



100 John West Way
Aurora, Ontario
L4G 6J1
(905) 727-3123
aurora.ca

Town of Aurora

General Committee Report

No. CMS23-043

Subject: Sports Dome Operations Review

Prepared by: John Firman, Manager, Business Support

Department: Community Services

Date: October 3, 2023

Recommendation

1. That Report No. CMS23-043 be received; and
2. That the license agreement with the Aurora Youth Soccer Club be amended to replace the requirement to provide Audited Financial Statements with an alternative financial report being a Financial Review; and
3. That a 10% reduction to the Sports Dome rental fees for the Aurora Youth Soccer Club be approved, effective January 1, 2024.

Executive Summary

This report is to provide Council with an update on the operational and financial status of the Lind Realty Team Sports Dome (the “Dome”) formerly known as the Aurora Sports Dome, and specifically provides updates and recommendations as follows:

- Dome opening was initially delayed due to the impacts of the COVID-19 pandemic.
- The shared operating procedures for the Dome are working well.
- The Auditor has recommended a lower cost alternative to Audited Financial Statements.
- Several capital improvements have been completed or are scheduled for completion.
- The financial outlook for the Dome is stronger than originally forecast.

- A comparison of other local sports domes reveals that Aurora rental rates are below the benchmark average, providing good value to the community.
- There is an opportunity to utilize surplus Dome operation revenue to fund other capital projects and support other operating programs.
- To compensate the Aurora Youth Soccer Club for the work involved in managing day-to-day Dome operations, staff recommend a 10% reduction in their Dome rental fees.

Background

Dome opening was initially delayed due to the impacts of the COVID-19 pandemic.

On January 6, 2021, Council approved report CMS21-002 directing staff to enter into an agreement to purchase the physical assets of the Dome. The purchase was completed on April 30, 2021.

On April 20, 2021, Council approved report CMS21-017 directing staff to enter into a license agreement with the Aurora Youth Soccer Club (the “AYSC”) for the operation of the Dome. This agreement came into effect on September 1, 2021.

The Dome re-opened to the public in October of 2021 following the pandemic related closure but didn’t return to normal pre-pandemic operating levels until the beginning of the 2022-23 indoor season. Staff had committed to reporting back to Council following the first year of operations to provide an update. 2022 was the first full fiscal year of normal operations, with the period of May 2022 to May 2023 being the first full year or normal seasonal operations.

Analysis

The shared operating procedures for the Dome are working well.

The joint operations of the Dome can be summarized as follows:

- AYSC manages all day-to-day operations, such as convening for permit holders, opening & closing, cleaning, customer service, and general day-to-day supervision.
- The Town manages all structural, mechanical and life safety operations, as well as all capital projects.

- The Town manages all permitting in accordance with Town policies and procedures.
- The AYSC obtains and pays for permits for all time used by the club, following the same procedures as all other user groups.

This joint operational structure provides for maximum efficiency and cost savings, having AYSC staff managing the daily operations at a lower cost than the Town, and allowing the Town to maximize financial savings by incorporating the Dome as an additional location within our existing maintenance contracts for mechanical, life safety, etc.

Town staff and AYSC staff meet on a regular basis to review and address any issues as they arise, and both parties agree that the existing joint operational management structure is working well, with no concerns. Staff have received numerous unsolicited comments from user groups recognizing improved cleanliness of the facility, improved customer service, improved overall satisfaction and improved affordability since the Town took over the Dome and the commencement of the agreement with the AYSC. As a result, staff do not recommend any changes to the license agreement relating to operational management.

The Auditor has recommended a lower cost alternative to Audited Financial Statements.

Given the simplicity of the financial reporting on AYSC's financial operations, the Auditor engaged by AYSC has indicated that Audited Financial Statements are not necessarily required by the town to obtain its necessary financial assurances. As an alternative, the Auditor has recommended that a Financial Review be completed on an annual basis. This alternative report will enable the necessary verification and oversight of the AYSC in a more timely and efficient manner resulting in estimated auditor savings of approximately \$5,000 for the town annually.

Staff recommend proceeding with this recommendation and amending the license agreement accordingly.

Several capital improvements have been completed or are scheduled for completion.

Several projects have been completed including replacement of the artificial turf field, safety improvements to the field infrastructure, new goals, new rooftop HVAC units, and the addition of air conditioning for the field bubble is planned to be in place in time for the commencement of next summer season.

All improvements will ultimately be funded by Dome revenue, with some initial projects having been funded from the original financing for the Dome's acquisition and Capital works.

The financial outlook for the Dome is stronger than originally forecast.

At the time of acquisition of the Dome physical assets, the pandemic had forced the closure of this and other facilities. Based on a review of the previous ownership's financial statements and given the economic uncertainty at the time, staff prepared a conservative financial analysis forecasting \$475,000 per year in gross revenue.

Dome permitting has rebounded quickly, returning to pre-pandemic volumes resulting in higher-than-expected revenue. Gross revenue for 2023 is currently forecast to be approximately \$700,000. It is also anticipated that with the addition of air conditioning, currently anticipated for Spring of 2024, we will experience an increase in summer rentals which will further increase revenue.

Being operational for the majority of 2022 and now having completed the 3rd Quarter of 2023, staff have obtained a good understanding of this facility's ongoing operating costs for utilities, maintenance, and daily operations. The AYSC has also operated within budget since the beginning of the partnership and have demonstrated a commitment to ongoing responsible financial management.

A comparison of other local sports domes reveals that Aurora rental rates are below the benchmark average, providing good value to the community.

One of the objectives when the Town acquired the Dome was to ensure not only fair allocation of field time, but also ensure reasonable rental rates would provide value and affordability to the community. To that end, rental rates for all users were reduced by 10% compared to the posted rates by the previous ownership, effective re-opening in October of 2022. Part of this operational review was to include consideration of future rental rates for the community.

Staff have conducted a review of local community sports domes and determined that Aurora rental rates are approximately 30% below the benchmark average during the regular indoor season and approximately 75% below the benchmark average during the summer. It should be noted that there are a wide range of pricing policies among the various sports domes, making an exact comparison difficult.

In order to maintain this value for the community the annual Fees & Charges Bylaw increases (2% in 2022 and 4.83% in 2023) were not applied to the Dome. Given that the

Dome rental rates are already well below benchmark average, staff are not recommending a further decrease in rates at this time. The Dome's rental rates would be subject to the standard rate increases as planned for 2024 and beyond. All proposed 2024-26 rate increases will be presented to Council for formal review and approval under a separate report to Council.

Given that summer is currently a slow rental period for the Dome, staff are not recommending an increase to the summer rates at this time, despite being significantly below the benchmark average. Staff will continue to review this on an annual basis and will factor in any necessary cost recovery of incremental operating costs resulting from the operation of the newly installed air conditioning at the Dome. Any future \rate adjustments will be made through the Town's usual annual Fees & Charges update.

There is an opportunity to utilize surplus Dome operation revenue to fund other capital projects and support other operating programs.

Since the Town's purchase of the Dome its annual debt repayment and direct operating costs are deducted from its revenue, with all surplus revenue transferred to the Dome's reserve account. This reserve is used to fund the Dome's ongoing infrastructure asset management capital costs and for the stabilization of its operating budget if necessary. Staff maintain an up-to-date Dome financial analysis spanning a 20 year time horizon which considers the effects of inflation, future asset management capital requirements and contingencies.

Based upon the Dome's current known projected asset management and other operating pressures, an annual surplus of \$300,000 or up to \$6,000,000 over 20 years, is predicted from the Dome's operations. This estimate already accounts for the implementation of the financial recommendations contained in this report. Any surplus reserves will be managed in accordance with the Town's Reserve Management Policy. Further, \$250,000 of the projected annual savings will be redirected in support of other Town operating programs.

To compensate the Aurora Youth Soccer Club for the work involved in managing day-to-day Dome operations, staff recommend a 10% reduction in their Dome rental fees.

In the initial agreement with AYSC their rental rates were set at 10% below the regular rate for other community groups. This was consistent with the agreement between the Town, AYSC, and the previous Dome ownership when the Dome was initially built. Therefore, this reduction resulted in no additional benefit to the AYSC that was not applied to all other user groups. The AYSC was also granted exclusive use of

approximately 560 sq. ft. of office/storage space within the Dome, which is similar or less than the free use of space offered to other Aurora based sport organizations such as Aurora Minor Hockey Association, Central York Girls Hockey Association, the Aurora Tennis Club, and others.

In initial discussions with the AYSC a larger discount had initially been requested to adequately compensate the club for the operational management responsibilities they assumed responsibility for. It was agreed that the discount would remain at the previously established 10%, and that any additional discount would be considered at the time of this operational review so that we could have a better understanding of the financial outlook.

During the operational review it was identified that the AYSC is managing multiple Dome-specific tasks that would otherwise fall to Town staff, for which the AYSC is not being directly compensated. These tasks include, but may not be limited to:

- Staff recruitment and training
- Staff scheduling and on-call coverage
- Customer service escalations
- Snow/ice removal from emergency exits
- Sourcing and purchasing equipment, materials and supplies
- Budgeting and financial reporting
- Payroll
- Bookkeeping (Paid service not currently reimbursed by the Town.)

If not completed by the AYSC, the majority of these tasks would fall to the Manager, Business Support. The estimated value of this work is \$24,000 - \$26,000 per year, in other words, if the Manager's time was needed to attend to these matters, some current responsibilities would be interrupted or need to be delayed resulting in other matters taking longer to complete or deadlines being missed.

Whereas the office/storage space provided to the AYSC is consistent with or less than space offered to other clubs, and whereas the work performed by the AYSC would otherwise have to be completed by Town staff, it is reasonable that the AYSC be compensated for the work involved in managing the Dome on behalf of the Town. Staff therefore recommend that the agreement be amended provide the AYSC with a 10% discount from their current fees.

The estimated value of this decrease in fees is \$25,000 - \$30,000 per year. Although this decrease has already been included in the financial projections quoted in this report, the

AYSC is projecting a 10% increase in registrations next year and increased Dome permits, which would result in new revenue to help offset any fee reduction. This additional discount will help ensure soccer remains one of the most affordable sports for youth, while more adequately compensating the AYSC for their operational management responsibilities. This fee reduction has already been factored into the financial projections referenced earlier in this report.

Advisory Committee Review

The Parks and Recreation Advisory Committee did not have a meeting scheduled prior to the presentation of this report to General Committee.

Legal Considerations

If Council approves the recommendations in this report, the agreement will be amended to reflect the changes proposed in this report.

Financial Implications

Since its commencement of operation, the Dome has consistently met Council's goal of assuring its financially self sustained operation at no burden to the tax levy. Recent staff financial analysis for the Dome project that the Dome will continue to be financially self sustaining into the medium to long term and will in fact potentially generate excess revenue that can be re-directed toward other capital or operating program requirements.

All noted financial recommendations within this report will be included in the appropriate proposed capital or operating budget for Council's final review and approval.

Should Council approve the recommended Sports Dome rental fee changes, they will be included in the upcoming 2024-26 Rates & Fees bylaw for Council formal adoption.

Communications Considerations

No communication implications at this time.

Climate Change Considerations

The recommendations from this report does not impact greenhouse gas emissions or impact climate change adaptation.

Link to Strategic Plan

Additional revenue achieved through recreation facility sponsorship supports the Strategic Plan goal of *Supporting an exceptional quality of life for all* in its accomplishment in satisfying requirements in the following key objective within this goal statement: *Encouraging an active and healthy lifestyle*.

Alternative(s) to the Recommendation

1. Council can decline to reduce the AYSC rental rates.
2. Council can choose to reduce the AYSC rental rates by a different amount.
3. Council can choose to continue requiring Audited Financial Statements.
4. Council can provide further direction regarding the rental rates, disposition of surplus revenue, and the operating agreement.

Conclusions

That Council approve the recommendations within this report, amending the license agreement to allow for a Financial Review, in place of Audit Financial Statements providing the AYSC with a 10% reduction in recognition of their work operating the dome, and continuing with the existing operating model.

Attachments

None.

Previous Reports

CMS21-016, Aurora Sports Dome – Financing, Permit Fees, Reserve Account, and Capital Works, April 20, 2021

CMS21-017, Aurora Sports Dome – License Agreement, April 20, 2021

Pre-submission Review

Agenda Management Team review on September 14, 2023

Approvals

Approved by Robin McDougall, Director, Community Services

Approved by Doug Nadorozny, Chief Administrative Officer