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REPORT

TO: Community Hub/Recreation Project Steering Advisory Committee

FROM: Sean Dillon, Senior Manager Business Development

RE: Capital and Operating Preliminary Projections – Based on Leisureplan Market Study

Background

Leisureplan International completed a statistically reliable Market Study sampling 254 residents opinions and intentions on the possibility of the creation of new recreational facilities within the Municipality. The YMCA, as part of its contracted scope of Community Development work, has translated the findings of that Study into preliminary Capital and Operating Projections. The preliminary projections are meant to guide decision making but additional efforts are required to confirm assumptions and firm up projections prior to accepting such as reliably attainable.

Participation Model for New Recreational Facilities

The YMCA has performed its own Participation Model for South Huron and submits it in this report as a means of comparison and validation of the model proposed by Leisureplan.

The YMCA model is based on 2016 Statistics Canada Census data for the community. The model assumes that South Huron residents have levels of participation in physical activity similar to the rate of one third of Ontarians who regularly participate in health, fitness, and recreations activities. Although one third of the local population may be physically active not all of these persons can be considered to be potential users of the proposed new recreation facilities within South Huron. Physically active residents may participate in self-directed activity in their homes or public spaces, may participate at competing facilities in neighbouring municipalities, or within competing programs/spaces within South Huron. The YMCA therefore further segments the local fitness market to examine market penetrations of 20% to 40%. 30% is considered an average fitness market penetration rate for facilities found in smaller communities and this penetration is observed in the YMCA’s other small market operations.

	2016 Census Data - South Huron	Total Fitness Market Size	Market Share		
Age		33%	20%	30%	40%
0 to 14	1530	505	101	151	202
15 to 64	5905	1949	390	585	779
65 plus	2660	878	176	263	351
Totals	10095	3331	666	999	1333

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The preceding market penetration analysis points to a sufficient market for a modest recreational complex and programming based on a 30% market share. The YMCA projects a most probable case scenario of a modest health, fitness and recreation operation in Exeter to draw between 930 and 1000 average members on roll.

The Leisureplan participation model is based on expressed intention to purchase a membership at a defined rate from resident questionnaires. The survey responses are extrapolated to the total community population, within a primary and secondary market area, to provide a predicted participation model.

Membership Category	Market Segment	Low Market Share	High Market Share
Adult	Primary	450	640
	Secondary	135	290
Family	Primary	360	550
	Secondary	25	175
Totals		971	1,655

Based on these two methods of identifying potential membership participation, and their relative agreement on market participation, the YMCA recommends the use of the low-end projections presented by Leisureplan of 971 members for planning and projection purposes.

Facility Models – Space Program

Leisureplan’s research identified the following potential facility components/amenities as being central drivers to resident’s intention to purchase a membership with the proposed new recreational facilities:

1. An indoor pool
2. An indoor track
3. A fitness conditioning centre
4. A facility to support group exercise classes

The following potential space programs take into account the expressed desired facility amenities and the number of potential members identified. Two models are detailed, one with an aquatic centre and one without an aquatic centre. The models look only at the construction of the community centre/hub portion of the project and do not detail the potential new arena portion of the project, with the exception of assuming that a walking track would be within that portion of the project.

Facility Amenity	Facility A	Facility B
Aquatic Centre	6000 square feet	
Aquatic Mechanicals/Filter Room	1000 square feet	
Gymnasium	4200 square feet	4200 Square Feet
Fitness/Conditioning Centre	5000 square feet	5000 Square Feet
Changerooms	2000 square feet	2000 square feet
Meeting/Activity Room	700 square feet	700 square feet
Equipment/Storage	500 square feet	500 square feet

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Sundry/Circulation Mark-up 10%	1940 square feet	1240 square feet
TOTAL FACILITY SIZE	21,340 square feet	13,640 square feet

Capital Construction Projections

Recent recreation facility builds across Southwestern Ontario have experienced a cost per square foot between \$300 and \$350 with those facilities with aquatic centres realizing a square footage rate at the high end of that scale.

	\$300/square foot	\$350/square foot
Facility A – 21,340 square feet	\$6,402,000	\$7,469,000
Facility B – 13,640 square feet	\$4,092,000	\$4,774,000

Facility Capital Construction Projections do not take into account any costs associated with land acquisition, architectural fees, soil remediation, specialized construction requirements such as piling, or the cost of servicing land.

Preliminary Operating Pro-forma

The YMCA operating model is a high touch model ensuring the availability of trained staff to both assist and supervise members in the attainment of their personal health and wellness goals. YMCA fitness centres are supervised throughout their entire operating schedule and as such the cost of compensation becomes the largest expense within a YMCA operation. This model of staff deployment benefits the operation in leading to membership retention of 65% or greater, lower insurance costs, a decreased cost and incidence of theft and damage, and most importantly attainment of our mission to enrich the community through the growth and development of people in spirit, mind and body.

YMCA membership fees are payable on a monthly basis and discounted relationships for families, children, students, and seniors are offered. Additionally, no one is turned away due to an inability to pay. The YMCA's financial assistance program provides subsidized access to membership for those in situations of financial hardship. While membership is the central relationship the YMCA offers its community, all YMCAs are also open to non-members who may choose to purchase an activity pass per visit or register for sessional classes without a membership.

The operating pro-forma following are based on an average membership of 971 members for the proposed facility with an aquatic centre and a reduced membership participation of 826, a 15% reduction in participation, for the proposed facility lacking an aquatic centre.

The Preliminary Pro-Forma are conservative in nature with regard to revenue generation and do not identify opportunities for operating synergies that may exist with Arena operation or the Municipality's current recreation staff deployment. The Pro-Forma should serve to provide the Municipality with a "Worst Case" scenario for planning and decision-making purposes. Note that potential shared expenses, such as utilities, that are likely to be captured within the Arena operation are not reflected in the Pro-Forma.

Should the Municipality wish to proceed with a facility development process and engage in discussions with the YMCA concerning an operating collaboration the following Pro-Forma would be refined based on that process.

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Preliminary Operating Pro-Forma		Facility A – Aquatic Centre	Facility B – No Aquatic Centre
	Members	971	826
Revenue	Membership	\$ 326,256	\$ 277,536
	Course Fees/Day Pass	\$ 36,000	\$ 14,660
	Summer Day Camp	\$ 8,020	\$ 8,020
	Summer Job Grants	\$ 2,340	\$ 2,350
Total Revenue		<u>\$ 372,616</u>	<u>\$ 302,566</u>
Expense	Compensation	\$ 512,367	\$ 226,607
	Other Expenses	\$ 137,549	\$ 102,549
Total Expense		<u>\$ 649,916</u>	<u>\$ 329,156</u>
Net before Allocations		\$ (277,300)	\$ (26,590)
YMCA Shared Services Allocation		<u>\$ 75,000</u>	<u>\$ 75,000</u>
Annual Municipal Support of Recreation		<u>\$ (352,300)</u>	<u>\$ (101,590)</u>

The above pro-forma has made base assumptions on utility, pool chemical, maintenance, and cleaning expenses that will require later confirmation once an operating model and any potential synergies with a co-located arena's operating model are identified.