

## CITY COUNCIL REPORT

**DATE:** January 26, 2012

**TO:** Mayor and Councilmembers

**FROM:** Elizabeth Anderson, Community Enrichment Services Director  
Brian Grube, Recreation Services Director

**CC:** Kevin Burke, Josh Copley, Jerene Watson, Leadership Team

**SUBJECT:** BUDGET RETREAT FOLLOW-UP: FULL COST-RECOVERY AT  
JAY LIVELY ACTIVITY CENTER

This report is in response to a request for more information as a result of Council discussion at the Budget Retreat on moving to a full cost recovery at the Jay Lively Activity Center. Specifically provide:

- 1) Full cost recovery in various combinations, e.g., hour, age groups (adult, Youth, team, open-skate hourly, etc.) to include by skater classification as well as a sliding scale option;
- 2) Identify comparative revenue data by public or individuals v. teams and clubs;
- 3) Discuss other elements for consideration such as the increase impact during open skate times v. increase impact in an hourly charge for ice time.

### DISCUSSION

The Jay Lively Activity Center currently does not have a cost recovery directive associated with its operation. The current operational budget for the center is roughly \$410,000 annually and the center consistently recovers between 60% to 65% of operational costs through various revenue streams.

In researching the best approach to fee increases, we looked at several factors. We compared our rates against ice arenas in the region as a place to start. We found that public skating costs an adult on average about \$10 and a child \$7 (including skate rentals). Table 1 shows a proposed 25% increase in public skating fees with the exception of skate rentals. With this 25% increase we stay within the \$10 and \$7 range. The second aspect we looked at was private ice rental time (hockey groups, figure skating...) the prices varied from a low of \$90 per hour (very early mornings and very late at night) to a range of \$300 - \$380 per hour for regular and prime time ice. This is the area we feel that we have the greatest potential for revenue increases. As Table 3 reflects, our current ice rental fees are very inexpensive and have the greatest capacity for growth. We also calculated the cost to operate Jay Lively at a break-even rate (during rental times) and came up with roughly \$135 per hour to operate the center during user

group's rental periods. This provides a reference when calculating appropriate ice rental fees. The proposed increases on ice rentals range from 20% to 69%. The combination of changes in user fees and rental fees outlined on tables 1 and 3 would bring in approximately **\$129,000** in new revenue based on historical use. This increase in revenue would achieve 100% cost recovery for the Center. If this cost recovery scenario were to be approved, then City Council would need to adopt a new User Fee Schedule at an upcoming Council meeting.

**Table 1** is a scenario of increasing our general user fees by **25%** (with the exception of skate rentals). Using historical use numbers, this increase would yield an additional **\$24,278.00** in revenue.

**Table 1**

**Jay Lively Activity Center Fees 25% Increase**

	<b>Current Fee</b>	<b>Increase Amount</b>	<b>Proposed New fee (25% increase)</b>	<b># of Participants</b>	<b>Total Revenue</b>	<b>Net Revenue Increase</b>
Youth (5 & under)	Free with paid adult	No Change	N/A	N/A	N/A	N/A
Youth (6-17)	\$2.75	\$.75	<b>\$3.50</b>	12,205	\$42,717.00	\$9,153.00
Adult	\$5.25	\$1.50	<b>\$6.75</b>	6,728	\$45,414.00	\$10,092.00
Group	\$2.25	\$.75	<b>\$3.00</b>	2,147	\$ 6,441.00	\$ 1,610.00
Adult open Hockey	\$10.50	\$2.75	<b>\$13.25</b>	875	\$11,593.00	\$ 2,406.00
Skate Rental	\$3.25	No change	<b>\$3.25</b>	17,908	\$58,201.00	\$0
Skate Sharpening	\$5.25	\$1.50	<b>\$6.75</b>	678	\$4,576.00	\$1,017.00
					<b>Total</b>	<b>\$24,278.00</b>

**Table 2** contains data from other ice rinks in the region. In the following table there are 4 private and 2 government rinks represented. The proposed new fees for Jay Lively are comparable to the following rinks and slightly higher than the two government run rinks that we surveyed. Neither of the two government rinks surveyed are at a 100% cost recovery.

**Table 2**

**Fee Comparison to Other Ice Rinks**

	<b>Polar Ice Peoria, AZ (Private)</b>	<b>Outpost Ice Arena, NM (Private)</b>	<b>Los Alamos County Ice Rink, NM(outdoor rink) (County)</b>	<b>Genoveva Chavez Community Center, NM (Municipal)</b>	<b>Arcadia Ice Arena, Phoenix, AZ (Private)</b>	<b>Ice Den, Phoenix, AZ (Private)</b>	<b>Jay Lively Activity Center (current fees)</b>
<b>Youth admission</b>	\$7.50 (age 4-12)	\$1.00 (age 5 & under)	\$3.75 (age 6-17) \$1.75 (age 5 & under)	\$2.75 (age 11-17) \$1.75 (age 10 & under)	\$4.50 (age 4-12)	\$5.00 (age 6-15) \$5.00 (age 5 & under- includes rental skates)	Free (5 & under with paid adult) \$2.75 (ages 6-17)
<b>Adult admission</b>	\$8.50 (age 13-64) \$7.00 (age 65+)	\$7.00 (age 6+)	\$5.25 (age 18-59) \$3.75 (age 60+)	\$5.00 (age 18-59) \$3.00 (age 60+)	\$5.50 (age 13-54) \$3.50 (age 55+)	\$7.00 (age 16-55) \$5.00 (age 55+)	\$5.25 (ages 18 & up)
<b>Group admission</b>	\$7.00 (includes admitt & skate rental)	N/A	\$4.75 (adult) \$3.25 (youth)	N/A			\$2.25 (skate rental not included)
<b>Adult Open Hockey</b>	\$12.00 (age 18+)	\$10.00 (age 18+)	\$7.75 (evening) \$6.00 (noon)	N/A	\$15.00 (age 18+)	N/A	\$10.50 (age 18+)
<b>Skate Rental</b>	\$3.50	\$3.00	\$3.75 \$1.75 (age 5 & under) \$3.25 (group rate)	\$3.00	\$2.50	\$4.00	\$3.25
<b>Skate Sharpening</b>	N/A	\$5.00 (resharpen) \$8.00 (while you wait)	N/A	\$10.00 (same day) \$7.50 (overnight)	N/A	N/A	\$5.25

**Table 3** outlines proposed increases to facility use and spectator fees to reach our goal of 100% cost recovery. In addition to increasing the per hour cost, we also are recommending that we recover the City's portion of spectator fees at all NAU games while charging the commercial rate for these games. The current practice is charging them the adult non-profit rate (\$104) for their practices and the commercial rate (\$208) for their games. An agreement made sometime in the past allows NAU to collect all door fees (admission fees) during their games if they pay the higher commercial/event rate, while the City does not collect anything on admissions. It is our recommendation that we cease this practice and charge NAU the commercial/event rate for all games (not practice times) while collecting our admission fees at the door, which is reflected on Table 3. The impact on the facility and staffing is significant during NAU games and it is important that we account for this in our fee structure. The increase of facility rental and spectator fees would potentially generate an additional \$105,178 in revenue. It is important to note that during the time of the collapse and re-building of Jay Lively, user groups as a whole came forward to support the increase in fees in order to keep a viable ice arena open and accessible to the public.

**Table 3**

**Facility Use and Spectator Fee increases for Jay Lively Activity Center**

	<b>Current Fee</b>	<b>Increase Amount</b>	<b>Proposed New Fee</b>	<b># of Rental Hours / Spectators</b>	<b>Total Revenue</b>	<b>Net Revenue Increase</b>
Youth non-profit (hourly)	\$52.00	\$31.00 (60%)	<b>\$83.00</b>	1,727	\$143,341	\$53,537
Adult non-profit (hourly)	\$104.00	\$71.00 (69%)	<b>\$175.00</b>	447	\$78,225	\$31,737
Commercial/Event (hourly)	\$208.00	\$42.00 (20%)	<b>\$250.00</b>	78	\$19,500	\$11,076
Spectator Youth (NAU GAMES)	\$1.25	\$ 1.75	<b>\$3.00</b>	45	\$135.00	\$78
Spectator Adult (NAU GAMES)	\$2.25	\$ 1.75	<b>\$ 4.00</b>	5,000	\$20,000	\$8,750
					<b>Total</b>	<b>\$105,178</b>
					<b>Total from Table 1</b>	<b>\$24,278</b>
					<b>Total from Table 3</b>	<b>\$105,178</b>
					<b>Grand total</b>	<b>\$129,456</b>
					<b>Goal for 100%</b>	<b>\$129,000</b>

**Table 4** offers a comparison to what other rinks charge hourly for private use. All but one rink has a set fee for private rental regardless of group time or peak/non-peak hours.

**Table 4**

**Hourly Facility Rental Fee Comparison**

	<b>Polar Ice Peoria, AZ (Private)</b>	<b>Outpost Ice Arena, NM (Private)</b>	<b>Los Alamos County Ice Rink, NM (outdoor rink) (Municipal)</b>	<b>Genoveva Chavez Community Center, NM (Municipal)</b>	<b>Arcadia Ice Arena, Phoenix, AZ (Private)</b>	<b>Ice Den, Phoenix, AZ (Private)</b>	<b>Jay Lively Activity Center (current fees)</b>
<b>Hourly Facility Rental Rates</b>	\$385 hr (all groups/all times)	\$200 hr (all groups/all times)	\$90 hr (non-peak hrs, all groups) \$180 hr (peak hrs, all groups)	\$185 hr (all groups/all times)	\$350 hr (all groups/all times)	N/A	\$52 (youth) \$104 (adult) \$208 (commercial/ event)

**Table 5** is a break-down of user groups at Jay Lively. The first group is "City of Flagstaff," which represents all City run activities which include Public Skate, Open Hockey, Ice skate lessons, and any City of Flagstaff special event. This chart helps illustrate the overall use for the rink, and as you can see, youth organizations make up the vast majority of use, after general public use. This data is also illustrated in Chart 1. Chart 2 illustrates the number of hours rented or utilized by each group type.

**Table 5**

**Annual use of Jay Lively Activity Center by group type**

<b>Group Name</b>	<b>Annual Attendance *</b>	<b>Percent of Total</b>	<b>Number of Hours</b>	<b>Percent of Total Hours</b>
City of Flagstaff	23,413	35%	1,766	46%
Flagstaff Youth Hockey	22,496	33%	810	21%
Flagstaff Figure Skating	5,346	8%	474	12%
Flagstaff High School	3,035	5%	118	3%
Adult Hockey League	2,700	4%	116	3%
Train Wreck Hockey	2,634	4%	119	3%
Just For Fun Hockey	2,025	3%	85	2%
NAU Hockey Club	4,026	6%	216	6%
Other small groups	1,750	3%	325	8%
<b>Total</b>	<b>67,425</b>	<b>100%</b>	<b>3,827</b>	<b>100.00%</b>

Chart 1

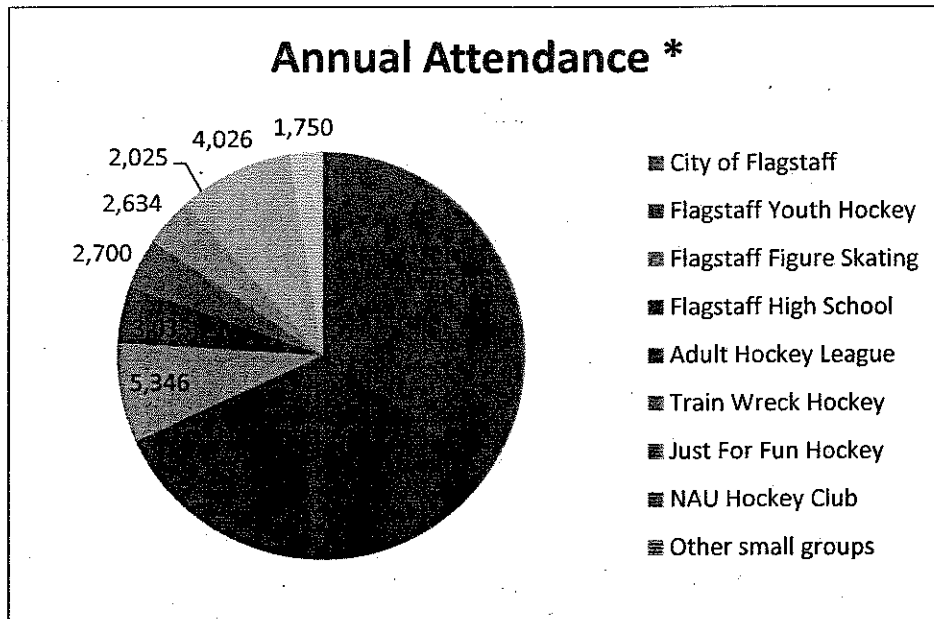
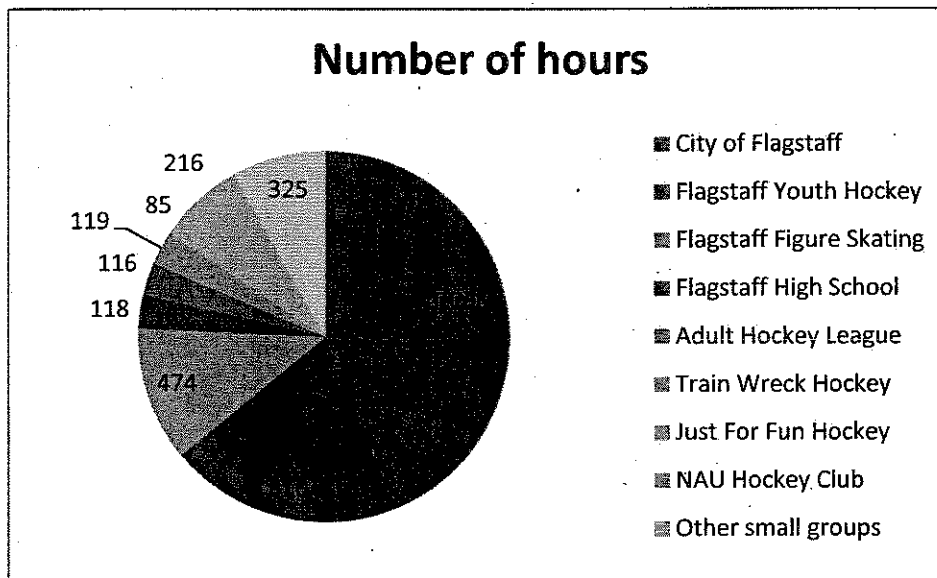


Chart 2



\* All attendance numbers are from paying customers. These numbers do not reflect spectators and drop-in visitors.

### RECOMMENDATION / CONCLUSION

This report represents one possible scenario if the decision to pursue 100% cost recovery is chosen as a course of action. The fee system is dynamic in nature and can be re-tooled to fit whatever direction or outcomes are desired. This report represents what staff believes would be achievable and reasonable given the significant increase that it proposes for all users of the Jay Lively Activity Center.