

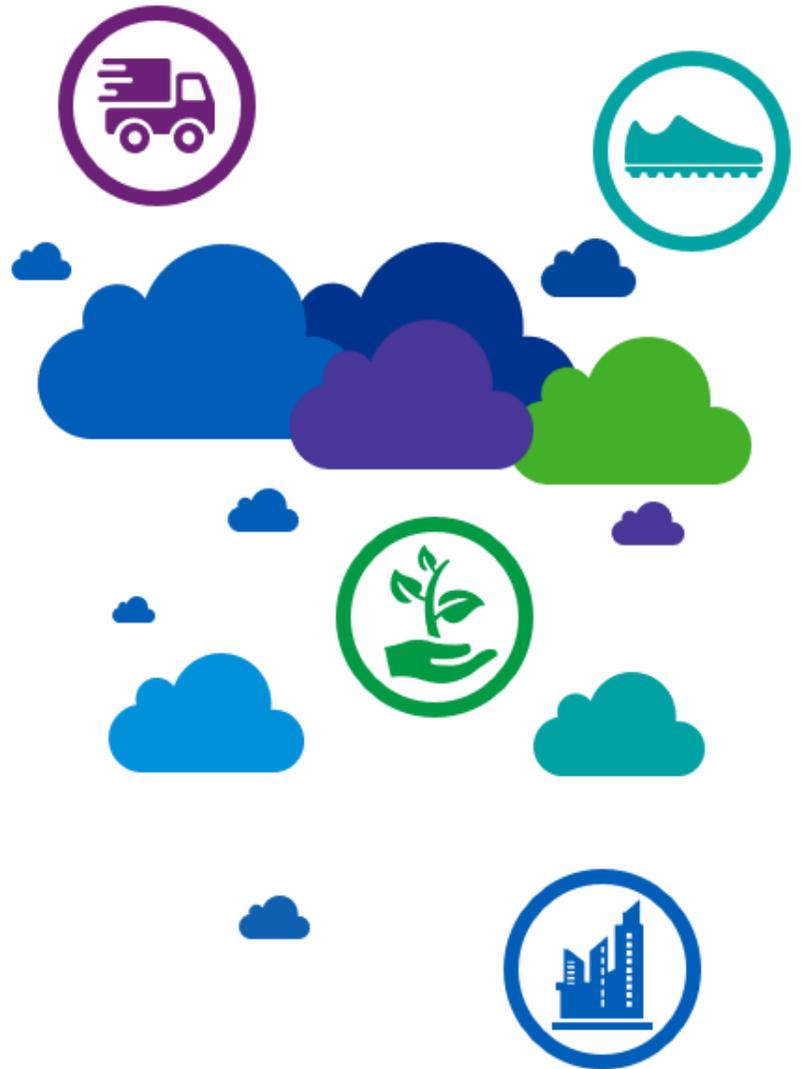


# Reimagine Services

Business Case: Alignment of  
Programming with Demand

CITY OF EDMONTON

MAY, 2021



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# Table of Contents

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<b>OPPORTUNITY SUMMARY</b>	<b>1</b>
<b>OPPORTUNITY BACKGROUND &amp; CONTEXT</b>	<b>3</b>
<b>OPTIONS</b>	<b>8</b>
<b>IMPACT ASSESSMENT</b>	<b>13</b>
<b>OPPORTUNITY ASSESSMENT</b>	<b>18</b>
<b>APPENDIX A: GBA+ ASSESSMENT</b>	<b>20</b>
<b>APPENDIX B: FINANCIAL PROJECTIONS</b>	<b>22</b>
<b>APPENDIX C: RISK ANALYSIS</b>	<b>29</b>

# Opportunity Summary

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The City may have an opportunity to reduce its registered recreation and culture programs that do not recover their direct costs and program coordination and programming costs.

The opportunity is supported by the following:

- City data for the years prior to the COVID-19 pandemic suggests that it has been providing more registered programming (supply) than was required by the community (demand). The average of the program area utilization rates for registered programming between 2016 and 2018 was approximately 67%. Utilization rates of registered programs may have been impacted by reductions in marketing and communications, expanded offerings for drop-in programs or the increase in new facility program locations since 2016.
- The market for recreation and culture programs in Edmonton includes a robust ecosystem of public (e.g., colleges and universities), private (e.g., gyms, arts schools) and non-profit (e.g., recreation and arts clubs) service providers that help address many Edmontonians' needs.
- There are third-party providers in the market that may be interested in and able to deliver registered programs on behalf of the City.
- Recreation and culture programming offered by the City was acutely affected over the past year by the public health restrictions due to the COVID-19 pandemic. It is difficult to precisely predict how citizens will choose to utilize recreation and culture programs that they enjoyed prior to COVID-19, but demand for and ability to provide recreation and culture services has been significantly impacted. Market demand post COVID-19 is likely to impact program participation, regardless of who provides the program.

This opportunity identified programs that may be suitable for reduction, elimination, or outsourcing; this included those registered programs that:

- Were not recovering their direct programming costs, including wages of frontline delivery staff, required materials, and program coordination and programming staff time;
- Were similar to programs offered by alternative / third-party providers; and,
- Are not considered necessary or relied upon by citizen's under the City's Priority Based Budgeting criteria.<sup>1</sup>

This opportunity aims to achieve a leaner portfolio of registered recreation and culture programs that can be maintained sustainably and meet the needs of Edmontonians. Available data suggests an opportunity to improve overall cost recovery of these programs through deliberate evaluation and alignment of the offerings to the demand by Edmontonians. This approach may also result in increased fill rates for registered programs by reducing the number of program classes or offerings. This opportunity supports the City's efforts to be strategic and responsive to resident needs, and to pursue reductions across all programming.

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<sup>1</sup> City of Edmonton Priority Based Budgeting (PBB) Process – Program Attributes

Strategic reductions to recreation and culture programming could have a positive financial impact for the City through net savings in direct program costs, as well as savings in the programming staff required to support the City's offerings. Further information is included in the Options section; these inform the range of financial benefits the City could expect.



### **Recommendation: Alignment of Recreation and Culture Programming with Demand**

Based on the analysis completed, **the City should consider reducing the amount of registered recreation and culture programming that it delivers.** Specifically, the City should consider:

- **Eliminating some registered programs that are not achieving cost recovery.** Analysis suggests approximately 34% of the City's recreation and culture program offerings were not delivered on a cost-recovery basis in 2019. These courses represented roughly only 14% of the total programming hours delivered by the City. Examples include specific course offerings within Red Cross Swim Kids, children's camps, and cross county skiing classes.
- **Exploring the delivery of certain programs using third party providers that may be able to deliver at a lower cost on behalf of the City.** Approximately 6-10% of the City's 2019 program offerings may be candidates for delivery by a third party (program types are listed in Table 5 and Table 6). These are courses where the City has not been able to recover its costs to deliver directly, but where analysis suggests cost recovery potential by contracting a third-party provider.

It is estimated that this opportunity could deliver potential cumulative savings between \$0.9 - \$1.8 million over five years and annual savings of approximately \$0.2 to \$0.4 million by Year 5. The range of potential savings may be influenced by the total amount of low margin programming reduced by the City. The high range considers all relevant low margin programming to be reduced, while the low case considers programs that recover at least 50% of their costs.

Should the City choose to proceed with this opportunity, various internal and external stakeholders would be affected. Internally, the number of staff involved in the frontline delivery of the identified registered recreation and culture programs would be expected to decrease. Staff resources that currently support the oversight of recreation and culture programming, such as scheduling, monitoring and reporting, would also see a reduction. Staff reductions would primarily impact temporary employees, many of which are under 40 years of age, have been with the City for five years or less, and represent a greater proportion of female employees.

External stakeholders potentially impacted by this opportunity include the current users of registered recreation and culture programs identified for outsourcing, reductions or elimination. Current users could be accommodated in the City's remaining recreation and culture programs (as supported by analysis of the utilization data from 2019). A potential risk is a negative public reaction to reductions, though this risk may be lessened where City programs are replaced by similar offerings from a third-party provider. However, programs targeting specific populations for reasons of social equity (for example, women's programming, Indigenous, programming featuring other language, persons with disabilities, etc.) would need to be continued by the City to mitigate this.

This approach is anticipated to support the City Plan's goal to leverage industry partnerships to increase collaboration and investment to retain and grow Edmonton's businesses.<sup>2</sup> However, outsourcing some registered programs in significant quantities may create challenges related to market capacity. Feedback from City staff and entities that deliver programs suggested that some third parties may not have the capacity to undertake the breadth and volume of current City programming.

<sup>2</sup> City of Edmonton. The City Plan (2020) Policy 3.2.2.1

# Opportunity Background & Context

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## OPPORTUNITY AND CURRENT SITUATION

Historically, the City has been the direct provider of a wide variety of recreation and culture programs, with a range of availability in terms of time of day, frequency and location. However, the City has been challenged to recover the costs of some of its registered programming. The current approach and staffing levels have already been temporarily adjusted in response to the pandemic conditions, so the analysis completed for this business case is based on regular (i.e., pre-COVID) program data from 2019 registered programs. This analysis revealed an opportunity to improve the City's mix of programs and pricing.

At present, planning of future programs and fee structures are largely based on estimated costs and revenues. While the City currently reviews the mix of programs and pricing in response to market conditions and demand, there appears to be a limited ability to reconcile the estimated margins to the actual expenditure and revenues. The City's various financial and registration systems lack the ability to link program revenues and costs. Higher than usual turnover rates at various levels may have contributed to inconsistent critical analysis of program offerings and positioning of products.

It is important to note that the City's programming decisions have not solely focused on financial considerations. The City has implemented recreation and culture programming to enable equitable access across its many neighbourhoods, and decisions like these have contributed to its past and current financial performance. Council and Administration have worked to balance economic sustainability and the realization of strategic health and social outcomes for Edmontonians through these offerings.

There are many recreation and culture offerings outside of the City's programming that are available in the market. Across the Edmonton area, there are diverse service providers in the recreation and culture space including: private sector providers, not-for-profit agencies, schools, specialty associations, and other municipal facilities in the region around Edmonton.

Benchmarking completed in 2016 identified that the City had a 23% "share of wallet" for recreation (i.e., share of total fees paid by citizens to access recreation services) and a 20% share of volume of visitations.<sup>3</sup> Private facilities by comparison had a 24% share of wallet and a 29% share of volume of visitations. This appears to indicate that the market may have the capability to meet many of the recreation needs of the community.

The City provides a wide variety of (registered and drop-in) recreation and culture programs with different uptake in community. From 2016 to 2018, the average utilization across program areas for registered programming was approximately 67%; with individual program areas achieving average utilizations ranging from approximately 36% (Animals, Nature and Environment) to 81% (Aquatics and Swimming). This would suggest that the City may be providing a higher supply of programs in some areas compared to the demand from the community.

The proportion of registered program hours provided by each overall category of recreation and culture programming is outlined in Table 1; this comparison shows that aquatics represents more than half of the total hours for registered programs in scope.

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<sup>3</sup> MBN Canada, Sports and Recreation Report. Accessed April 2021 at <http://mbncanada.ca/practice/sports-recreation/>

Table 1: Registered Recreation and Culture Program Hours 2019

Programs	Registered Program Hours	
	Hours	% of Total
Aquatics / Swimming	45,750	57%
Fitness / Sports / Wellness	14,300	18%
Arts, Nature and History	20,800	25%
<b>Total</b>	<b>80,850</b>	<b>100%</b>

Source: Based on data provided by the City of Edmonton.

## CITY CONTEXT

Analysis of this opportunity recognizes the City’s commitment to providing residents with quality recreation opportunities. Many of its guiding documents underscore the integral nature of recreation in supporting excellent quality of life. The context for reimagining program levels and delivery include the following key considerations outlined in Table 2.

Table 2: City Context

Strategic Document	Policy Description	Relevance to this Opportunity
<b>ConnectEdmonton<sup>4</sup></b>		
<b>Healthy City</b>	<u>Goal</u> : Edmonton is a neighbourly city with community and personal wellness that embodies and promotes equity for all Edmontonians. Indicators include:	Provision of sufficient programming to meet mandate and promote community and personal wellness.
<b>The City Plan<sup>5</sup></b>		
<b>1.1.1.4</b>	Encourage healthy and active living by supporting community focused recreational, leisure, social and cultural programs.	
<b>1.1.1.5</b>	Develop, enable and animate community hubs for intergenerational gathering.	Provision of sufficient programming to meet mandate and promote community and personal wellness.
<b>1.1.3.1</b>	Create safe opportunities for women, girls and gender minorities to meet, connect, participate in and enjoy community and civic life.	
<b>1.1.4.1</b>	Improve access to equitable, appropriate and culturally relevant amenities and facilities for seniors at the district level.	
<b>1.3.2.2</b>	Increase opportunities for Edmontonians to be physically active throughout all seasons.	Provision of sufficient programming to meet mandate

<sup>4</sup> City of Edmonton. CONNECTEDMONTON - Edmonton's Strategic Plan 2019 – 2028.

<sup>5</sup> City of Edmonton. The City Plan (2020)

Strategic Document	Policy Description	Relevance to this Opportunity
2.1.1.4	Facilitate access to City activities and programs for people of all ages and abilities.	and promote community and personal wellness.
4.1.3.2	Provide services and programs which reduce barriers for low income residents to community recreation facilities.	
6.2.1.1	Provide and enable a variety of arts programming and spaces city wide.	
<b>Branch Strategic Pillars</b>		
<b>Financial Accountability</b>	Stewardship: Accountability for the use of City resources.	By methodically exploring viable cost reductions, the City demonstrates accountability for the use of City resources.
<b>Operational Excellence</b>	Service Delivery: Excellence in service delivery within facilities, open spaces, events and the community.	By ensuring that the impact of programming reductions is minimized, service delivery can remain strong.
<b>Relationships</b>	Partnerships: Engagement of organizations across recreation, sport, attractions and events.	The City may engage third parties to provide alternative delivery of programming.
<b>Approach to Community Recreation Facility Planning in Edmonton<sup>6</sup></b>		
<b>Goal 1</b>	Will encourage and facilitate participation that will enhance personal growth, physical and mental health, and well-being	Provision of sufficient programming to meet mandate and promote community and personal wellness.
<b>Live Active<sup>7</sup></b>		
<b>Active Story</b>	Promote opportunities for all Edmontonians to live active and celebrate Edmontonians who do.	
<b>Active Environment</b>	Advance accessibility for all Edmontonians to engage in physical activity in a range of inviting safe spaces, recreation and sport infrastructure, parks and green spaces, active transportation systems, work places, and more.	Provision of sufficient programming to meet mandate and promote community and personal wellness.

<sup>6</sup> City of Edmonton. Approach to Community Recreation Facility Planning in Edmonton (2018).

<sup>7</sup> City of Edmonton, Live Active: A Collaborative Strategy for Active Living, Active Recreation, and Sport in Edmonton, 2016-2026

Strategic Document	Policy Description	Relevance to this Opportunity
Active Opportunity	Advance a barrier free active recreation and sport system.	Provision of sufficient programming to meet mandate and promote community and personal wellness.
	Encourage Edmontonians to engage in their Physical Literacy journey so that they continuously develop their competence, confidence and motivation to be active for life	
	Advance quality active living, active recreation, and sport experiences for all Edmontonians, especially for all children from birth to twelve years of age.	

Source: Based on information provided by the City of Edmonton.

## LEADING AND COMPARATIVE PRACTICES

Calgary and Lethbridge are examples of municipalities that use alternative service delivery models such as third parties to deliver recreation facilities and programs. These municipalities look to leverage public funds more efficiently by capitalizing on the expertise and comparative advantages of private and non-profit organizations.

Some of the most notable partnerships in these municipalities encompass both facility operations as well as program delivery. Both cities also engage contractors in smaller-scale programming where they identify potential for cost savings. The majority of these arrangements are based on a defined fee-for-service contract with defined expectations and performance metrics.

The City also has a history of working with partners to deliver programming and events in support of resident quality of life. For example, Revive Wellness works with the City to provide nutrition services based out of various community recreation facilities. The Edmonton Nordic Ski Club also has a longstanding relationship on snowmaking and trail maintenance on City property.

## ENVIRONMENTAL CONSIDERATIONS

Trends and external influences that may impact the implementation and execution of this opportunity are summarized in Table 3.

Table 3: Environmental Considerations

Factor	Descriptions
Population and Growth	<b>Slowed population growth:</b> The City's Chief Economist indicates that population growth in the Edmonton area is expected to slow, with projected growth of 1.5% for the next three years, relative to growth of approximately 2% in 2017-2019 <sup>8</sup> . Population growth can impact the overall usage of City delivered programs, and this should be considered in light of planned recreation and culture programs in the upcoming years. Edmonton is known for its relatively young population however, demographics are slowly shifting with nearly 48% identified under the age of 40 in 2019, down from 56% in 2014. <sup>9</sup>

<sup>8</sup> City of Edmonton. Summary of Key Forecast Indicators. Accessed April 2021 at [https://www.edmonton.ca/business\\_economy/documents/PDF/Summary\\_of\\_Key\\_Forecast\\_Indicators\\_Fall\\_2020.pdf](https://www.edmonton.ca/business_economy/documents/PDF/Summary_of_Key_Forecast_Indicators_Fall_2020.pdf)

<sup>9</sup> Edmonton Municipal Census Data from 2014 and 2019

Factor	Descriptions
<b>Economic Context</b>	<b>Poor economic outlook and rising unemployment:</b> COVID-19 is the latest in a series of external factors that have challenged Alberta’s economy in recent years, proceeded by the oil price crash and recession from 2014-2016. Edmonton’s unemployment was 15.7% in Q1 2020. <sup>10</sup> These changes in the economy may indicate that consumers have lower disposable income or willingness to pay for recreation and culture opportunities. This may also reflect a shift in demand to low-cost or self-directed recreation and culture programming, or the greater use of programs that minimize financial barriers, like the City’s Leisure Access Program.
<b>Social Context</b>	<b>COVID-19 has altered how people are using municipal facilities and services:</b> Restrictions have closed access to many facilities; residents may be choosing not to use them, even if they are open, due to fears of the virus. The way residents prefer to engage in recreation, arts and culture activities has shifted in this context, and it will be challenging to determine what the impact will be going forward. For example, indoor group programs are consistently being limited. This may mean the City can pivot to more outdoor or low-cost programming, or generally reduce levels of programming required until conditions stabilize.
<b>Legislative Context</b>	<b>Directives around labour costs:</b> The City was directed by the Canada Revenue Agency to change its model from contracted arts instructors to municipal employees, given that they did not handle their own registrations, manage facility booking or collect participant fees directly. This has constrained the City’s ability to respond to market conditions. The City also approved its Living Wage policy in 2019, applicable to City employees and employees of contracted services.

Source: Based on information provided by the City of Edmonton and other sources as referenced.

<sup>10</sup> City of Edmonton. Q3 2020 Economic Update. Accessed April 2021 at [https://www.edmonton.ca/business\\_economy/documents/Q3\\_2020\\_Economic\\_Update.pdf](https://www.edmonton.ca/business_economy/documents/Q3_2020_Economic_Update.pdf)

# Options



This business case focuses on two options to address low margin programming to decrease costs. These options are outlined in Table 4 below.

**Table 4: Options Comparison**

	<b>Option 1</b> <b>Make Program Reductions</b>	<b>Option 2</b> <b>Utilize Alternative Service Delivery and</b> <b>Make Program Reductions</b>
<b>Description</b>	Discontinue registered programs that achieve low margins in their financial results.	Discontinue registered programs that achieve low margins in their financial results and engage third parties to deliver select registered programming identified as having low cost recovery.
<b>Recreation and Culture Program Reduction</b>	Approximately 1-14% reduction of all arts, aquatics and dryland programming hours, across approximately 3-34% of courses offered.	Engage third parties to deliver approximately 6-10% of “lower-margin” (low cost recovery) course offerings where they can provide services at a lower cost than the City.

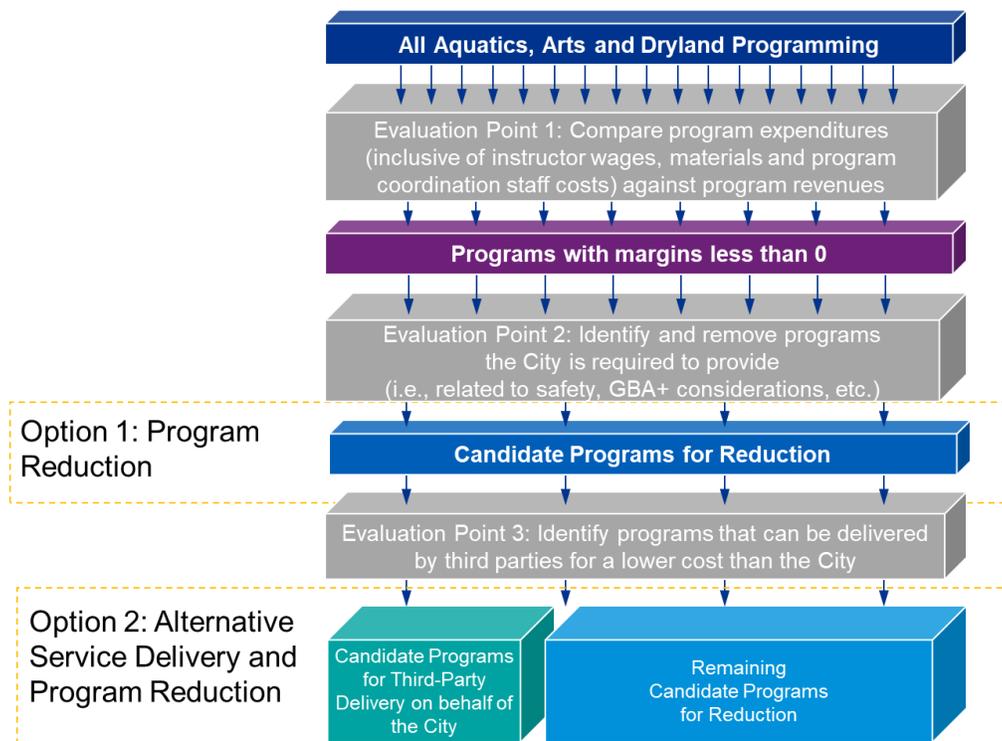
*Source: Based on information provided by the City and other sources.*

For the registered programs identified as “low-margin” – those that have low cost recovery and could be discontinued – the City indicated that it does not have a need for the space that would be vacated, and analysis does not assume that other programming or revenue-generating use of space would be substituted.

Low-margin registered programs were identified by analyzing direct costs (such as wages and materials) as well as an allocation of effort from the City’s programming staff. These staff are not solely dedicated to registered programming, rather, they are involved in many activities such as registered programs, spontaneous or drop-in programs, rentals and events, outreach programs and public education. As such, only a proportion of their time has been applied under these calculations directly to registered programming (these assumptions are described in detail in **Appendix B: Financial Projections**).

Figure 1 outlines the process used to review programs and to identify low margin programs for the purposes of this business case. This analysis provides a structured process for the City to understand what programs should continue to be delivered over time, particularly with current data. The City may want to consider enabling the tracking of expenditures by program type (similar to revenues from Intelli) and use actual expenditures as part of this analysis.

**Figure 1: Program Assessment Approach**



Source: Prepared by KPMG.

The approach to the analysis included a mapping of the City’s program expenditures from its various fee calculators, by program type, to the data from Intelli on specific program revenues (Evaluation Point 1). This enabled an understanding of cost by program and identified programs that had a margin (revenue less cost) of less than 0. Programs (determined to be low margin) can then be reviewed for whether they may have a GBA+ impact, or are required (for safety or training purposes, etc.).

Not all registered programs identified as low margin were included in this analysis, as illustrated in Figure 1. There are some program types, such as those that may have a benefit for underserved or marginalized populations (e.g., women’s only swimming, recreation classes offered in a second language, etc.) that were removed from this analysis due to GBA+ considerations. In addition, programs that are safety or training related were also removed from this analysis.

### **OPTION 1: PROGRAM REDUCTIONS**

Under Option 1, registered programs identified as low margin are included as proposed candidates for reduction. These types of programs are summarized in Table 5. While specific program types have been identified in this analysis, these would need to be vetted by the City based on more recent financial information, and any linkages between program types. That is, if specific program types are within a program set, they would need to be considered with other programs in that set. For example, Red Cross Swim Kids offers ten levels and several courses featuring a combination of levels; this program set should be reviewed in its entirety prior to reducing or eliminating one or more of its offering types.

**Table 5: Option 1 - Candidate Programs for Reduction**

Program Category	Examples of Program Types Identified for Possible Reductions
<p><b>Aquatics</b></p> <p>Candidate programs for reduction represent approximately 1% of overall aquatics program hours</p>	<ul style="list-style-type: none"> <li>- Babysitting</li> <li>- Private Lessons</li> <li>- Red Cross Swim Kids</li> <li>- Stay Safe</li> <li>- Sibshops</li> </ul>
<p><b>Arts</b></p> <p>Candidate programs for reduction represent approximately 30% of overall arts program hours</p>	<ul style="list-style-type: none"> <li>- Cooking: children and adults</li> <li>- Crafts (e.g., card making, knitting, pottery, sewing, silversmithing)</li> <li>- Dance: children and adults (e.g., ballet, belly dancing, country, hip hop, latin)</li> <li>- Drawing (e.g., basics, portraits)</li> <li>- Glass and mixed media</li> <li>- History (e.g., River Walk)</li> <li>- Meditation</li> <li>- Music (e.g., guitar, ukulele, drumming)</li> <li>- Painting (e.g., acrylics, oils, watercolours)</li> <li>- Photography (e.g., DSLR, phone, teen)</li> <li>- Performing arts (e.g., improv, drama camp)</li> <li>- Select Zoo Children’s Programming</li> </ul>
<p><b>Dryland</b></p> <p>Candidate programs for reduction represent less than 30% of overall dryland program hours</p>	<ul style="list-style-type: none"> <li>- Active Kids (e.g., Ready2Volley, Ready4Summer)</li> <li>- Adult Learn-to Bike / Fat Bike</li> <li>- Archery Family &amp; Adult / Archery Date Night</li> <li>- Canoeing Date Night / Lake Canoe</li> <li>- Children’s camps (e.g., little detectives, mad scientist, ninja warriors)</li> <li>- Children’s themed camps (e.g., Campers of the Galaxy, Jungle Mania, Muggles Tri-Sport)</li> <li>- Cross Country Skiing</li> <li>- DANCE PL3Y!</li> <li>- Fitness (e.g., Cardio Salsa)</li> <li>- Learn to Play</li> <li>- Snowshoe Club</li> <li>- Stand Up Paddle Board</li> <li>- Zumba for children</li> </ul>

Source: Based on information provided by the City.

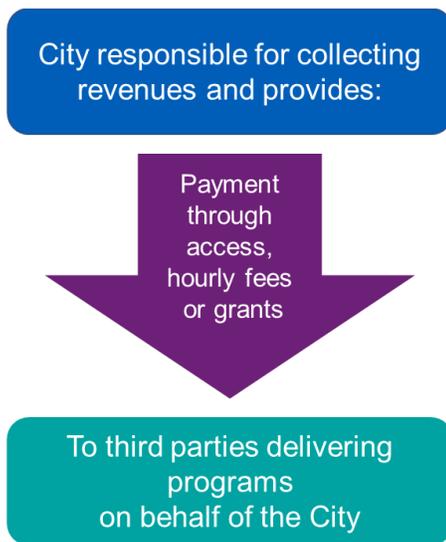
## OPTION 2: ALTERNATIVE SERVICE DELIVERY

Option 2 explores whether third parties may deliver some registered programs on behalf of the City. This option considered programs that could be delivered for a lower cost by a third party than by the City. There were a limited number of registered programs that are identified as candidate programs for third-party delivery.

A summary of registered programs considered for third-party delivery is included in Table 6. If a program could not be delivered on at least a cost recovery basis by a third party, then it would not be considered viable third-party delivery. These remaining low margin programs would be reduced, similar to Option 1.

Under this model, some registered programs would be delivered by a third party on behalf of the City, meaning that the City would still have direct control over what programs were offered, what fees were charged, and the total revenues.

**Figure 2: Proposed Third-party Delivery Approach**



Source: Prepared by KPMG.

Based on input from the City, it was assumed that the City would compensate third parties either through an hourly rate (fee for service), an operating grant assumed to equal 50% of program revenues (revenue share), or facility access to an existing City recreation or culture facility (e.g., time in a City gym for pickleball), as illustrated in Figure 2. The anticipated savings from this opportunity would include the net savings from the City to run the program and the third-party fees to deliver the program.

This option only considered the registered recreation and culture programs identified as low margin for third-party delivery. This is due to the higher risk inherent with using third parties to deliver recreation and culture programming. These risks include the capacity of the market to undertake the breadth of programs identified.

City staff, and external stakeholders who participated in the marketing sounding as part of this business case, indicated it could be challenging for partners to deliver this scope of recreation or culture programming. There will also be a learning curve, as the City works under a new delivery model with partners. This will require staff time, negotiation and development of agreements, and ongoing relationship management.

An approach to achieve this would be for the City to first work with the identified programs (low margin) as a pilot, to access the capacity and capability of the market to deliver the programming, as well as achieve the anticipated financial benefits. Once the results of these initial arrangements had been realized, the City could further explore arrangements with third parties to delivery programming across all registered recreation programs offered. A pilot approach would be able to test the market interest and capability to deliver a sub-set of identified programs, as market interest was unable to be assessed through this business case for Arts, Nature, and History Experiences programming in the market sounding.

**Table 6: Option 2 - Candidate Programs for Third-party Delivery**

Program Category	High-level Program Types
<p><b>Aquatics &amp; Dryland Programs</b></p> <p>Representing less than 6% of overall program offerings</p>	<ul style="list-style-type: none"> <li>– Stay Safe</li> <li>– Babysitting Courses</li> <li>– Kids Camps (Kung Fu Pandas, DANCE PL3Y!)</li> </ul>
<p><b>Arts</b></p> <p>Representing less than 10% of overall arts program offerings</p>	<ul style="list-style-type: none"> <li>– Cooking: children and adults (e.g., chocolate, macarons, salads)</li> <li>– Crafts (e.g., card making, glass, sculpture, terrariums)</li> <li>– Dance: children and adults (e.g., ballet, ballroom, jazz, hip hop, hula)</li> <li>– Meditation</li> <li>– Music (e.g., piano)</li> <li>– Painting (e.g., acrylics, watercolours)</li> <li>– Photography (e.g., digital)</li> <li>– Performing arts (e.g., improv, drama camp)</li> <li>– Various children’s programs (e.g., drama, puppet show)</li> <li>– Select Zoo Children’s Programming (Zoo Tots, Cub Club)</li> </ul>

*Source: Based on information provided by the City.*

# Impact Assessment

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## SERVICE IMPACT

**This opportunity has the potential to change service levels.**

Pursuit of this opportunity may result in an impact to users due to the reduction of available program hours or elimination of specific low margin registered programs, such as participants of offerings specifically for women, seniors or the francophone community.

For City-run registered programs with many course offerings, users could be more likely to find and enroll in alternative times or similar programs, such as children's camps or swimming lessons, whereas other programs may not have similar options within the City's offering, such as archery or canoeing. However, most registered programs types, in particular with respect to many of the arts programs, appear to have a comparable or related offering in the market.

As part of the Program Assessment Approach, illustrated in Figure 1, this analysis considered and identified some strategic recreation and culture programs that are designed for specific user groups, for example, swimming lessons delivered in French, or Indigenous youth leadership programs. These City-run registered programs were removed from the program reduction analysis, to mitigate potential increased barriers or other GBA+ considerations to these groups.

## DELIVERY IMPACT

**Option 1 may improve the City's ability to deliver services.**

There is an opportunity to reduce coordination staff and indirect costs as a result of decreases in City-run programming. Low margin registered programs identified as candidates for reduction include the course offerings that appear to have a lower number of program hours offered per course.

Currently, the City's programming staff may spend the same amounts of time on both programs with lower programming hours and higher programming hours. Reducing the identified registered programs may result in increased efficiencies in staff time. Reducing service offerings could also open up spaces to allocate to programs which have high demand, for third-party use in delivering programs, or for rentals, which could improve the City's asset utilization rates in addition to increased overall operating margins.

It appears unlikely the City would reduce registered programs in such a way that it would inhibit the ability of the City to deliver programming that it is mandated to provide, that falls under external regulations / compliance requirements, or that residents rely on the City to provide.<sup>11</sup>

**Option 2 may impact the delivery of services.**

Outsourcing program delivery would mark a shift in the delivery model from the City's current focus on delivering its own registered programs. There may be additional requirements to verify interest and capacity of the market, procure third-party providers, set up agreements and ongoing relationship management that will be required. However, it is assumed that Community and Recreation Facilities could adapt to this model given that it already has experience working with third

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<sup>11</sup> City of Edmonton Priority Based Budgeting (PBB) Process – Program Attributes

parties in other areas. This option would likely require dedicated contract managers in the City to facilitate the ongoing relationship between the City and the third-party entity, in the delivery of programs.

## VIABILITY

The viability of this opportunity recognizes there may be challenges from a stakeholder acceptance perspective. Nevertheless, it does not appear that these challenges would result in significant public backlash that is ongoing and sustained.

Ultimately, a greater alignment between program delivery and program demand supports the public's desire for accountability, economy and responsiveness. The COVID-19 pandemic has generated an acute awareness of the City's burden in maintaining robust recreation offerings, and the post-pandemic reality may reveal very different expectations for the provision of such services. Without a greater understanding of post-pandemic conditions, this business case has assumed a scenario with demand similar to 2019.

There does not appear to be formal constraints, such as policies or agreements, that would impact the implementation of a change to a program. There are considerations, such as lay-offs, union requirements and outcomes in the City Plan, that may impact program reductions being considered. However, the programming offered by the City appears to be at the discretion of the City as the provider mandating the service level requirements.

As part of the viability assessment of Option 2, a series of high-level market sounding sessions were conducted with invitations extended to local arts, recreation and culture service providers. Engagement with a sample of private and not-for-profit sector representatives supported the assumption that there are third parties interested in leading registered recreation and culture programs on behalf of the City. Participants included representatives from a broad range of organizations including [REDACTED] and [REDACTED]. Although a variety of other arts and culture organizations were invited, none participated in the sessions. Without participation from these providers, it is difficult to gauge interest or the comparability of offerings in the market.

Participants appeared receptive to the City working more with third parties. Participants believe they offer unique skillsets and expertise in providing quality and affordable recreation and culture experience in their fields. Motivations for exploring a partnership or outsourcing relationship with the City related to the potential to reach more people and fulfill their mission and vision, as well as opportunities for increased access to City facilities and a desire to see facilities used to their full potential.

Both private and not-for-profit organizations suggested that they may be in a better position to deliver their particular services in a more cost-effective manner primarily due to labour costs, efficiencies in specialized economies of scale.

Assumptions around a reasonable labour cost differential were subsequently researched and suggested that up to a 50% reduction could be realized for some position types. For example, industry research shows that recreation and sport instructors in Edmonton varied from \$15.48 to \$32.50 per hour in 2019.<sup>12</sup> The very lowest wages in that range would not comply with the City's Living Wage policy, a minimum of \$16.51 in 2019<sup>13</sup>, but there is still allowance for cost savings on wages above that threshold. ALIS Alberta indicates that wages for instructor in recreation, sport and fitness and outdoor sport and recreational guides range from \$17.45 to \$20.07.<sup>14</sup> This is compared to City wage ranges of \$19 to \$35 for the majority of program types.

Some third parties that rely heavily on volunteers may encounter more challenges in scaling up to requisite levels and to meet demand for service. However, these entities were still interested to hear more details around the financial model and

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<sup>12</sup> Average Hourly (Median) Wages for Recreation and Sport Instructors in Canada. Accessed April 2021 at <https://www.livingin-canada.com/salaries-for-instructors-in-recreation-and-sport.html>

<sup>13</sup> City of Edmonton Living Wage as determined annually by the Edmonton Social Planning Council. Accessed April 2021 at [BC3 Edmonton Hourly Living Wage | Edmonton Social Planning Council](#)

<sup>14</sup> Wages and Salary Information. Accessed April 2021 at [Look up Wages and Salaries in Alberta - alis](#)

division of responsibilities in any proposed arrangement with the City. As the COVID-19 pandemic continues to disrupt the recreation, arts and culture sectors, the number of viable third parties may be impacted. Increased use of third parties to deliver services may require additional staffing to monitor and manage contracts or relationships with partners.

In the market sounding sessions, specific clarifying questions focused on understanding who would handle registrations and revenue collection for outsourced programs, how would such an arrangement influence current facility allocation for partner activities, and how third parties might be compensated. Participants also suggested this could present an opportunity for greater collaboration amongst organizations and with the City to maximize the use of facilities.

## GBA+ IMPACTS AND MITIGATIONS

This opportunity has the potential to impact specific user groups more than others in the case of niche recreation services, such as swimming lessons delivered in French, or programming senior, individuals with special needs, members of the indigenous community or those located within neighbourhoods with limited access to reasonable alternatives.

Vulnerable populations, such as lone-parent households or individuals and families experiencing low income, could be affected by the reduction in service levels and find themselves without the means to seek services at other locations or from other providers. People who are less confident in their movements may find public facilities more welcoming than third-party sites. Similarly, the City's focus on providing basic introductions to art programs may be more suited to those who do not find mainstream activities welcoming or appropriate for their needs. It is assumed that most users could enroll in other similar program offerings, however, mitigating actions for the City may include further research and consultation to confirm assumptions around these potential impacts and validate the short list of program realignments.

Consideration should also be given to watching that bespoke registered programs are not unfairly targeted, or that programs for one type of user group are not disproportionately targeted. For example, the City may choose to continue offering low margin programs that cater to a high proportion of Leisure Access Program users or other identifiable groups such as women, seniors and the francophone community. Existing market provision of those services or potential for contractors to deliver them on behalf of the city could also impact service level decisions.

This opportunity also includes a reduction to the number of programming staff that support the programs being reduced. As a result, there would also be impact to frontline instructors and program deliverers. Some reductions may have already occurred in response to the pandemic restriction with through temporary or permanent layoffs. As these positions are temporary in nature, there would be limited constraints from the City, but this will impact individuals in the affected roles. A detailed breakdown in anticipated staffing impacts is included in Appendix B: Financial Projections. This analysis indicates that most staff impacted (65%) are female and are under 40 years of age. Approximately 40% of anticipated FTE positions are not currently filled due to reductions from the pandemic, which means the City would likely not need to rehire these employees.

However, there may be positive impacts from the outsourcing of select program types to third parties. For example, programs identified for partner delivery are those in the Arts program category, which may provide opportunities for artists, musicians, and other opportunities to earn stable income. Market research across Canada indicates that the median income for artists is 44% lower than all Canadian workers, at \$24,300 compared to \$43,500.<sup>15</sup> Dancers, musicians, and artisans and craftspeople have a median income of \$15,800, \$17,900, and \$20,500 respectively.<sup>16</sup> Delivery of these types of programs through third parties may provide new sources of revenue, stability in income and expanded network for workers in these occupational groups.

Additional information and scoring of GBA+ impacts and mitigation are included in **Appendix A: GBA+ Assessment**.

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<sup>15</sup> Hill Strategies, A Statistical Profile of Artists in Canada in 2016. Accessed April 2021 at <https://hillstrategies.com/resource/statistical-profile-of-artists-in-canada-in-2016/>

<sup>16</sup> Hill Strategies, A Statistical Profile of Artists in Canada in 2016. Accessed April 2021 at <https://hillstrategies.com/resource/statistical-profile-of-artists-in-canada-in-2016/>

## FINANCIAL IMPACTS

Financial impact estimates are included in **Appendix B: Financial Projections**, which also include a notice to reader and significant assumptions.

Based on the financial analysis, it is anticipated that the City may be able to achieve potential savings of approximately \$0.9 to \$2.0 million over five years. The projected potential savings are summarized below in Table 7.

**Table 7: Option 1 and 2 Financial Projections**

Option	Estimated Potential Net Savings in Year 5	Cumulative Estimated Potential Five-Year Net Savings
<b>Option 1: Program Reductions</b>	\$192,000 - \$439,000	\$0.9 - \$2.0 million
<b>Option 2: Combined Alternative Service Delivery and Program Reductions</b>	\$192,000 - \$383,000	\$0.9 - \$1.8 million

The range presented for each option represents the high and low scenarios considered in the analysis. For Option 1, the high scenario illustrates the impact if all relevant recreation and culture programs that did not recover 100% of their costs were eliminated. The low scenario illustrates the candidates with losses greater than 50% of total program expenditures. Financial projections are included for both cases in the appendices.

For Option 2, registered recreation and culture programs that were identified for reduction in Option 1 but could be delivered by third parties at cost recovery would be outsourced. The remainder of low margin registered recreation and culture programs would still be reduced. In the high scenario, this equates to 6-10% of low margin programs delivered by third parties, and 0% in the low scenario. Third-party operators would be compensated either through an hourly rate, grant, or through facility access.

It appears that the potential for third parties to deliver programs would be in the arts, nature and history programs. This may be due to the fact that labour makes up less of the total cost of these programs as they have a higher materials cost than most. Most of the advantage of outsourcing in these instances comes from the City's lower program coordination and management effort (approximately a third of that required for in-house programs).

In the low case, only a proportion of registered programs identified as low margin was included (those that recover only 50% of total expenditures).

## RISKS

There are a number of potential risks that may impact the feasibility of this opportunity. Key risks are summarized below in Table 8. Details on the identified risks are presented in **Appendix C: Risk Analysis**.

Table 8: Key Risks and Mitigations

Potential Risk	Potential Mitigation
<b>GBA+ Impact</b>  There is a risk that vulnerable populations would be disproportionately impacted by reductions.	This risk could be mitigated with a more detailed review of candidate programs prior to final selection in order to avoid reductions with a high impact to identified groups or few reasonable alternatives. Under Option 1, there is a greater risk of impact to specific user groups than Option 2.
<b>Service Levels</b>  There is a risk that programming would not be offered to the same level or at all in some geographic areas.	This risk may be addressed in reviewing the finalized list of reductions from the lens of geography and by demographic group. The City will need to clearly communicate where reasonable programming alternatives exist as part of the rationale.
<b>Labour</b>  There is a risk that the City's reputation would be negatively impacted by the shift to non-unionized positions as part of the outsourced operations.	This risk may be addressed by effective, integrated communications strategy as the scope and scale of actual reductions are finalized. Emphasis on mitigation measures related to GBA+ Impact and Service Levels, noted above. While this risk may be addressed, some residual risk may exist.
<b>Public Acceptance</b>  There is a risk that the public would react negatively to program reductions or reduced role of the City as primary provider.	This risk may be addressed by effective, integrated communications strategy as the scope and scale of actual reductions are finalized. Emphasis on mitigation measures related to GBA+ Impact and Service Levels, noted above. While this risk may be addressed, some residual risk may exist.

Source: Prepared by KPMG.

# Opportunity Assessment

## OVERALL ASSESSMENT OF OPPORTUNITY AGAINST CRITERIA

The opportunity assessment of both options against the criteria identified in this business case is summarized below in Table 9, where green, grey and red represent a positive, neutral and negative impact respectively.

Table 9: Opportunity Assessment

Options	Impact					Implementation				
	Service	Delivery	GBA+	Financial	Risk	Estimated Potential Five-Year Benefit (Millions)	Time	Cost	Risk	Estimated Potential Implementation Cost (Millions)
Option 1: Program Reductions	●	●	●	●	●	\$0.9 – \$2.0	●	●	●	\$0.02 - \$0.05
Option 2: Combined Alternative Service Delivery and Program Reductions	●	●	●	●	●	\$0.9 – \$1.8	●	●	●	\$0.02 - \$0.4

Source: Prepared by KPMG

## CONCLUSION AND RECOMMENDATION

The City should consider proceeding with Option 2, to reduce low margin registered programs and to use third parties to deliver a select number of programs. Our analysis suggests that this may result in cost savings for the City, either through direct program reductions, or decreased costs to deliver in select programs, and may result in the continuation of some programs that would otherwise be reduced.

### Recommended Action 1

The City should consider a reduction in registered programs and using third parties to deliver a select number of programs that can be delivered by third parties for a lower cost than the City (Option 2).

There are several program types that have been identified as low margin, and currently do not recover costs to deliver when direct wages (of frontline staff), materials, and programming staff hours are considered.

Under both options explored, most registered programs identified as low margin are recommended to be reduced (approximately 20-40% of total course offerings under high case assumptions). A small proportion of these low margin program types identified (6-10% of course offerings) could be delivered at a lower cost by partners. These programs identified as candidates for third-party operators appear to mainly fall within the Arts, Nature, and History Experiences programs.

The City may wish to gather and assess data on the specific user impacts of these program reductions to understand service and GBA+ impacts further. Detailed data on users, including demographic and Leisure Access Program usage information, is not currently available at a program level. It is recommended the City collect and use this data to assist with ongoing recreation and culture programming decision making.

## **Recommended Action 2**

**The City should consider exploring third-party delivery with a subset of programs as a pilot (in support of Recommended Action 1).**

In the future, the City may wish to explore third-party delivery of registered programs beyond just those recreation and culture programs identified as low margin programs. The City could expand upon the opportunities with other interested market providers (e.g., sport organizations) based on the success of the initial pilots.

There may be risks associated with using third parties to deliver registered programs, including interest and capacity of the market to deliver the breadth of culture programs identified, risk of realizing anticipated financial benefits and the learning curve for the City in working with a different model of delivery for these identified programs. The capacity of the market may limit the overall number of registered programs that could be delivered by partners.

## **Recommended Action 3**

**The City should consider extending an open request for proposals (in support of Recommended Action 1).**

An RFP should specifically describe the standards, outcomes, and key performance measures for a successful service delivery arrangement to replace select City-run programming. The City could encourage proponents to describe how they are suited to delivering programming on behalf of the City as well as any innovative approaches that would improve the program's cost recovery and / or quality of culture and recreation experiences for Edmontonians. It is essential that the financial model and respective responsibilities are clearly articulated.

Based on interest, capacity of the market and overall success of pilot recreation and culture programs, the City may wish to extend third-party delivery of registered programs beyond the low margin programs assessed in this business case.

# Appendix A: GBA+ Assessment

## EVALUATION SUMMARY

### What is the overall GBA+ assessment?

This opportunity has the potential to impact specific user groups more than others in the case of niche recreation services, such as swimming lessons delivered in French, or those located within neighbourhoods with limited access to reasonable alternatives. Vulnerable populations, such as lone-parent households or individuals and families experiencing low income, could be affected by the reduction in service levels and find themselves without the means to seek services at other locations or from other providers. It is assumed that most users could enroll in other similar program offerings however, mitigative actions may include further research and consultation to confirm assumptions around potential impacts and validate the short list of program realignments.

Consideration should be given to watching that bespoke programs are not unfairly targeted, or that programs for one type of user group are not disproportionately targeted. For example, the City may choose to continue offering lower-margin programs that cater to a high proportion of Leisure Access Program users or other identifiable groups such as women, seniors and the francophone community. Existing market provision of those services or potential for contractors to deliver them on behalf of the City could also impact service level decisions.

### What are the main groups that could be affected (including those with no vulnerabilities), and what impacts are noted?

Leisure Access Program users may encounter challenges finding their desired program availability as a result of some reductions. Populations experiencing lower income may not be in a position to travel to other locations or access market alternatives if the program schedule no longer suits their availability. Some programs identified as candidates for reductions may be directed to specific demographics, such as female-only, seniors, programs offered in second languages, Indigenous, or persons with disabilities. However, these have been removed from the analysis and therefore it is likely that this case may not impact those groups.

Similarly, users that currently subscribe to low margin programs which are not offered by the market may be affected by reductions but more acutely by potential eliminations. There are some impacts to user groups through reductions, for example, parents that rely on summer camps as seasonal childcare when their children are out of school for the summer.

### What do we know about the people who would be affected by this change?

-2. Very little known about them or their characteristics

**-1. Some general idea of numbers or types of people affected**

0. Good idea of overall numbers and some other aspects (e.g., time / nature of needs)

+1. Good information on the numbers of people affected and some key characteristics

+2. Good information on numbers, demographics groups, and contact lists (e.g., email / phone lists)

**What impact would there be from this change on the staff members of the City or other agencies who may be from these groups?**

This case assumes that program reductions would result in a proportionate reduction in relevant program coordination positions at the City. The extent to which staff in those positions may fall under groups with identified vulnerabilities is unclear as detailed demographic information was not provided as part of this analysis.

**What equity measures could we use or implement to improve or positively mitigate impact for one or more of the groups identified?**

As part of implementation, the City could strategically evaluate the list of candidates for program reduction with considerations for the number of impacted Leisure Access Program users, low margin programs that are instrumental to achieving other desirable outcomes for the City and programs not offered by alternative providers that cater specifically to identified groups, such as women, seniors and the francophone community.

**How confident we are in the information we are basing our decisions on? What could we do to check or confirm our assumptions?**

In order to check or confirm assumptions, a more detailed analysis of potentially impacted programming positions and their suitability for accommodation within other departments would need to be conducted.

**IMPACT OF THIS CHANGE ON PEOPLE BY KEY IDENTIFIED VULNERABILITIES**

**Consider how you would expect this change to affect people with various types of characteristics that may give rise to vulnerabilities:**

Personal Characteristics	-2 Could create new barriers	-1 Could exacerbate existing barriers	0 Limited effect or impact unknown	+1 Could reduce existing barriers	+2 Substantially improved access
People who are not physically strong or confident in their movements			0		
People with vulnerable people with them			0		
People who currently have very limited or no income	-2				
People who may experience fear or distress due to threats or violence			0		
People with additional language or communication needs		-1			
People who may find mainstream activities unwelcoming or not appropriate for their needs		-1			
<b>Total Score</b>	<b>-4 Limited potential effect identified</b>				

# Appendix B: Financial Projections

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## NOTICE

The financial projections contained in this document provide future-oriented financial information. The projections are based on a set of circumstances and the City's assumptions as of April 2021. Significant assumptions are included in the document and must be read to interpret the information presented. Should events differ from the stated assumptions, actual results will differ from the financial projections and such differences may be material.

The financial information and assumptions contained herein has been prepared to assist readers in deciding whether or not to proceed with their own in-depth investigation and evaluation of the options presented, and does not purport to contain all the information readers may require. Readers should conduct their own investigation and analysis of the options.

KPMG accepts no responsibility or liability for loss or damages to any party as a result of decisions based on the information presented. Parties using this information assume all responsibility for any decisions made based on the information.

## FIVE-YEAR PROJECTIONS

The five-year projections for this opportunity are outlined in the subsequent table as high and low scenarios for each option.

## HIGH AND LOW SCENARIOS

The differences between high and low cases is varied by the number of low margin programs that are included in the overall reductions (high includes all relevant low margin programs, whereas low indicates the candidates with losses greater than 50% of total program expenditures). Under the low scenario, there are not anticipated to be any programs that can be delivered cheaper through a third-party entity, as such, the anticipated savings for Option 1 and Option 2 are the same. The high and low scenarios for Option 1 are summarized in Table 10 and

Table 11 respectively. The high and low scenarios for Option 2, are summarized in Table 12 and

Table 13, respectively.

Table 10: Financial Projections – Option 1 Potential High Scenario

Option 1 High Scenario	2022	2023	2024	2025	2026	Total
<b>Estimated Potential Savings</b>						
Program Reductions	\$402,000	\$409,000	\$418,000	\$428,000	\$439,000	\$2,096,000
<b>Estimated Potential Implementation Costs</b>						
Severance Costs	\$52,000					\$52,000
<b>Estimated Potential Net Savings</b>						
	\$349,000	\$409,000	\$418,000	\$428,000	\$439,000	\$2,043,000

Note: Figures rounded to the nearest thousand.

Source: Based on information provided by the City and assumptions in Appendix B.

Table 11: Financial Projections – Option 1 Potential Low Scenario

Option 1 Low Scenario	2022	2023	2024	2025	2026	Total
<b>Estimated Potential Savings</b>						
Program Reductions	\$175,000	\$179,000	\$182,000	\$187,000	\$192,000	\$915,000
<b>Estimated Potential Implementation Costs</b>						
Severance Costs	\$23,000					\$23,000
<b>Estimated Potential Net Savings</b>						
	\$152,000	\$179,000	\$182,000	\$187,000	\$192,000	\$892,000

Note: Figures rounded to the nearest thousand.

Source: Based on information provided by the City and assumptions in Appendix B.

Table 12: Financial Projections – Option 2 Potential High Scenario

Option 2 High Scenario	2022	2023	2024	2025	2026	Total
<b>Estimated Potential Savings</b>						
Alternative Service Delivery and Program Reductions	\$414,000	\$422,000	\$431,000	\$442,000	\$453,000	\$2,162,000
<b>Estimated Potential Implementation Costs</b>						
Severance Costs	\$45,000					\$45,000
Partner / Contract Management	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$350,000
<b>Estimated Potential Net Savings</b>						
	\$299,000	\$352,000	\$361,000	\$372,000	\$383,000	\$1,767,000

Note: Figures rounded to the nearest thousand.

Source: Based on information provided by the City and assumptions in Appendix B.

Table 13: Financial Projections – Option 2 Potential Low Scenario

Option 2 Low Scenario	2022	2023	2024	2025	2026	Total
<b>Estimated Potential Savings</b>						
Alternative Service Delivery and Program Reductions	\$175,000	\$179,000	\$182,000	\$187,000	\$192,000	\$915,000
<b>Estimated Potential Costs</b>						
Severance Costs	\$23,000					\$23,000
Partner / Contract Management						
<b>Estimated Potential Net Savings</b>						
	\$152,000	\$179,000	\$182,000	\$187,000	\$192,000	\$892,000

Note: Figures rounded to the nearest thousand.

Source: Based on information provided by the City and assumptions in Appendix B.

## SIGNIFICANT ASSUMPTIONS

### COMMON ASSUMPTIONS

1. Programming staff refers to the various permanent City staff involved with registered programming. This includes Program Coordinators & Programmers in Aquatics, Program Managers & Program Coordinators in Dryland, and Program Managers & Program / Recreation Coordinators in Arts.
2. Registered programming data for 2019, from the Program and Drop in data with CourseID dataset provided by Community and Recreation Facilities, was used for program offering, hours, and revenue data. Data for 2019 was selected as a proxy year to mitigate program deviations that occurred in 2020 data due to the pandemic.
3. Registered programming data for 2019 encompassed some notable facility closures, such as the Muttart Conservatory and Fort Edmonton Park, which may have impacted some arts, history and / or nature program participation levels at or near those facilities.
4. Expenditure data was obtained through the City's fee calculator sheets for dryland, aquatics, and arts programming. This information provided estimates of program expenditures by high level program type.
5. Estimated program costs were mapped from the fee calculator sheet, to the actuals in the 2019 registered program data. Estimates for 2021 were used in most cases, except in aquatics where 2019 data was available. Community and Recreation Facilities provided assistance in mapping program types that could be used to reconcile program data across the two sources. There were two exceptions that were not included in this analysis:
  - Programs that are no longer being offered by the City.
  - Programs that were unable to be mapped to a category (e.g., a one-time event or other specific circumstance).
6. Proposed program reductions or eliminations have corresponding reasonable alternatives to accommodate user demand either through the City's offerings, alternative service delivery methods or other service providers in the market.
7. Costs for programs include the direct costs (wage, materials, and other) as well as the potential program coordinators. This was based on a reduction of programming hours and coordinator / program manager time per program.
8. Staff training and benefits are assumed to be 30% of base salaries for full time and 15% for part time staff based on COE guidance.

9. Senior programming positions include Program Coordinators in Aquatics, Program Managers in Dryland, and Program Managers in Arts. Average salary costs for senior programming positions range between \$95,000 and \$99,000.
10. Program positions include Programmers in Aquatics Program, Program Coordinators in Dryland, and Program / Recreation Coordinators in Arts. Average salary costs for programming positions range between \$66,000 and \$90,000.
11. Salaries for front-line employees delivering registered programs for aquatics, dryland, and arts ranged from \$45,000 - \$58,000.
12. Severance calculations included all impacted staff (temporary and permanent) at 8 weeks of severance for permanent and 2 weeks for temporary.
13. The total FTE calculation included all potential impacted staff, including permanent and temporary, union and non-union, programming staff and front-line service delivery. **Demographic information is based on the average FTE calculations. This information reflects current incumbents of the role; the demographics of the actual people affected may differ in accordance with seniority clauses in the collective agreements.** Staffing implications are presented in detail in Table 14 and Table 15.

**Table 14: Estimated Impacts to City of Edmonton Employees**

	Estimated Potential Changes in Regular Employees (FTEs)	Estimated Potential Changes in Temporary Employees (FTEs)	Estimated Potential Reductions in Employees (FTEs)
<b>Estimated Reductions in Existing Employees</b>	<b>3.4</b>	<b>3.5</b>	<b>6.8</b>
<b>Estimated Reductions by Age</b>			
Under 20	0.2	0.3	0.5
20 – 29	0.4	1.3	1.7
30 – 39	2.7	0.2	3.0
40 – 49	0.0	0.8	0.8
50 – 59	0.0	0.8	0.8
60 and over	0.0	0.1	0.1
<b>Estimated Reductions by Sex</b>			
Female	1.9	2.5	4.4
Male	1.4	1.0	2.4
<b>Estimated Reductions by Tenure</b>			
Under 5 years	2.7	2.1	4.8
5 – 10 years	0.6	0.7	1.3
Over 10 years	0.0	0.0	0.0
<b>Estimated Impact on Existing Employees</b>	<b>(3.4)</b>	<b>(3.5)</b>	<b>(6.8)</b>
<b>Estimated Additions</b>	<b>1.0</b>		<b>1.0</b>
<b>Estimated Reductions in Vacant Positions</b>	<b>0.0</b>	<b>(4.1)</b>	<b>(4.1)</b>
<b>Estimated Net Impact on Total FTE</b>	<b>(2.4)</b>	<b>(7.6)</b>	<b>(9.9)</b>

*Note: Analysis is based on data at a point in time. Totals may be affected by rounding.*

*Source: Analysis of information and assumptions provided by the City.*

It is estimated that up to 48 individuals could be affected by the FTE reductions noted above.

**Table 15: Estimated Impacts to City of Edmonton Employees by Union Classification**

	Estimated Potential Changes in Regular Employees (FTEs)	Estimated Potential Changes in Temporary Employees (FTEs)	Estimated Potential Reductions in Employees (FTEs)
<b>Estimated Reductions in Existing Employees</b>	<b>3.3</b>	<b>3.5</b>	<b>6.8</b>
CSU 52	3.0	1.4	4.4
CUPE Local 30	0.3	0.4	0.7
Out of Scope	0.0	1.7	1.7

*Note: Analysis is based on data at a point in time. Totals may be affected by rounding.  
Source: Analysis of information and assumptions provided by the City.*

14. Inflation is adjusted for each year at the following rates:

**Table 16: Inflation Rate Estimates**

	2022	2023	2024	2025	2026
<b>Inflation Rate (%)</b>	1.7%	1.9%	2.1%	2.5%	2.5%

## OPTION 1: PROGRAM REDUCTIONS

15. The percentage reduction in program hours will result in a corresponding reduction in program coordinator position costs.
16. Program Manager and Coordinator reductions are a result of the proportion of course offering reductions, while front-line staff reductions are based on total hours reduced.
17. A subset of front-line staff have been assumed to be directly linked to registered programs. This includes Recreation Technician I's for Dryland, Program Specialists in Arts, and Aquatics Instructors in Aquatics.
18. Registered programs identified as no longer being delivered by the City (e.g., those at seniors centers), drop-in programs, or cancelled programs have been excluded from this analysis based on information provided by Community and Recreation Facilities. Cancelled program hours have been reduced where the number of participants do not meet the minimum required to achieve cost recovery, as noted by CRF in the fee calculator sheet.
  - This approach was applied to programs identified as cancelled in the 'Arts' category by CRF. Programs with registrants less than 5 were noted as cancelled.
  - For dryland programs, programs with registrants less than 5 were cancelled.
  - Due to the immaterial amount of aquatics programs with low registrants, these programs were excluded from analysis (aquatics total program hour reductions are less than 1%).
19. Program Manager and Programmer (Program Coordinator) time dedicated to registered programs is summarized below, as provided by Community and Recreation Facilities.

**Table 17: Estimated Program Coordination Staff Dedicated to Registered Programs**

	Senior Programming Staff	Programmers
<b>Aquatics</b>	0.02 FTE	0.3 FTE
<b>Dryland</b>	0.38 FTE	1.4 FTE
<b>Arts</b>	0.05 FTE	1.2 FTE

Source: Based on information provided by the City and pulled from 2019 FTE data.

20. The breakdown of revenues, expenditures and net losses for low margin programs identified under Option 1 (in the high case) are summarized below:

**Table 18: Option 1 Program Financials**

Program Area	Estimated Revenue	Estimated Expenditure	Estimated Net Loss
Aquatics	\$25,000	\$59,000	\$(34,000)
Dryland	\$258,000	\$422,000	\$(164,000)
Arts	\$362,000	\$559,000	\$(197,000)
<b>Total</b>	<b>\$645,000</b>	<b>\$1,040,000</b>	<b>\$(395,000)</b>

Note: Figures rounded to the nearest thousand. These numbers include all low margin programs, including those removed from reduction consideration for GBA+ or other social considerations.

Source: Based on information provided by the City and other sources.

## OPTION 2: ALTERNATIVE SERVICE DELIVERY AND PROGRAM REDUCTIONS

21. Wages for staff employed by third parties range from \$19 to \$23, as identified under the range provided by Living in Canada’s median wage for recreation and sport providers in Edmonton in 2020<sup>17</sup> and ALIS’s salaries and wages in Alberta.<sup>18</sup>
22. Facility access is assumed to cost the City approximately 15% of program revenues, due to typical wear and tear from usage, operating costs to open the space, etc.
23. Grant funding offered to third parties is expected to cost the City approximately 50% of program revenues.
24. It is assumed that 33% of the time program manager and program coordinator spent managing programs previously will still be required to coordinate with third-party delivered programs.
25. Implementation costs are assumed to include the costs to manage contracts / relationships with partners. It is assumed that one FTE would manage these contracts (approximately 40 program types).

<sup>17</sup> Average Hourly (Median) Wages for Recreation and Sport Instructors in Canada. Accessed April 2021 at <https://www.livingin-canada.com/salaries-for-instructors-in-recreation-and-sport.html>

<sup>18</sup> Wages and Salary Information. Accessed April 2021 at [Look up Wages and Salaries in Alberta - alis](#)

26. The breakdown of the comparison between revenues and expenditures for programs delivered by third parties vs. by the City (high case) are summarized below:

**Table 19: Comparison of Estimated Third Party Financials vs. City Financials for select programs**

<b>Program Area</b>	<b>Estimated Revenue</b>	<b>Estimated Partner Run - Expenditure</b>	<b>Estimated City Run - Expenditure</b>	<b>Estimated Potential Net Savings</b>
Aquatics	\$10,000	\$9,000	\$15,000	\$6,000
Dryland	\$15,000	\$11,000	\$19,000	\$7,000
Arts	\$52,000	\$44,000	\$62,000	\$18,000
<b>Total</b>	<b>\$77,000</b>	<b>\$64,000</b>	<b>\$96,000</b>	<b>\$31,000</b>

*Note: Figures rounded to the nearest thousand.*

*Source: Based on information provided by the City and other sources.*

# Appendix C: Risk Analysis

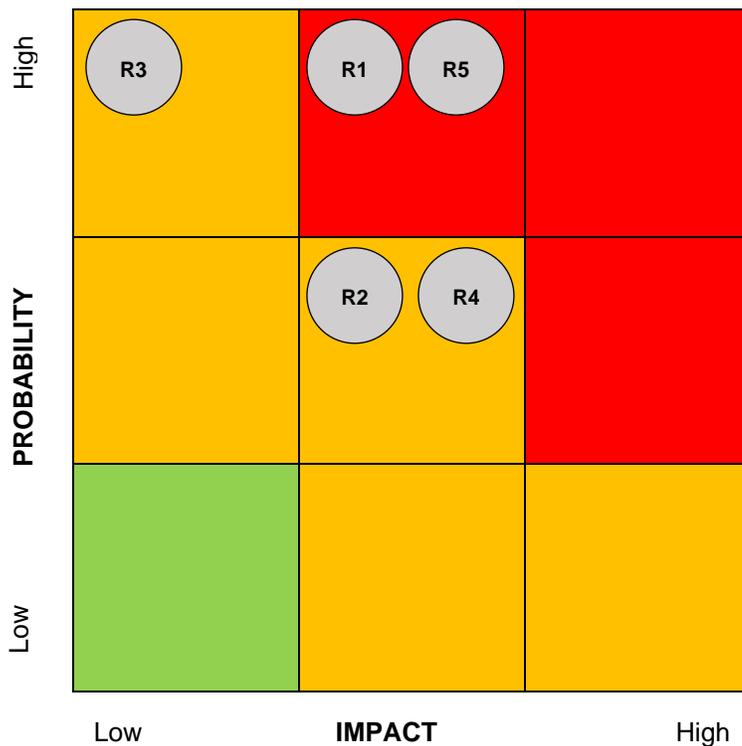
## RISK ASSESSMENT

Program reductions come with a medium degree of strategic, reputation, and operational risk.

Using third parties to deliver programming comes with a medium to high degree of strategic, reputation, operational and financial risk.

The following matrix summarizes the key risks of this opportunity, measuring probably against impact.

Figure 3: Risk Matrix



## RISK ASSESSMENT AND MITIGATIONS

The table below outlines the risks and mitigation strategies that have been identified for this opportunity.

Table 20: Risk Register

Risk	Relevant Categories	Highest Rating	Mitigation	Residual Risk
<p><b>R1. GBA+ Impact</b></p> <p>There is a risk that vulnerable populations are disproportionately impacted by reductions.</p>	<p>Strategy</p> <p>Reputation</p>	<p><b>Strategy</b></p> <p>Impact: Medium</p> <p>Probability: High</p> <p>Overall: High</p>	<p>This risk could be mitigated with a more detailed review of candidate programs prior to final selection in order to avoid reductions with a high impact to identified groups or few reasonable alternatives. The City could consider strategic program value, Leisure Access Program usage, niche programming and market availability.</p>	<p><b>Financial</b></p> <p>Impact: Low</p> <p>Probability: Low</p> <p>Overall: Low</p>
<p><b>R2. Service Levels</b></p> <p>There is a risk that facilities end up providing lower levels of service or reduced access when and where residents need.</p>	<p>Operations</p>	<p><b>Operations</b></p> <p>Impact: Medium</p> <p>Probability: Medium</p> <p>Overall: Medium</p>	<p>This risk may be addressed in reviewing the finalized list of reductions from the lens of geography and outline principles for program scheduling and allocation of remaining programs. The City could clearly communicate where reasonable programming alternatives exist as part of the rationale.</p>	<p><b>Operations</b></p> <p>Impact: Low</p> <p>Probability: Low</p> <p>Overall: Low</p>
<p><b>R3. Labour</b></p> <p>There is a risk to the City's reputation being negatively impacted by the shift to non-unionized positions as part of the outsourced operations.</p>	<p>Operations</p>	<p><b>Operations</b></p> <p>Impact: Low</p> <p>Probability: High</p> <p>Overall: Medium</p>	<p>This risk could be mitigated through engagement and proactive communication with labour relations groups. Mitigation could also be supported through strategies to demonstrate the City's efforts to redeploy impacted human resources to other roles.</p>	<p><b>Operations</b></p> <p>Impact: Low</p> <p>Probability: Low</p> <p>Overall: Low</p>

Risk	Relevant Categories	Highest Rating	Mitigation	Residual Risk
<p><b>R4. Public Acceptance</b></p> <p>There is a risk the public reacts negatively to program reductions or reduced role of the City as primary provider.</p>	Reputation	<p><b>Reputation</b></p> <p>Impact: Medium</p> <p>Probability: Medium</p> <p>Overall: Medium</p>	<p>This risk may be addressed by effective, integrated communications strategy as the scope and scale of actual reductions are finalized. Emphasis on mitigation measures related to <b>GBA+ Impact</b> and <b>Service Impact</b>, noted above. Description of performance management process to ensure residents receive quality programming regardless of whether it is delivered by the City or a third party.</p>	<p><b>Reputation</b></p> <p>Impact: Low</p> <p>Probability: Medium</p> <p>Overall: Medium</p>
<p><b>R5. Viability</b></p> <p>There is a risk that alternative service providers are unable to realize sufficient cost savings to support financial viability of Option 2.</p>	Financial	<p><b>Financial</b></p> <p>Impact: Medium</p> <p>Probability: High</p> <p>Overall: High</p>	<p>This risk could be addressed more detailed engagement with potential providers to understand their constraints. Potential to bundle fee-for-service contracts with more profitable programs to offset those with lower-margins.</p>	<p><b>Financial</b></p> <p>Impact: Medium</p> <p>Probability: Medium</p> <p>Overall: Medium</p>

Source: Prepared by KPMG.



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