programs. The 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

This paper examines the provincial and territorial financial implications associated with these facility closures and program cancellations.

Foregone Revenue Exposure

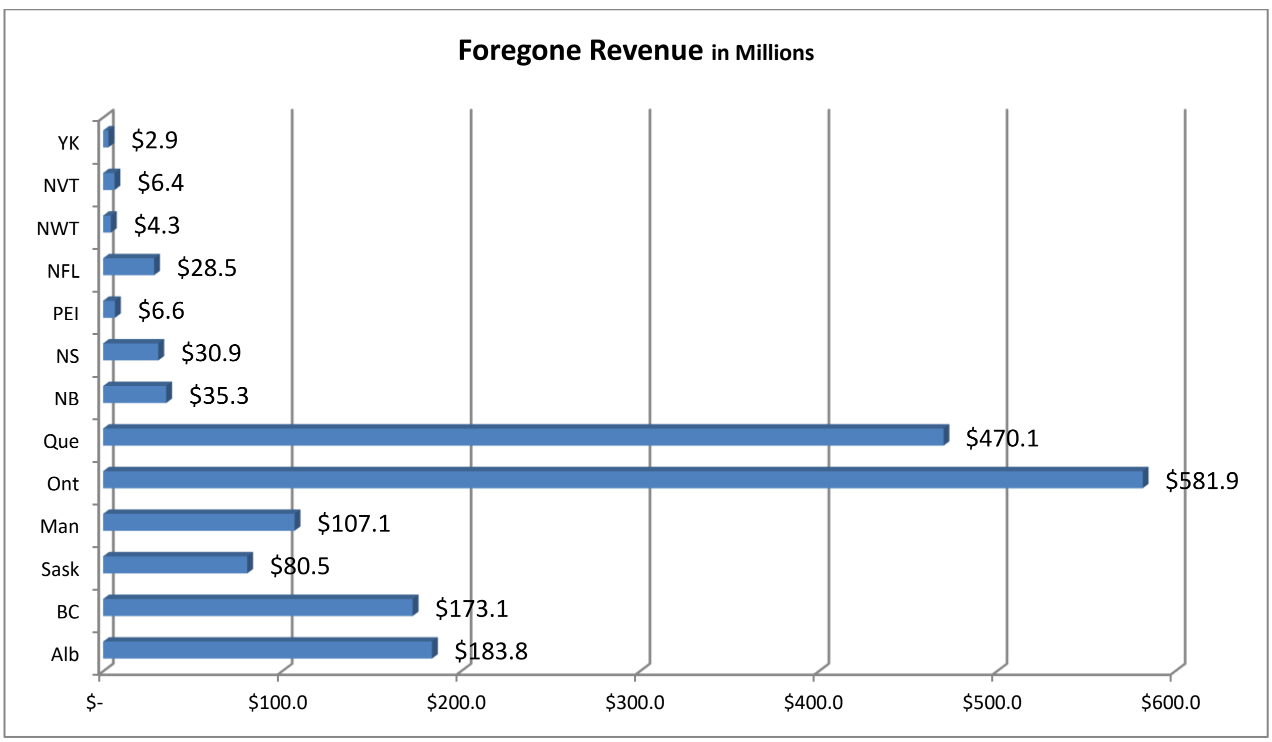
Revenue generated by recreation facilities and related spaces arise from rental charges, passes, memberships, lesson fees and other charges for recreational and sport activities. The most recent Statistics Canada infrastructure survey data suggests that there are about 40,000 publicly accessible sport and recreation facilities throughout Canada, the majority of which are owned by municipalities. All of these facilities are now closed and unavailable for public use. 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

Note: totals reflected in the national vs. the provincial/territorial subgroups may not completely align due to rounding.

Expectedly, the two largest Canadian provinces are home to the largest volume of sport and recreation facilities and therefore are exposed to the most significant foregone revenue totals. Ontario and Quebec would lose a combined sixty-one percent (61%) of the total forgone revenue regardless of how long facilities are shuttered.

The four western provinces would lose a combined thirty-two percent (32%) of foregone revenue while the four Maritime Provinces and three territories would combine to lose the remaining seven percent (7%).



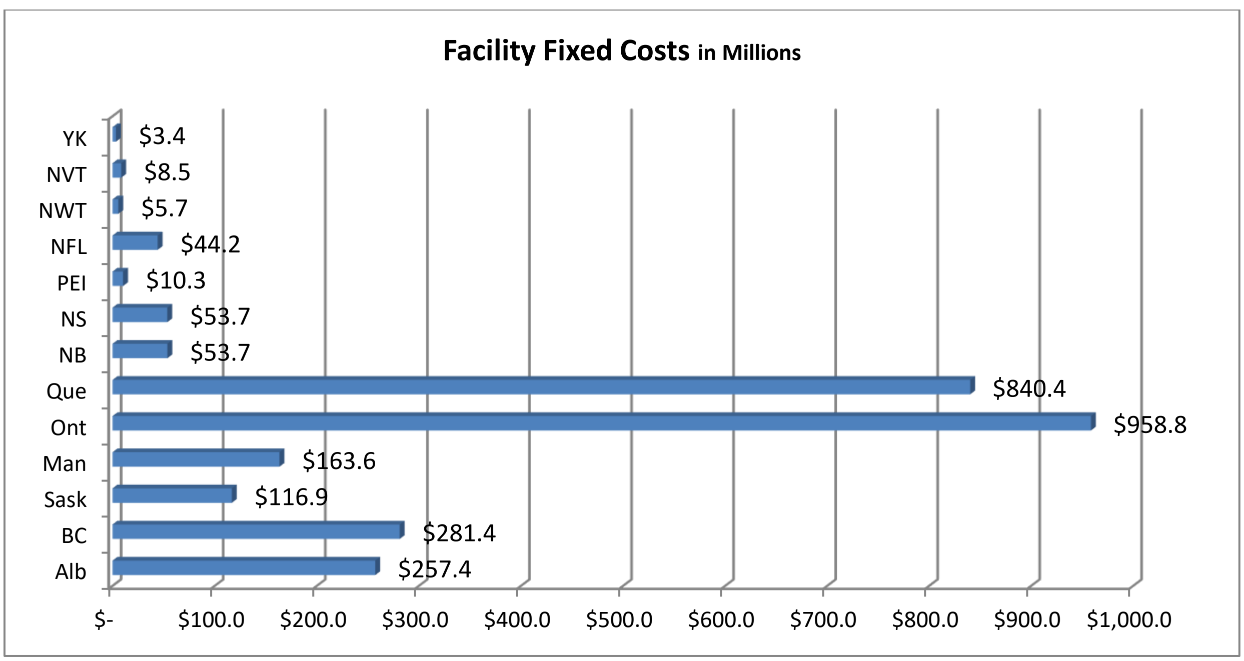
Program Subsidy Savings

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 subsidies in amounts approximating $350 million.

Fixed Facility Operating Cost Exposure

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 $2.8 B.



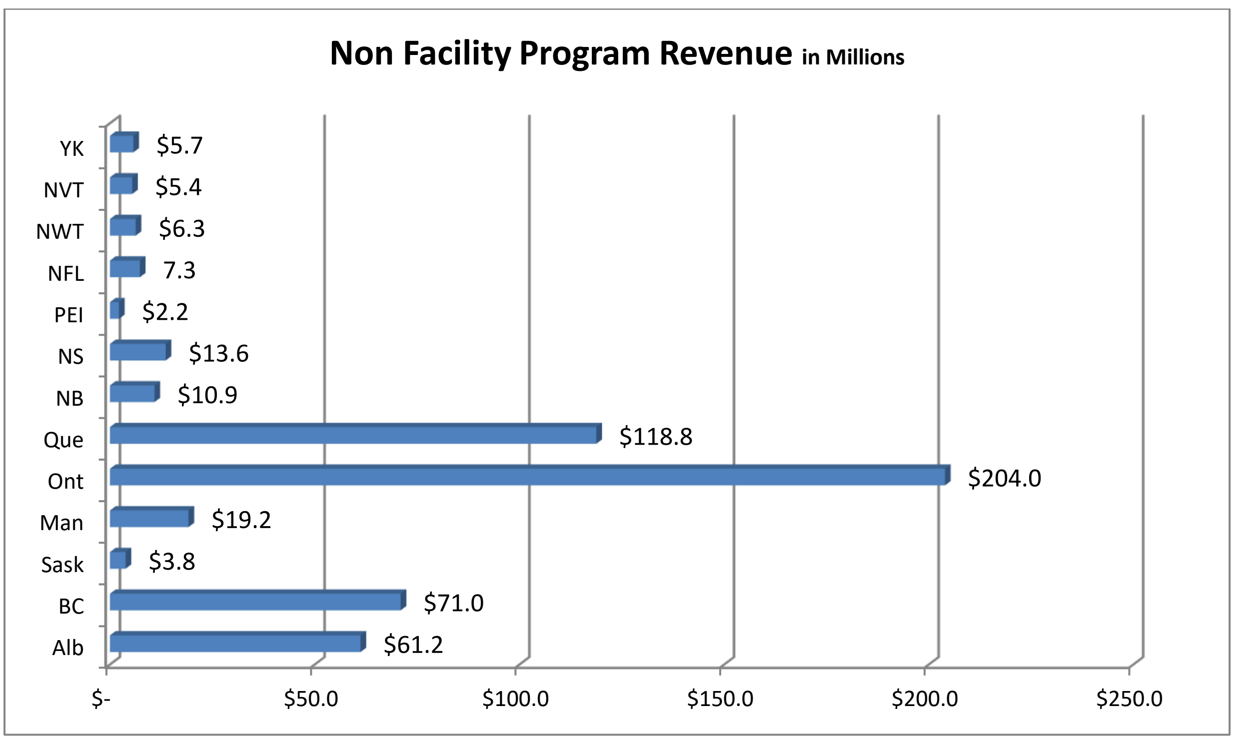
Given the imbalance in the number of facilities within each province and territory, it is not surprising that the provinces with the most sport and recreation venues would also be exposed to the highest levels of fixed costs to operate the facilities within municipal purviews. A similar pattern regarding the proportion of fixed cost exposure by province and territory persists as was the case with foregone revenue.

Non-facility Revenue Losses

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 lost with no chance of recovery.

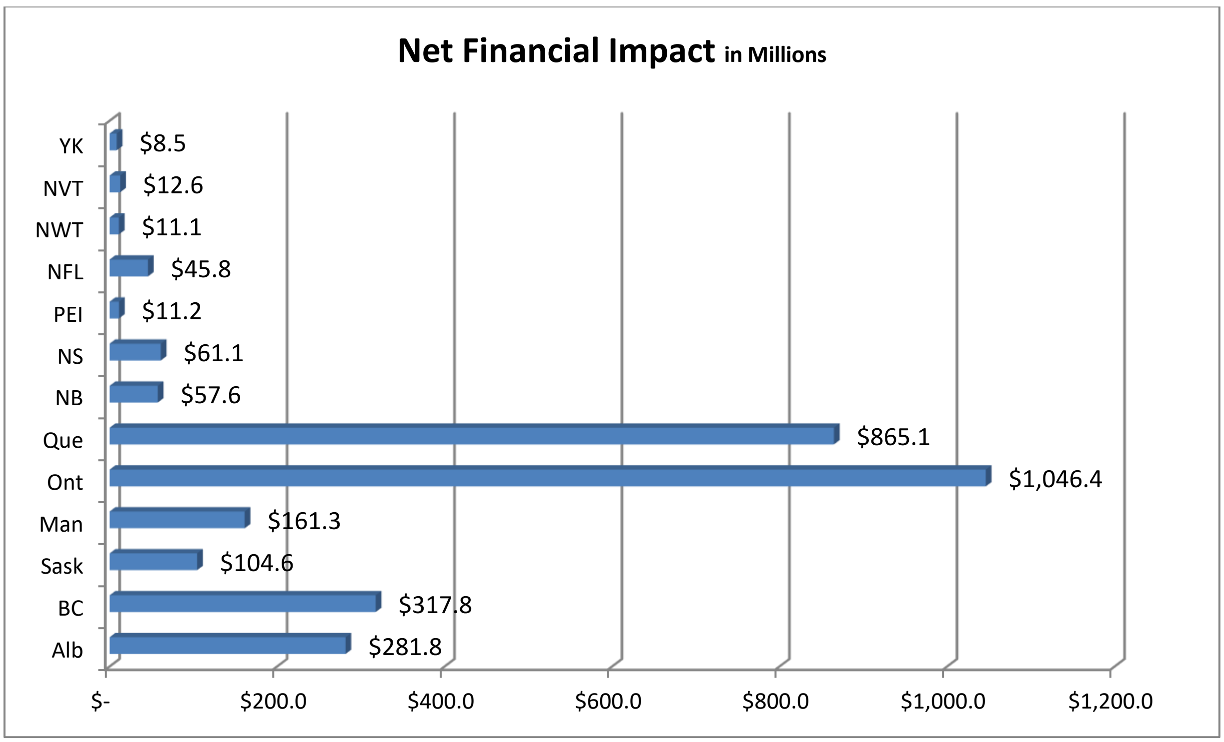


Combining the Financial Impacts

In summary, the three variables that will result in financial harm to the recreation sector while facilities are closed and programs are interrupted:

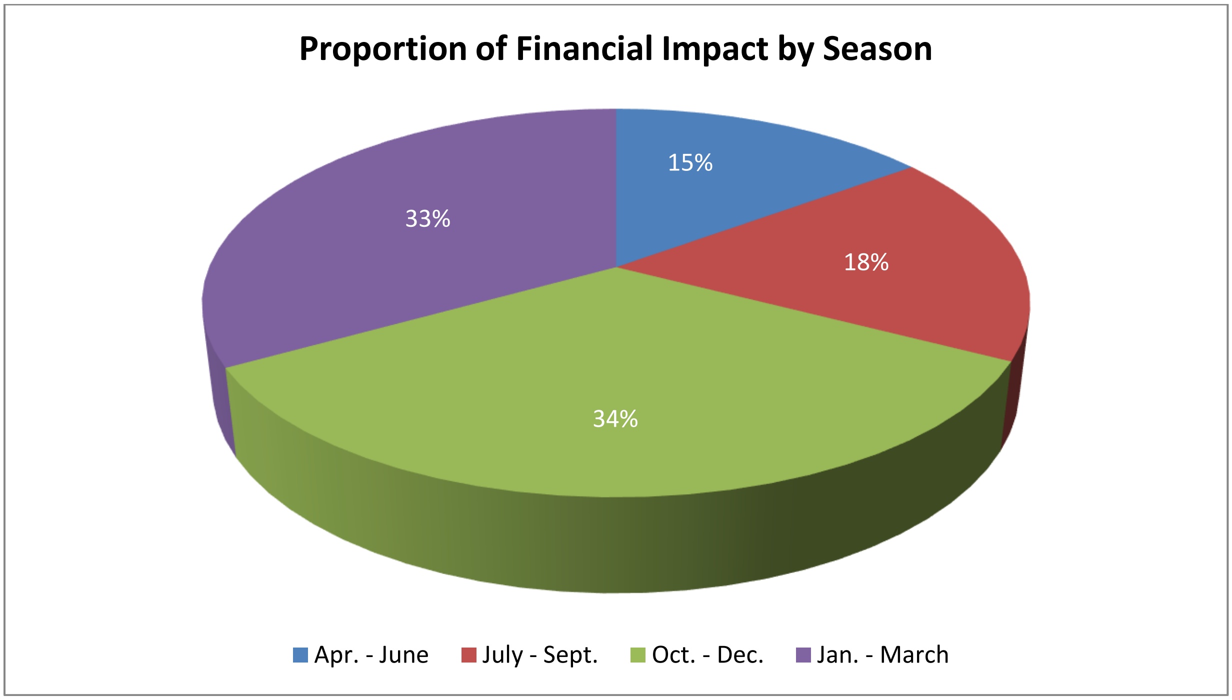
- the loss of facility program revenue plus the avoidance of program delivery cost that results in a small subsidy during the period that facilities remain closed;
- the obligation to continue paying facilities' fixed costs; and
- the net programming surplus of non-facility based activities.

If the current restrictions were to last for 12 months, the combined financial impact on the national recreation sector would be almost $3 B.



Seasonal Differences

While the preceding data represents the financial impact on an annual basis, a review of recreation facility usage patterns and program delivery levels reveals season differences in the relative impacts on municipalities and non-profit organizations.



Clearly, the longer recreation and sport facilities are closed and programs remain restricted, municipalities and non-profit organizations will be exposed to escalating negative financial impacts.

Summary

The financial impacts of on the sector will be felt differently between the provinces and territories within 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 will be negatively impacted.