

**CITY OF EDMONTON
Review of Edmonton YMCA 10-Year Capital Development Plan**

November 14, 2003



Deloitte & Touche Corporate Finance Canada Inc.
2000 Manulife Place
10180 - 101 Street
Edmonton, Alberta T5J 4E4

Tel: (780) 421-3611
Fax: (780) 421-3782
www.deloitte.ca

Direct: (780) 421-3864



November 14, 2003

PRIVATE & CONFIDENTIAL

City of Edmonton
Community Services
4th floor Century Place
9803 – 102A Avenue
PO Box 2359
Edmonton, Alberta T5J 2R7

Attention: Ms. Denise Prefontaine, Director of Marketing and Innovative Services

Dear Ms. Prefontaine:

We are pleased to submit our final report to the City of Edmonton on the Review of the Edmonton YMCA 10-Year Capital Development Plan.

Yours truly,

DELOITTE & TOUCHE CORPORATE FINANCE CANADA INC.

Per:

“Signed”

David M. Sparrow, CA, CBV
Vice President & Director

TABLE OF CONTENTS

	PAGE #
1. PURPOSE, SCOPE, RESTRICTIONS.....	1
1.1 PURPOSE OF ENGAGEMENT	1
1.2 SCOPE OF SERVICES.....	1
1.3 SCOPE OF REVIEW	2
1.4 RESTRICTIONS	5
2. YMCA OVERVIEW AND ANALYSIS.....	6
2.1 OVERVIEW OF THE EDMONTON YMCA	6
2.2 YMCA USAGE AND COMMUNITY BENEFITS	6
2.3 CAPITAL DEVELOPMENT PLAN PROJECTS	11
2.4 CAPITAL DEVELOPMENT PLAN FUNDING	17
2.5 CITY-YMCA FINANCIAL AGREEMENTS	17
2.6 ANALYSIS OF YMCA HISTORICAL STATEMENTS 1999 TO 2002 AND YMCA FINANCIAL PROJECTIONS 2003 TO 2007	21
2.7 OTHER SOURCES OF GOVERNMENT AND PUBLIC FUNDING	21
3. POPULATION AND SOCIO-ECONOMIC ANALYSIS OF DOWNTOWN CATCHMENT AREA	22
3.1 OVERVIEW OF DOWNTOWN CATCHMENT AREA.....	22
3.2 POPULATION AND EMPLOYMENT IN CATCHMENT AREA.....	23
3.3 SOCIO-ECONOMIC PROFILE OF CATCHMENT AREA	25
3.4 IMPLICATIONS OF SOCIO-ECONOMIC PROFILE ON THE NEW CITY CENTRE YMCA.....	28
4. ANALYSIS OF DOWNTOWN FITNESS MARKET	30
4.1 REVIEW OF PREVIOUS MARKET STUDIES AND EXIT POLLS	30
4.2 ESTIMATE OF SIZE OF FITNESS MARKET IN CATCHMENT AREA	35
4.3 FITNESS CENTRES IN CATCHMENT AREA	37
4.4 POTENTIAL IMPACT ON PRIVATE FITNESS CENTRES	38
4.5 POTENTIAL IMPACT ON CITY-OPERATED FITNESS CENTRES	41
4.6 MACEWAN CENTRE FOR SPORT & WELLNESS	44
4.7 SUMMARY OF DOWNTOWN FITNESS MARKET	45



LIST OF APPENDICES

Appendix A	Estimate of Size of Fitness Market in Catchment Area
Appendix B	Results of Business Consultation Process
Appendix C	Deloitte & Touche Facility Surveys
Appendix D	Analysis of YMCA Historical Financial Statements 1999 to 2002 and YMCA Financial Projections 2003 to 2007

1. PURPOSE, SCOPE, RESTRICTIONS

1.1 PURPOSE OF ENGAGEMENT

Deloitte & Touche Corporate Finance Canada Inc. (“DTCF”, “us”, “we”) has been engaged by the City of Edmonton (the “City”) to complete a review of the proposed Edmonton Young Men’s Christian Association (the “YMCA”) 10-Year Capital Development Plan (the “Capital Development Plan”) and its impact on the community and other stakeholders.

The YMCA has requested that the City contribute \$4 million of the \$26 million total Capital Plan. We understand our report will be used to assist the City in making a decision with respect to this requested funding.

Significant to the Capital Development Plan is the proposed construction of a new \$12 million City Centre YMCA, which would be located on 102nd Avenue between 102nd and 103rd Street.

1.2 SCOPE OF SERVICES

Our scope of services involved the completion of two separate projects as per the terms of reference provided by the City.

“Project 2”

- (a) A review and update of current research results and facility exit polls around anticipated usage of the proposed new downtown facility;
- (b) A review and analysis of current YMCA usage and revenue/expenditure patterns;
- (c) An analysis of the current and anticipated future socio-economic make-up of the catchment area (downtown and downtown fringe) for the proposed new downtown facility;
- (d) An analysis of population and employment forecasts for the downtown and downtown fringe;
- (e) An analysis of the downtown fitness market including a review of demand and supply for fitness/recreation opportunities; and
- (f) A consultation process with existing fitness businesses operating in the downtown area to review concerns and perceived impacts of a new downtown YMCA facility.

“Project 3”

- (g) A financial analysis of the current agreements between the City and the YMCA to determine the amount of support the City has provided to the YMCA;

- (h) An assessment of the benefits taxpayers derive from the YMCA including an analysis of social and preventive services provided by the YMCA;
- (i) An assessment of other sources of public funding received by the YMCA;
- (j) An assessment of the impact of the proposed new downtown facility on existing City facilities and services; and
- (k) A review of other municipalities to determine best practices around municipal/YMCA relationships and funding. (Excluded from our report - to be addressed by the City of Edmonton)

This report summarizes the results of our review and analytical procedures pursuant to the above-noted scope of services.

1.3 SCOPE OF REVIEW

In preparing our report, we have reviewed and relied upon the following:

- a. Terms of Reference for a Review of the Proposed YMCA 10-Year Capital Development Plan, City of Edmonton;
- b. Discussions with Denise Prefontaine, Director of Marketing and Innovative Services, Department of Community Services, City of Edmonton;
- c. Discussions with Kevin Arnott, Assistant Director of the Kinsmen Sports Centre and the Commonwealth Stadium Sports Centre, City of Edmonton;
- d. Audited financial statements of the Young Men's Christian Association of Edmonton (the "YMCA") for the years ended December 31, 1999 to 2002;
- e. Annual report for the YMCA for the year ended December 31, 2002;
- f. Unaudited operating results, by operating branch, for the YMCA for the years ended December 31, 1999 to 2002 as prepared by management of the YMCA;
- g. YMCA Capital Cash Flow budget for the years ended December 31, 2002 to 2008 as prepared by management of the YMCA;
- h. YMCA Operating Budget with Growth and Status Quo Scenarios, by operating branch, for the years ended December 31, 2003 to 2007 as prepared by management of the YMCA;
- i. YMCA Membership summary statistics, by centre, for the years ended December 31, 1999 to 2002 and for the period ending September 30, 2003 as prepared by management of the YMCA;

- j. Summary of subsidized members by centre for the years ended December 31, 1999 to 2002 and 2003 year to date as prepared by management of the YMCA;
- k. Information with regard to the various projects within the YMCA's \$26 million Capital Development Plan as prepared by management of the YMCA;
- l. Information with regard to the various programs and services provided by the YMCA as prepared by management of the YMCA;
- m. YMCA membership projections for the City Centre YMCA for the years ended December 31, 2005 to 2008 as prepared by management of the YMCA;
- n. Proposal to the City of Edmonton for the New City Centre YMCA, June 4, 2003, as prepared by management of the YMCA;
- o. Various other operational & financial information as prepared by management of the YMCA;
- p. Various YMCA brochures and general information from the YMCA website;
- q. Discussions with Franco Savoia, President & Chief Executive Officer, Ron Coulombe, Vice President Relationship Development and Ruth Menegozzo Vice President Knowledge Management of the YMCA;
- r. Consultations with the following City-owned fitness centres (facility address in brackets):
 1. Kinsmen Sports Centre (9100 Walterdale Hill); and
 2. Commonwealth Stadium Sports Centre (1100 Stadium Road).
- s. Consultations with the following privately-owned downtown fitness centres (facility address in brackets):
 1. World Health Centre Club (10120 - 103 Avenue);
 2. Club Fit Downtown (10303 - Jasper Avenue);
 3. Grant MacEwan Centre for Sport and Wellness (10700 - 104 Avenue);
 4. Royal Glenora Club (1160 River Valley Road);
 5. Westmount Fitness Centre (12840 - 109 Avenue);
 6. Scotia Fitness Centre (10060 - Jasper Avenue);
 7. Manulife Fitness Centre (10180 - 101 Street);

8. Energizer Health & Fitness Centre (10020 – 100 Street);
 9. MacDonald Health Club (10065 – 100 Street);
 10. ATB Financial Fitness Centre (9888 Jasper Avenue);
 11. CN Tower Fitness Centre (10004 – 104 Avenue); and
 12. Canada Place Fitness Centre (9700 Jasper Avenue).
- t. *Edmonton Population and Employment Forecast Allocation Study 2000-2025 – Summary Report*, November 2001, Applications Management Consulting Ltd.;
 - u. *Edmonton Population and Employment Forecast Allocation Study 2000-2025 – Technical Report*, March 2002, Applications Management Consulting Ltd.;
 - v. *Edmonton Socio-Economic Outlook 2003-2008*, March 2003, City of Edmonton;
 - w. *Downtown Profile*, 1999, City of Edmonton;
 - x. *Downtown Fringe Profile*, 1999, City of Edmonton;
 - y. *Edmonton Demographic Profile*, 1999, City of Edmonton;
 - z. *Awareness and Participation Survey*, October 2000, Criterion Research Corporation;
 - aa. *Market Assessment Survey*, September 2001, Criterion Research Corporation;
 - bb. *Market Interest for a City Centre YMCA*, May 1999, KPMG;
 - cc. Various exit polls completed at the Kinsmen Sports Centre and the Commonwealth Stadium Sports Centre, 2002-2003, City of Edmonton;
 - dd. Various exit polls completed at the Kinsmen Sports Centre, Commonwealth Stadium Sports Centre, Club Fit Downtown, and World Health Centre Club, October 2003, Deloitte & Touche Corporate Finance Canada Inc.;
 - ee. Various statistics regarding the U.S. fitness industry from the website of the International Health, Racquet, and Sportsclub Association (“IHRSA”);
 - ff. *Fair Competition Annual Report*, 2003, IHRSA;
 - gg. *Competitive Analysis of the YMCA and Commercial Health Clubs in Select Markets*, 2002, IHRSA;
 - hh. *IHRSA Trend Reports*, 2002-2003, IHRSA;

- ii. *The Case for Fair Competition in the Fitness Industry*, 1998, IHRSA;
- jj. Various reports provided to City Council by the Community Services Department regarding the YMCA, 1999-2003;
- kk. Various agreements between the City and the YMCA in respect of land and funding provided by the City for the Jamie Platz YMCA, the William Lutsky YMCA, and the Castle Downs YMCA; and
- ll. Various correspondence between the City and the YMCA in respect of the proposed revenue sharing agreement between the parties.

Our report is based upon information provided to us by the City, the YMCA, and the various other stakeholders consulted. We have not audited or in any way provided any assurance that this information is accurate or complete.

1.4 RESTRICTIONS

While our report is not intended for general circulation or publication, we understand that our report may be available to the public. Our report is solely intended for the use of the City to assist the City in making a funding decision regarding the YMCA's Capital Development Plan. We do not assume any responsibility or liability for losses incurred by any parties as a result of a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

We reserve the right to review all calculations and conclusions included or referred to in our report and, if we consider it necessary, to revise our report in light of any information existing at the report date that becomes known to us after the date of our report. We are under no obligation to update our report should additional information become available to us.

Our report should only be read and used in its entirety. It is inappropriate to consider one portion of this report without considering the impact and contents, analysis and opinions of the entire report.

No investor should make any investment decisions based upon our report. It is incumbent upon each investor to conduct their own due diligence prior to making any investment decision. We have no liability to any third party as a result of their inappropriate reliance on our report.

2. YMCA OVERVIEW AND ANALYSIS

2.1 OVERVIEW OF THE EDMONTON YMCA

The YMCA’s mission: “*To foster the growth of all people in spirit, mind and body, delivering the values of caring, honesty, respect and responsibility through programs and services to the community.*”

Founded in 1907, the Edmonton Young Men’s Christian Association (the “YMCA”) is a registered charity that offers a number of programs, services, and facilities to the community. All YMCA programs and services are accessible to the public and those in need. You do not need to be a “member” to access YMCA facilities and programs. The YMCA facilities and programs primarily focus on health & wellness, child care, housing and various youth and family programs.

2.2 YMCA USAGE AND COMMUNITY BENEFITS

Membership Centres

The YMCA promotes health and wellness to the entire community through its four Membership Centres. A summary of these centres is provided as follows:

Centre	Health , Fitness Recreational Space (sqft)	Address	Opened	# of Members (Sept 30/03)
City Centre YMCA	24,000	10030 – 102A Avenue	1908	1,235
Jamie Platz YMCA	65,000	7121 – 178 Street	1990	4,809
William Lutsky YMCA	65,000	1975 – 111 Street	1997	8,198
Castle Downs YMCA	65,000	11510 – 153 Avenue	1998	4,909
Total Existing	219,000			19,151
Proposed New City Centre YMCA	50,000	102 nd Avenue Between 102 nd and 103 rd Street	2005	5,000 (By 2009)

The YMCA Membership Centres have traditionally focused on providing affordable recreation and fitness opportunities to youth and families, local community groups, schools, and seniors. The proposed new City Centre YMCA will additionally target the “at work” population in the downtown area.

A summary of the membership statistics for the YMCA (Total and City Centre) by Full Pay/Financially Assisted and Adult/Children is provided as follows:

	Monthly Average								Month End	
	2000		2001		2002		September 2003 YTD		September 2003	
	#	%	#	%	#	%	#	%	#	%
Total YMCA Members										
Full Pay	16,442	93.9%	15,712	92.0%	15,568	88.7%	14,698	81.2%	14,578	76.1%
Financially Assisted	1,071	6.1%	1,362	8.0%	1,979	11.3%	3,412	18.8%	4,573	23.9%
Total	17,513	100.0%	17,074	100.0%	17,547	100.0%	18,110	100.0%	19,151	100.0%
Total YMCA Members										
Adult	9,997	57.1%	9,662	56.6%	9,830	56.0%	9,895	54.6%	11,088	57.9%
Child/Youth	7,516	42.9%	7,412	43.4%	7,717	44.0%	8,215	45.4%	8,063	42.1%
Total	17,513	100.0%	17,074	100.0%	17,547	100.0%	18,110	100.0%	19,151	100.0%
City Centre YMCA Members										
Full Pay	957	92.2%	941	90.3%	992	90.6%	925	76.6%	888	71.9%
Financially Assisted	81	7.8%	101	9.7%	103	9.4%	283	23.4%	347	28.1%
Total	1,038	100.0%	1,042	100.0%	1,095	100.0%	1,208	100.0%	1,235	100.0%
City Centre YMCA Members										
Adult	916	88.2%	932	89.4%	968	88.4%	992	82.1%	1,066	86.3%
Child/Youth	122	11.8%	110	10.6%	127	11.6%	216	17.9%	169	13.7%
Total	1,038	100.0%	1,042	100.0%	1,095	100.0%	1,208	100.0%	1,235	100.0%

The following observations represent some of the significant trends with regard to the YMCA membership:

- By the end of 1999, the **YMCA’s total membership** had increased significantly by approximately 12,000 members attributable to the opening of the William Lutsky YMCA in 1997 and the Castle Downs YMCA in 1998. Since 1999, the YMCA’s membership has grown by approximately 12% over the last four years to 19,151 total members.
- The number of Financially Assisted or **Opportunity Fund members** has increased significantly over the past three years from an average of 1,071 members (6.1% of the total membership) in 2000 to 4,573 members (23.9% of the total membership) as of September 30, 2003.
- Currently **children/youth members** comprise 42.1% of total YMCA membership. The exception to this trend is in the City Centre YMCA where children/youth currently comprise only 13.7% of the total City Centre membership. While there are relatively few children/youth at the City Centre YMCA, the YMCA points to their 2002 member satisfaction survey which notes that 39% of City Centre Adult members have children at home. While there is some potential to increase the number and percentage of children

/youth at a new more child-friendly facility, the YMCA projects that children/youth will make up 35% of a new City Centre YMCA, which is inconsistent with the socio-economic profile of the downtown catchment area (see Section 3 of this report).

- Currently **Membership Plus members** comprise 11.8% of the total YMCA membership and 19.9% of Adult YMCA members. At the City Centre, Membership Plus members comprise 34.5% of the total City Centre YMCA membership and 39.5% of the City Centre Adult members.

While the four membership centres provide facilities and amenities for the members, they also offer numerous fitness/recreational, swimming and lifestyle programs/courses that are open to anyone in the community. For the year ended December 31, 2002, there were 12,120 program registrations by approximately 7,500 different individuals who are not members of the YMCA.

YMCA Opportunity Fund

The YMCA Opportunity Fund provides financial assistance for those who wish to participate in YMCA membership or programs but cannot afford the full fee. The YMCA tracks the actual amounts contributed and the full face value of the membership and/or facility programs utilized by the financially assisted members. The difference represents the “Opportunity Fund contribution”, a notional amount which the YMCA subsidized its financially assisted members. On average the YMCA subsidizes financially assisted members by approximately 70 to 80 percent.

As noted above, the YMCA reports that 4,573 (23.9%) of its 19,151 members were financially assisted through the Opportunity Fund as of September 30, 2003. Additional information with regard to Opportunity Fund contributions and statistics are as follows:

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Sept 2003 YTD</u>	<u>2003 Estimate</u>
YMCA Opportunity Fund Contribution	\$ 266,254	\$ 418,932	\$ 618,994	\$ 612,055	\$ 921,000
Monthly Average # of Financially Assisted Members	1,071	1,362	1,979	3,412	3,795
% of Total YMCA Members	6.1%	8.0%	11.3%	18.8%	20.7%
% increase over prior year		27%	45%	72%	92%
YTD # of Different Financially Assisted Members	2,896	3,160	4,200	5,065	5,500
% increase over prior year		9%	33%	21%	31%
Estimated YTD # of Subsidized Facility Program Users	385	670	710	1,870	N/A
Estimated % Level of Subsidization	N/A	N/A	N/A	75.3%	75.0%

Licensed Child Care Centres

The YMCA operates 14 Day Cares and Out-of-School Care Centres throughout Edmonton with space for approximately 500 children. In 2002, these centres provided care for 1,150 different children in the community. The YMCA spent approximately \$1.8 million on wages & benefits and \$335,000 on other direct costs at its licensed child care centres in 2002.

YMCA Housing Centre (Residence)

The YMCA has operated safe, short-term accommodation in Edmonton since 1908. Up to 116 men and women stay every night. In 2002, 1,600 different men, women and children stayed at the YMCA for a total of 38,220 bed nights. The 60,000 square feet residence operates at 90 to 95% occupancy. The YMCA spent approximately \$212,000 on wages & benefits and \$39,000 on other direct costs at the Housing Centre in 2002.

Summer Day Camps

Throughout the summer months, the YMCA offers a variety of Day Camps for children aged 3-17 years. In 2002, 2,100 children participated in 4,865 day camper weeks at the four YMCA recreation facilities. The YMCA spent approximately \$145,000 on wages & benefits and \$45,000 on other direct costs on summer day camps in 2002.

YMCA Enterprise Centre

Located at 10211 – 105th Street, the Enterprise Centre opened in 1987 and provides leadership, self-reliance, employment and education support services to youth and young adults. Last year 3,200 Edmontonians utilized the programs at the YMCA Enterprise Centre. Ninety-five percent of Enterprise Centre users are youth from 12-24 years of age. The YMCA spent approximately \$737,000 on wages & benefits and \$78,000 on other direct costs at the Enterprise Centre in 2002. The main programs provided through the YMCA Enterprise centre include:

➤ **YMCA Kids' Club and Kids' University**

Kids' Club is an after-school program that provides literacy development and recreational activities for inner-city elementary children. Children explore books with their volunteers, make new friends and have a lot of fun. Central to the program is the YMCA's focus on teaching the values of caring, honesty, respect and responsibility. The Kids' Club program continues as a two week day- camp throughout the summer as Kids' University. In 2003, the YMCA will involve 90 students in Kids' Club and 150 students in Kids' University.

➤ **YMCA Time Out**

This program provides an alternative to suspension for junior high youth where schools refer youth to the YMCA to participate in workshops designed to provide them with the skills that they need to become successful students. Topics include anger management, conflict resolution, decision-making and problem solving. Last year, the YMCA worked with 16 schools and 154 students.

➤ **Learning at the Y**

This 10-month alternative education program is offered in partnership with Argyll Home Education Centre. Learning at the Y was created to meet the needs of students who have not been successful in a traditional junior high or high school setting. Some key goals of the program include helping students develop positive social skills through practical workshops, academic development and individual support. The number of youth in this program has greatly increased in the last year, growing from 30 students to 120.

➤ **YMCA Youth Transition Program (YTP)**

This five-week back-to-school program supports youth between the ages of 14 and 19 who have been out of school for one to three years. YMCA staff and volunteers support youth in gaining the skills they need to successfully return to school and stay in school. This year 150 young people will benefit from this program.

➤ **YMCA Family Ties Program**

This program provides individual and family support, employment counselling and literacy advancement services to families who have had long ties to social assistance and sporadic attachment to the workforce. These elements are vital in connecting families with the resources they need both internally and externally to break the cycle of dependence on public assistance. Over the last three years, over 100 families have been involved in the program. Of those families who have stayed in the program, 85% are now off social assistance.

Downtown Community Outreach Program

The YMCA spent approximately \$18,000 on wages & benefits and \$2,000 on other direct costs related to the Downtown Community Outreach Program in 2002. The program provides the delivery of various youth and social programs including the following:

➤ **YMCA Tobacco-Free Program**

In 2002/2003, the YMCA Tobacco-Free program, funded by AADAC, encouraged 103 inner city children and youth to maintain an active and healthy lifestyle by identifying and understanding the benefits of abstaining from tobacco use and the health benefits of leading a physically active lifestyle. This program is part of the YMCA's partnership with the City Centre Education Project.

➤ **YMCA Diabetes Prevention Program**

The Type II Diabetes prevention program is designed to increase physical activity and awareness of nutritional health and served 240 children and youth in 2002/2003. The program, funded by Health Canada, involves seven inner city Edmonton Public Schools, the City of Edmonton, the Capital Health Authority and the Edmonton YMCA. The youth

come to the YMCA and participate in swimming lessons and leadership building recreational activities.

Volunteerism at the YMCA

Key elements that set the YMCA apart from being just a fitness facility provider include its charitable nature, the level of volunteerism and the role of volunteerism in fostering a caring society. There are approximately 700 volunteers who contribute to the YMCA on an ongoing basis. In 2002, volunteers contributed approximately 16,000 hours to the YMCA. YMCA volunteers contribute their time and talent in a wide variety of roles including health and wellness, member services, child care, fundraising, family support, child and youth programs, mentoring/tutoring, facility maintenance and policy support. Volunteers provide opportunities for children, youth and adults through YMCA programs and services and ensure the success of YMCA programs and services.

2.3 CAPITAL DEVELOPMENT PLAN PROJECTS

In 2000, the YMCA established a 10-Year \$26 million Capital Development Plan. The plan is intended to enable the YMCA to increase service in several key areas including: housing, employment and education support, child care and health, fitness and recreation. The plan's projects are summarized as follows:

Project	Cost	Status
Expansion of the Jamie Platz YMCA	\$5 million	Construction completed. Expanded facility re-opened in October 2003.
New City Centre YMCA – fitness facility and licensed day-care	\$12 million	Construction planned to begin in 2004 with potential opening date of late 2005.
Phase I Housing Centre Redevelopment for existing City Centre YMCA	\$2 million	Construction planned to begin in 2006 and be completed in 2007.
Improvements to William Lutsky YMCA and Castle Downs YMCA	\$3 million	Construction planned to begin in 2005 and be completed in 2008.
Endowment for youth and families in need	\$3 million	Funding of endowment planned to occur in 2008.
Other Capital Costs	\$1 million	Fundraising and miscellaneous facility development costs occurring from 2002 to 2007.
Total – all projects	\$26 million	
Total – excluding Jamie Platz expansion (already completed)	\$21 million	

As the above table shows, the \$5 million expansion of the Jamie Platz YMCA has been completed. No significant work has been commenced on any of the other capital projects as of the report date, with the exception of the \$500,000 purchase of the new City Centre YMCA land.

Of the \$21 million in projects still to be completed, a total of \$12 million (57%) relates to the construction of the new City Centre facility. A further \$2 million (10%) relates to the housing redevelopment at the existing downtown YMCA, which is dependent on the construction of the new facility.

The “New” Jamie Platz YMCA

The expansion and renovation of the Jamie Platz YMCA was completed October 18, 2003. The \$5.3 million expansion provided the following:

- 20,000 square feet of additional floor space (bringing the total to approximately 65,000);
- Expanded and renovated member locker rooms;
- An expanded workout centre;
- A new multi-purpose space and racquet courts;
- A new leisure pool with a movable bottom;
- New entry, reception and administration space;
- Additional parking and improved road access;
- New “Membership Plus” locker rooms;
- Day care renovations; and,
- A new indoor playground.

The number of members at the Jamie Platz YMCA is expected to increase from 4,809 members as of September 30, 2003, to 6,000 to 8,000 and provide for up to 2,000 general public program participants each year. The renovations to the day care will provide for an additional 16 children each day bringing the total children in care to 48.

Proposed New City Centre Facility

The YMCA notes that the current City Centre YMCA facilities (on the same site since 1908) do not meet the needs of today’s city centre families or the business community. The proposed new \$12 million City Centre YMCA will be located on 102nd Avenue, between 102nd and 103rd Street, just south of Edmonton City Centre West in the vacant lot directly north of the Manulife Two Building. The new centre will provide modern state-of-the-art facilities that are consistent with the other YMCA fitness facilities in the City. The new City Centre YMCA will target the “at work” population and the growing Downtown residential population.

The proposed facility is expected to be approximately 61,000 square feet (50,000 square feet of health and recreation space and 11,000 of parking and other space) and include the following amenities (among others):

- 25-metre indoor pool;
- State-of-the-art workout facility with free weights and cardio equipment;
- Full-size gymnasium;
- Racquet courts;
- Fitness and aerobic classes;
- Indoor running track;
- Child care, including licensed day care for up to 48 children and child minding services for up to 100 children daily;
- Hot tub;
- Shallow warm-water teaching pool;
- Separate change-rooms and amenities for “Membership Plus” members;
- Free parking; and
- Indoor access to pedway system.

The YMCA is targeting up to 5,000 members, up to 1,500 general public users, and 600,000 – 750,000 visits per year at the new City Centre YMCA.

The YMCA has provided the following membership projections for the new City Centre YMCA:

	Year (Note 1)							
	2006		2007		2008		2009	
	#	%	#	%	#	%	#	%
Adult General Members	650	32.5%	1,170	39.0%	1,690	42.3%	2,113	42.3%
Adult Membership Plus	650	32.5%	780	26.0%	910	22.8%	1,138	22.8%
Total Adult Members	1,300	65.0%	1,950	65.0%	2,600	65.0%	3,251	65.0%
Child and Youth Members	700	35.0%	1,050	35.0%	1,400	35.0%	1,750	35.0%
Total members	2,000	100.0%	3,000	100.0%	4,000	100.0%	5,001	100.0%
Financially Assisted Members	500	25.0%	750	25.0%	1,000	25.0%	1,250	25.0%

Note 1: Above projections assume that new City Centre facility opens in late 2005

Community Benefits of a New City Centre YMCA

The YMCA has proposed that a new City Centre YMCA will benefit Edmonton and Downtown Communities through:

- Providing affordable recreation and fitness opportunities to youth and families in need, local community groups, inner city schools, seniors living in the downtown area, and the downtown “at work” population (project up to 5,000 members and up to 1,500 general public users benefiting from the programs and services at any one time);
- Enhancing the accessibility of low/no cost programs to individuals and families in need (project that 25% of City Centre YMCA members and program participants will take advantage of financial assistance through YMCA Opportunity Fund);
- Enhancing community based activity programs for children and adults. The YMCA’s strategy for YMCA service in the City Centre includes outreach to those served by other agencies and working with those agencies to meet identified community needs;
- Providing community outreach programs that will encourage and facilitate participation by young people and families from within the City Centre. Inner city residents will connect with YMCA programs and facilities through organizations they already know and trust;
- Developing after school drop-in programs, in collaboration with other agencies, in high need neighbourhoods to serve up to 2000 children and youth each year;
- Enhancing recreation opportunities for older adults; and
- Engaging pre-schoolers and children with over 2000 day camp registrations each year.

Economic and Downtown Revitalization Benefits of a New City Centre YMCA

In addition, with respect to economic development and downtown revitalization, the YMCA has proposed that a new City Centre YMCA will:

- Act as a catalyst for continued residential development in the city centre;
- Act as a catalyst to attract business into the downtown core to reduce office vacancy rates;
- Attract more people into the downtown core to use YMCA facilities and services, particularly in the evenings and on weekends, contributing to a more active downtown;
- Result in significant economic spin off to city centre business, arts, cultural and education organizations;
- Create an additional 100 full and part-time jobs; and
- Provide an additional economic impact of approximately \$1.5 million in annual salaries and purchases of goods and services.

YMCA Housing Centre (Residence)

As previously noted, the YMCA operates safe, short-term accommodation for up to 116 men and women every night. In 2002, 1,600 different men, women and children stayed at the YMCA Housing Centre for a total of 38,220 bed nights. With the 60,000 square feet residence operating at 90 to 95% occupancy, the YMCA believes that the current facility does not adequately meet the transitional and long-term housing needs in Edmonton's downtown core. The YMCA is planning to expand the housing facilities in two phases:

- Phase I will create 40 new rooms on the 6th and 7th floors at the existing City Centre YMCA. Phase I is estimated to cost \$4.0 million with \$2.0 million being "funded" out of the current \$26 million Capital Development Plan and the remaining \$2.0 million coming from grants¹. Construction was initially planned to begin in 2006 and be completed in 2007, however, the YMCA has been asked by the Edmonton Trust Fund and Affordable Housing Partnership Initiative to submit applications and move more quickly to provide housing needed in the community.
- Phase II will add an additional 35 rooms once the existing health, fitness and recreation facilities are moved out of the existing location and decisions are made with respect to the future location of the administration offices and the YMCA Enterprise Centre. Phase II is estimated to cost an additional \$2.0 million and is currently classified as an "unfunded" project.

The YMCA expects that an expanded YMCA Housing Centre will benefit the community through enhancing transitional housing support services which, when combined with employment and education support programs will help individuals become contributing citizens.

William Lutsky and Castle Downs YMCAs

The 10-year plan also includes \$3 million for renovations to William Lutsky and Castle Downs YMCAs. Specific projects have yet to be defined but are intended to ensure that these community facilities continue to provide relevant programs and services to growing communities.

Endowment for Youth and Families In Need - YMCA Enterprise Centre

The proceeds from a \$3 million endowment fund will support programs and services for youth and families in need. Examples include current programs like Family Ties, helping families become self-sufficient and remove their dependence on social services. The fund will provide important funds to match gifts from other donors and "seed" funds for new innovative programs.

¹ The YMCA has applied for the following grant funding in respect of the expansion of its housing centre: i) Edmonton Housing Trust Fund (\$1.2 million), ii) Affordable Housing Partnership Initiative (\$1.0 million), and iii) City of Edmonton Low Income Housing Assistance Program (\$540,000). The YMCA expects to hear from these organizations by the end of 2003 as to the requested grant funding.

The \$3 million endowment fund will benefit the community through stabilizing and enhancing the funding that will provide programs, services and opportunities to youth and families at risk and particularly those living in the city centre.

The YMCA Enterprise Centre is currently operating out of leased space. With the proposed construction of the new City Centre YMCA and renovation of the existing YMCA Housing Centre, the YMCA is considering the following options with respect to better utilizing space for the operations of the YMCA Enterprise Centre:

- Option 1 is to buy the existing building, which is currently being leased;
- Option 2 is to construct the new City Centre YMCA with additional space to accommodate the Enterprise Centre's operations; and
- Option 3 is to renovate the existing City Centre YMCA facilities to accommodate the Enterprise Centre's operations once the health, fitness and recreation facilities are moved out.

The cost of the three options have not been finalized to date and none have been considered for funding in the context of the current \$26 million Capital Development Plan.

2.4 CAPITAL DEVELOPMENT PLAN FUNDING

The YMCA has proposed the following funding for the Capital Development Plan:

Source	Target Amounts	Cumulative Amounts Received to October 31, 2003	Amounts Pledged to October 31, 2003	Funding Notes
City of Edmonton	\$4.0 million	\$0	\$0	Request for \$800,000 per year over five years (2004 to 2008).
Province of Alberta	\$4.0 million	\$0	\$0	Request for \$1 million per year over four years (2004 to 2007).
Government of Canada	\$3.0 million	\$0	\$0	Request for \$1 million per year over three years (2004 to 2006).
YMCA Capital Campaign	\$7.5 million	\$0.3 million	\$3.2 million	Community Campaign - public fundraising from 2002 to 2008
YMCA Contribution	\$7.5 million	\$4.6 million	\$7.5 million	Projected contributions from YMCA debt financings and net operating surpluses from 2002 to 2008.
Total	\$26.0 million	\$4.9 million	\$10.7 million	

Previous to the June 4, 2003 proposal to the City of Edmonton, the YMCA had requested the \$4.0 million funding in the context of the entire \$26 million Capital Development Plan (approximately 15.4% of the total Capital Development Plan). However in its June 4, 2003 proposal to the City, the YMCA proposes “*the City of Edmonton to partner with us and to make a community investment of \$4 million in the City Centre YMCA*”. Based on discussions with the YMCA, the reason the funding request was made in the revised context was that YMCA’s past funding requests have been tied to specific facilities with related agreements (such as the Jamie Platz, Castle Downs and William Lutsky YMCAs). The YMCA was looking to be consistent with the past and simplify the process by specifically identifying the new City Centre YMCA. Regardless of the appearance of the request, the YMCA has stated that its intent was to have the City contribute to the overall Capital Development Plan in a significant meaningful way.

2.5 CITY-YMCA FINANCIAL AGREEMENTS

Since 1954, the City of Edmonton and the YMCA have entered into numerous contractual agreements pertaining to the establishment of community recreation facilities.

A synopsis of the financial aspects of these agreements is provided as follows:

Westmount YMCA

In June 1954, the City entered into a 10-year land lease agreement with the YMCA, which allowed the YMCA to construct and operate a recreation facility in the Westmount community. Under the terms of the agreement, the YMCA leased the land from the City for \$1.00 per year. The lease also contained a provision that allowed the City to construct a swimming pool on the leased land, which the YMCA agreed to operate on the City's behalf. The lease was renewed for additional 10-year periods in 1965, 1975 and 1985.

In June 1972, the City entered into a 3-year land lease agreement with the YMCA for a parcel of land beside the existing Westmount lease. Under the terms of the agreement, the YMCA leased the land from the City for \$1.00 per year. The lease was renewed for additional 10-year periods in 1975 and 1985.

In December 1982, the City agreed to donate \$63,600 to the YMCA to fund major repairs required on the swimming pool.

In May 1983, the City entered into a sale agreement with the YMCA whereby the YMCA purchased the swimming pool for \$1.00.

In May 1991, the YMCA vacated the Westmount facility and the land lease with the City was terminated. Upon vacating, the YMCA donated the Westmount building to the Westmount Community League and the City entered into a land lease agreement with the Community League to operate the Westmount Fitness Centre.

Jamie Platz YMCA

In April 1988, the City agreed to provide the YMCA with a 20-year \$1.8 million loan to assist in financing the construction of the Jamie Platz YMCA. Pursuant to the loan agreement, the City agreed to waive the 10% interest on the loan provided that the YMCA remained compliant with the terms of the agreement. The YMCA has remained current on its principal payments throughout the term of the loan and the outstanding principal as at December 31, 2002 was \$1,080,000. As at December 31, 2002, the present value of the City's opportunity cost (forgone earnings at 4% on the outstanding principal of the loan) was approximately \$1.2 million.

In December 1988, the City entered into an agreement with the YMCA whereby the YMCA purchased a 1.54-hectare parcel of land from the City for \$1.00 for purposes of constructing and operating the Jamie Platz facility.

In March 2003, the City entered into an agreement with the YMCA whereby the YMCA licensed an additional plot of City land for a three-year period ending December 31, 2005 at a rate of \$1.00 per year. The YMCA required this additional land to enlarge the parking lot for the expanded Jamie Platz facility.

William Lutsky YMCA

In November 1995, the City entered into an agreement with the YMCA whereby the City transferred a 1.74-hectare parcel of land to the YMCA for \$1.00 for a term of 30 years. Under the terms of the agreement, the City also agreed to provide funding of \$4.56² million towards the construction costs of the William Lutsky facility.

The \$4.56 million in funding was contingent on the YMCA providing evidence of its ability to contribute the unfunded portion of the construction costs, which amounted to \$2.64 million. In August 1997, in order to meet these contractual commitments, the YMCA required the City to postpone its rights on the land in order that the YMCA could pledge the land title to the Canadian Western Bank for a combined \$5 million mortgage on the Castle Downs and William Lutsky YMCAs. In June 2003, the combined mortgage was increased to \$5.25 million.

Castle Downs YMCA

In May 1997, the City entered into an agreement with the YMCA whereby the City transferred a 1.96-hectare parcel of land to the YMCA for \$1.00 for a term of 30 years. Under the terms of the agreement, the City also agreed to provide funding of \$3.6 million towards the construction costs of the Castle Downs facility.

The \$3.6 million in funding was contingent on the YMCA providing evidence of its ability to contribute the unfunded portion of the construction costs, which amounted to \$3.6 million. In August 1997, in order to meet these contractual commitments, the YMCA required the City to postpone its rights on the land in order that the YMCA could pledge the land title to the Canadian Western Bank for a combined \$5 million mortgage on the Castle Downs and William Lutsky YMCA. In June 2003, the combined mortgage was increased to \$5.25 million.

Revenue Sharing Agreements

The William Lutsky and Castle Downs agreements contained a provision for a potential revenue sharing agreement between the City and the YMCA. Pursuant to these contracts, the parties agreed to enter into revenue sharing arrangements in the event that the net revenues of any City-operated recreation facility was negatively impacted by the opening of a new YMCA in the area. The term of the revenue sharing arrangement would be the first three years that the YMCA facility was open.

In June 1998, an informal revenue sharing arrangement was established between the parties. Pursuant to the arrangement, revenue sharing would occur when the net tax levy (expenditures less revenues) on four identified³ City facilities exceeds the total projected tax levies on these City facilities. The revenue sharing arrangement covered the first 3 years that the new YMCA

² \$1.36 million from City funding and a \$3.2 million allocation from the Canada/Alberta Infrastructure Program

³ The City identified the Confederation Recreation Centre as an affected facility in respect of the William Lutsky YMCA and identified the O'Leary, Londonderry and Grand Trunk Recreation Centres as affected facilities in respect of the Castle Downs YMCA.

centres were open, that being January 1, 1998 to December 31, 2000 for the William Lutsky YMCA and July 1, 1998 to June 30, 2001 for the Castle Downs YMCA.

In late 1999, the YMCA paid \$43,750 to the City in respect of revenue sharing for the first full year of operations at the William Lutsky YMCA and the first 6 months of operations at the Castle Downs YMCA. After making this payment, the YMCA requested that the balance of revenue sharing for the arrangement be paid at the end of the 3-year monitoring period.

In March 2002, figures were recalculated for the 3-year period and a net tax levy increase of \$411,001 was experienced by the four affected City facilities. After deducting the \$43,750 that the YMCA had paid in 1999, the City requested the balance of \$367,251.

In January 2003, the City revised its requested payment on the 3-year revenue sharing arrangement to \$279,129 after making adjustments in respect of inflation and power rebates. The City and the YMCA have reached agreement on the payment of this balance.

Summary of City-YMCA Agreements

Based on the discussion above, the City's financial contributions to the YMCA since 1954 are summarized as follows:

	CITY CONTRIBUTIONS TO YMCA			
	Land Leased for \$1.00/yr (# of years)	Land Sold / Transferred for \$1.00 (hectares)	Present Value of City Opportunity Cost on Loan at 4% (\$)	Donations/ Funding (\$)
Westmount YMCA	36 years	-	\$ -	\$ 63,600
Jamie Platz YMCA	-	1.54 ha	1,200,000	
William Lutsky YMCA	-	1.74 ha		4,560,000
Castledowns YMCA	-	1.96 ha	-	3,600,000
Totals	36 years	5.24 ha	\$ 1,200,000	\$ 8,223,600

As the above table shows, the City has contributed 5.24 hectares of municipal land, \$1.2 million in opportunity cost (forgone earnings on interest free loan), and \$8.2 million in funding to the YMCA since 1954.

2.6 ANALYSIS OF YMCA HISTORICAL STATEMENTS 1999 TO 2002 AND YMCA FINANCIAL PROJECTIONS 2003 TO 2007

Given the confidential nature of the information contained in this section, we have included all our comments and analysis in Appendix D of this report.

The financial projections have been prepared by the YMCA and are based solely on management's assumptions. DTCF has not verified and provides no assurance as to the reasonableness of the assumptions used by management in preparing the financial projections.

2.7 OTHER SOURCES OF GOVERNMENT AND PUBLIC FUNDING

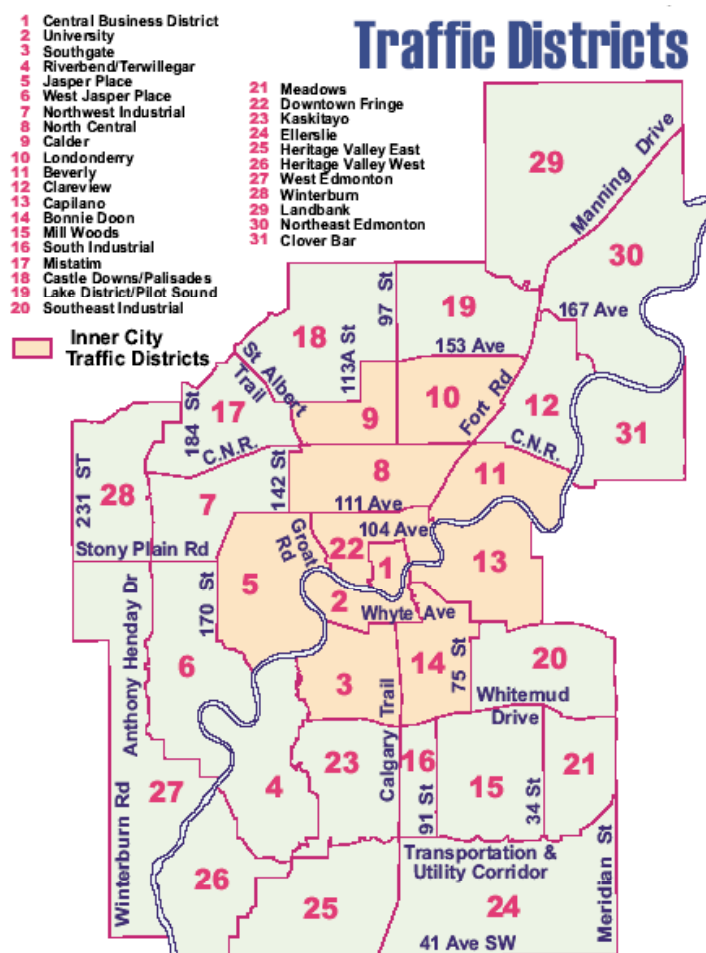
We have included our analysis of the YMCA's other sources of public and government funding in Appendix D of this report.

3. POPULATION AND SOCIO-ECONOMIC ANALYSIS OF DOWNTOWN CATCHMENT AREA

3.1 OVERVIEW OF DOWNTOWN CATCHMENT AREA

In preparing our analysis of the downtown fitness market and the potential impact of a new City Centre YMCA, the City has asked us to focus on a “catchment area” or “target market” that includes the Downtown and Downtown fringe.

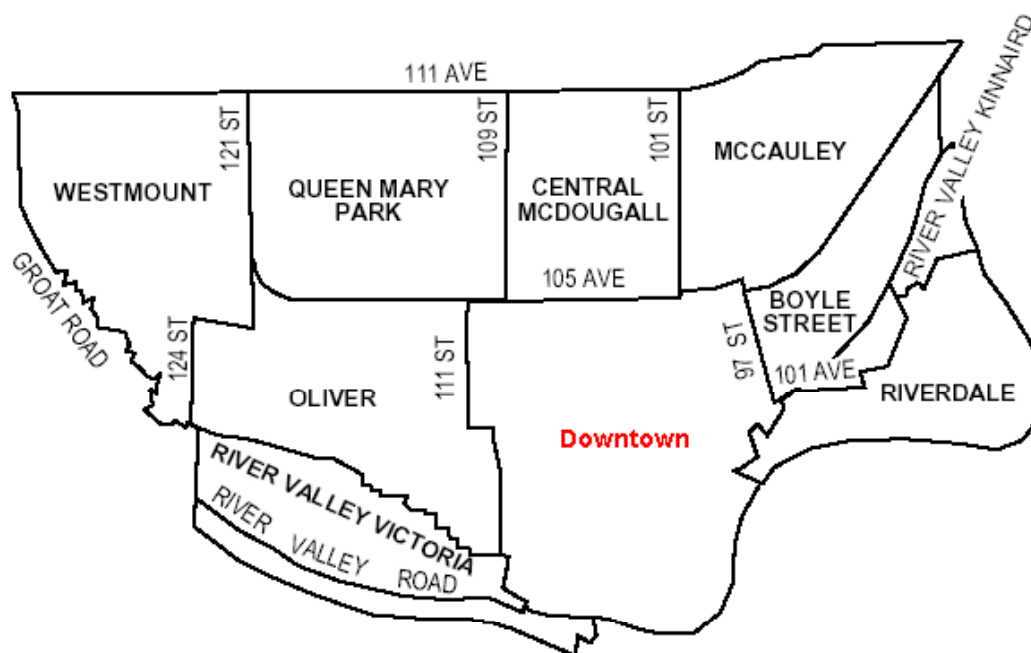
The City of Edmonton is segmented into 31 traffic districts, as shown by the map⁴ below:



⁴ Source: Edmonton Demographic Profile, 1999, City of Edmonton.

Traffic district #1 (Central Business District) comprises the City’s Downtown and includes the downtown core, the Rosedale neighbourhood, and the CN Lands. Traffic district #22 (Central Business District Fringe) comprises the City’s Downtown fringe and includes the Riverdale, Boyle Street, McCauley, Queen Mary Park, River Valley Victoria, River Valley Kinnaird, Central McDougall, Oliver, and Westmount neighbourhoods.

Together, these two traffic districts comprise the Downtown catchment area (the “Catchment Area”), which is the focus of our market analysis. A map⁵ of the Catchment Area is presented below.



3.2 POPULATION AND EMPLOYMENT IN CATCHMENT AREA

In 2001, the City of Edmonton contracted Applications Management Consulting Ltd. (“Applications”) to prepare population and employment forecasts for the City out to 2025. In November 2001, Applications issued the *Edmonton Population and Employment Forecast Allocation Study 2000-2025 – Summary Report* (the “Forecast Allocation Study”). The population and employment figures used in our analysis of the Catchment Area are based on the Forecast Allocation Study.

⁵ Source: *Downtown Fringe Profile*, 1999, City of Edmonton Planning and Development

Population

The population in the Catchment Area is estimated to be approximately 52,000 in 2003 and is forecast to increase to 59,000 by 2025. The downtown core is forecast to experience a 59.4% increase in population from 2000 to 2025 due to the significant forecast growth in residential development in this area. The population in the downtown fringe, however, is expected to experience only a modest 8.6% increase during this same timeframe. The table⁶ below summarizes the population figures for the Catchment Area:

	Population 2000 Actual	Population 2025 Forecast	Total % Increase 2000-2025	Annual % Increase	Population 2003 Estimate
Downtown	7,199	11,472	59.4%	2.4%	7,724
Downtown Fringe	44,082	47,863	8.6%	0.3%	44,537
Total Catchment Area	51,281	59,335	15.7%	0.6%	52,261

Employment

Employment in the Catchment Area is estimated to be approximately 85,000 in 2003 and is forecast to increase to approximately 99,000 by 2025. The downtown core is expected to experience a 22.9% increase in employment from 2000-2025 while the downtown fringe is forecast to generate a 12.3% increase during the same timeframe. The table⁶ below summarizes the employment figures for the Catchment Area:

	Employment 2000 Actual	Employment 2025 Forecast	Total % Increase	Annual % Increase	Employment 2003 Estimate
Downtown	49,206	60,475	22.9%	0.9%	50,571
Downtown Fringe	34,197	38,419	12.3%	0.5%	34,706
Total Catchment Area	83,403	98,894	18.6%	0.7%	85,277

⁶ Source: Population and employment figures for 2000 and 2025 as per the "Edmonton Population and Employment Forecast Allocation Study 2000-2025 Summary Report. Population and employment figures for 2003 are DTCF's estimates based on forecast population and employment growth from 2000-2025.

3.3 SOCIO-ECONOMIC PROFILE OF CATCHMENT AREA

A summary of the socio-economic characteristics of residents in the Catchment Area is as follows:

- Residents are predominantly of working age with over 70% in the 20-64 age bracket;
- Residents are generally more transient than other parts of the City with approximately 55% having lived in their current residence for two or fewer years compared to the City-wide average of 39%;
- Residents are far more likely to be renters with 81% living in rental housing compared to the City-wide average of 43%;
- Household size is smaller with an average of 1.7 persons per household compared to the City-wide average of 2.5;
- Family households⁷ comprise 35% of households compared to the City-wide average of 67%;
- Only 17% of households contain children compared to the City-wide average of 44%; and
- Household income levels are lower with 60% of households reporting annual household income of less than \$30,000 (1999 dollars) compared to 37% for the entire City.

A more detailed analysis of these socio-economic characteristics is provided below.

⁷ Family household defined as any household containing a husband and wife and/or children

Age Demographics

The Catchment Area population is largely comprised of individuals aged 20-64. In 2000, 72% of this area's population was in this "working age" bracket. By 2025, as the population continues to age, the 20-64 age group is forecast to fall to 60% of the total population of the Catchment Area. A summary of the age demographics at 2000 and 2025 are presented in the following table⁸:

	2000 (Actual)				2025 (Forecast)			
	0-19	20-64	65+	Total	0-19	20-64	65+	Total
<u>Downtown</u>								
Age breakdown %	9%	81%	10%	100%	16%	62%	22%	100%
Age breakdown #'s	648	5,831	720	7,199	1,836	7,113	2,524	11,473
<u>Downtown Fringe</u>								
Age breakdown %	14%	70%	16%	100%	17%	59%	24%	100%
Age breakdown #'s	6,171	30,857	7,053	44,081	8,137	28,239	11,487	47,863
<u>Total Catchment Area</u>								
Age breakdown %	13%	72%	15%	100%	17%	60%	24%	100%
Age breakdown #'s	6,819	36,688	7,773	51,280	9,973	35,352	14,011	59,336
Total City	25%	63%	12%	100%	21%	60%	19%	100%

While the 0-19 age group is expected to remain relatively consistent as a percentage of total population from 2000 – 2025, the 65+ age group is forecast to increase significantly due to the continued aging of the "baby boomers" and increases in life expectancy.

Transiency of Population

The population of the Catchment Area is characterized by a high degree of transiency. As shown in the table⁹ below, 55% of the population in the Catchment Area have lived in their current residence for two or fewer years compared to the City-wide average of 39%.

	3 years or more		2 years or less		Other		Total	
	Number	%	Number	%	Number	%	Number	%
Downtown Core	2,120	31%	4,305	62%	496	7%	6,921	100%
Downtown Fringe	18,741	43%	23,803	54%	1,461	3%	44,005	100%
Total Catchment Area	20,861	41%	28,108	55%	1,957	4%	50,926	100%
Total City	380,615	59%	251,162	39%	16,507	3%	648,284	100%

⁸ Source: *Edmonton Population and Employment Forecast Allocation Study – Summary Report*, November 2001, Applications Management Consulting Ltd.

⁹ Source: *Edmonton Demographic Profile*, 1999, City of Edmonton

As can be seen, this high level of transiency is even more pronounced for the downtown core where 62% of the population have been in their current residence for two or fewer years.

Household Ownership

Residents in the Catchment Area are far more likely to rent housing rather than own. As the table¹⁰ below shows, only 19% of households are owned compared to the City-wide average of 57%:

	<u>Owners</u>		<u>Renters</u>		<u>Total</u>	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Downtown Core	724	16%	3,756	84%	4,480	100%
Downtown Fringe	4,991	19%	20,794	81%	25,785	100%
Total Catchment Area	5,715	19%	24,550	81%	30,265	200%
Total City	148,033	57%	112,066	43%	260,099	100%

Household Size

As shown in the table¹¹ below, the Catchment Area is characterized by smaller households than the rest of the City:

	<u>Number of People in Household</u>						<u>Total households</u>	
	<u>1 person</u>		<u>2 persons</u>		<u>3 or more persons</u>		<u>Number</u>	<u>%</u>
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>		
Downtown Core	2,345	62%	1,205	32%	235	6%	3,785	100%
Downtown Fringe	12,555	55%	6,645	29%	3,580	16%	22,780	100%
Total Catchment Area	14,900	56%	7,850	30%	3,815	14%	26,565	100%
Total City		28%		31%		41%		100%

Only 14% of households in the Catchment Area contain 3 or more people compared to the City-wide average of 41%. Based on 1999 Census information, the average household size is 1.7 persons in the Catchment Area compared to 2.5 persons for the entire City.

¹⁰ *Edmonton Demographic Profile, 1999, City of Edmonton*

¹¹ *Downtown Profile and Downtown Fringe Profile, 1996, City of Edmonton.*

Type of Household

Households in the Catchment Area are less likely to be family households and less likely to include children relative to the City-wide average. A comparison of household types for the Catchment Area and the entire City is shown in the table¹¹ below:

	<u>Family household</u>		<u>Non-family household</u>		<u>Children in Household</u>		<u>No Children in Household</u>	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Downtown Core	955	25%	2,830	75%	265	7%	3,520	93%
Downtown Fringe	8,275	36%	14,515	64%	4,155	18%	18,635	82%
Total Catchment Area	9,230	35%	17,345	65%	4,420	17%	22,155	83%
Total City		67%		33%		44%		56%

As noted above, only 35% of households in the Catchment Area are family households compared to a 67% City-wide average. Additionally, only 17% of households in the Catchment Area contain children versus 44% throughout the entire City.

Household Income

Household income levels are lower in the Catchment Area compared to the entire City. As the table¹² below shows, 60% of participating households in the Catchment Area reported annual household income of less than \$30,000 compared to 37% for the entire City.

	<u>Income by Responding Household</u>				<u>Total Responding</u>
	<u>Under \$30,000</u>	<u>\$30,000 - \$59,999</u>	<u>\$60,000 - \$89,999</u>	<u>Over \$90,000</u>	
Downtown Core	1,665	1,110	275	180	3,230
Downtown Fringe	11,410	5,060	1,260	665	18,395
Total Catchment Area	13,075	6,170	1,535	845	21,625
% of Households	60%	29%	7%	4%	100%
City Total	57,770	56,205	26,430	15,005	155,410
% of Households	37%	36%	17%	10%	100%

Household income levels in excess of \$60,000 were reported in just 11% of participating households in the Catchment Area versus 27% for the entire City.

3.4 IMPLICATIONS OF SOCIO-ECONOMIC PROFILE ON THE NEW CITY CENTRE YMCA

¹² 1999 Census Information, City of Edmonton website.

Based on our analysis of the socio-economic profile of the Catchment Area, we have noted the following in respect of the proposed new City Centre YMCA:

- The total YMCA Edmonton membership is comprised of 42.1% youth/children wherein Edmonton, on an overall basis, 44% of the households have children and 25% of the population is under 20 years of age.

In contrast, the current City Centre YMCA membership is comprised of 13.7% youth/children wherein the Catchment Area, on an overall basis, 17% of the households have children and 13% of the population is under 20 years of age.

The YMCA is projecting that 35% (up to 1,750 members) of its total membership base (of up to 5,000 members) at the new City Centre YMCA will be comprised of youth/children, which could be considered an aggressive target and inconsistent with the socio-economic profile of the Catchment Area.

4. ANALYSIS OF DOWNTOWN FITNESS MARKET

4.1 REVIEW OF PREVIOUS MARKET STUDIES AND EXIT POLLS

1999 KPMG Study

In 1999, KPMG Consulting was contracted by the YMCA to conduct a 400-person telephone survey in Edmonton to assess the potential interest of a new YMCA in the downtown core.

The key findings of the study included the following:

- 83% of respondents stated that they had “interest¹³” in a new City Centre YMCA;
- Of the respondents who had “interest” in the new City Centre YMCA, 62% stated that they would buy a YMCA membership and 38% stated that they would pay for participation in specific programs;
- 58% of respondents stated that they had previous “experience¹⁴” with the YMCA;
- Of the respondents who had “experience” with the YMCA, 3% stated that they were current members, 16% stated that they were past members, and 81% stated that they had never been a member but had participated in YMCA facilities or programs; and
- The new City Centre YMCA could attract up to 24,276 members and another 14,879 “pay-as-you-go” users.

Based on our review of this study, we have identified a number of limitations, which we feel render its conclusions somewhat less relevant to our analysis. These limitations include the following:

- Of the 400 participants, only 24% lived within the communities included in the downtown Catchment Area and only 53% worked downtown. As such, we believe there was a large contingent of respondents who were less relevant to the target market;
- The number of potential memberships/users was calculated by multiplying the population in the target market area (67,508) by the level of “experience” with the YMCA noted by respondents (58%). This level of market penetration is not supportable given current industry estimates, which suggest that approximately 14% of the population will buy a health club membership;

¹³ “Interest” was defined as a willingness to buy a membership or pay for participation in specific programs at the new City Centre YMCA

¹⁴ “Experience” was defined as past or present membership at the YMCA or past or present usage of YMCA facilities or programs.

- The study does not appear to account for the fact that while 58% of respondents have had experience with the YMCA, only 3% are actually current members;
- The study does not appear to account for the existence of other competing fitness facilities in the target market area; and
- The study is potentially outdated as it is now over four years old.

Based on these factors, we do not believe that this study's estimates of the total potential market for a new City Centre YMCA are relevant to our market analysis. It would appear as though the YMCA itself has discounted the findings of this study given that its current estimate for membership is approximately 5,000 at the proposed new City Centre facility.

2000 Criterion Study

In 2000, the City of Edmonton contracted Criterion Research Corp. to conduct telephone and in-person interviews with 241 low-income Edmontonians. The study focused on the respondents' awareness and usage of City-operated recreation facilities and the barriers faced by low-income Edmontonians in accessing recreation facilities and programs.

Key findings of the study included the following:

- 98% of respondents were aware of City-operated recreation facilities;
- Of those respondents who were aware of City-operated facilities, 83% stated that they had visited at least one of City-operated facility in the last year (when prompted with the names of these facilities); and
- Of the facilities visited in the past year by respondents, the most popular included Millwoods Recreation Centre (42%), Kinsmen Sports Centre (41%), A.C.T. Pool and Recreation Centre (38%), Commonwealth Stadium Sports and Fitness Centre (12%), and Northgate and Central Lions Seniors Centre (10%).

While this study provides a sense of the respondents' awareness of City-operated facilities, its findings are not helpful in preparing our market analysis because of the following:

- The study did not focus on respondents' who live and/or work in the Catchment Area;
- The study did not measure the membership or usage levels of the City-operated facilities; and
- The study focuses only on City-operated facilities and did not involve private fitness centres.

2001 Criterion Study

In 2001, the City of Edmonton contracted Criterion Research Corp. to conduct a telephone survey of 400 adults living north¹⁵ of downtown Edmonton to determine the level of fitness facility participation and the level of interest in a hypothetical new downtown fitness facility.

The key findings of the study included the following:

- 43% of respondents stated that they had visited or worked out at a recreation or fitness facility in the past 12 months;
- 24% of respondents stated that they were currently members of a recreation or fitness facility;
- When prompted with specific facility names, 40% of respondents stated that they had visited a City-operated recreation or fitness facility in the last 12 months;
- The two most commonly visited City-operated facilities by respondents were the Kinsmen Sports Centre (20%) and the Commonwealth Stadium Sports Centre (12%);
- 28% of respondents stated that they had visited private recreation and fitness facilities in the past 12 months with Grant MacEwan (16%) being the most commonly visited;
- 69% of respondents stated that they were strongly (39%) or moderately (30%) likely to visit a new fitness facility if it were located in Edmonton's downtown core;
- 70% of respondents stated that they were strongly (42%) or moderately (28%) likely to visit a new fitness facility if it were located north of downtown;
- In the event that both fitness facilities existed, 37% of respondents stated that they would use the downtown core facility only (21%) or mostly (16%) and 41% of respondents stated that they would use the north of downtown facility only (20%) or mostly (21%);
- 71% of respondents stated that they strongly agree (34%) or moderately agree (37%) to the City using tax-funded dollars to develop a downtown facility; and
- 64% of respondents stated that a family-oriented facility was more important while 27% stated that a fitness-oriented facility was more important.

Based on the study results, it would appear as though respondents were significantly interested in a new downtown facility and were relatively indifferent as to whether that facility was located in the downtown core or north of downtown.

¹⁵ Study area defined as north to 118th Avenue, South to 105th Avenue, West to 124th Street, and East to 82nd Street

Although this study assists in gauging the level of interest in a new downtown facility, the survey does have the following limitations:

- No respondents under the age of 18 were included in the study. A significant target market of the new City Centre YMCA will be families and children; and
- The study concludes that a large majority of respondents would “visit” a new downtown fitness facility but does not sufficiently define what “visit” really means. Does this refer to one use, multiple uses, the purchase of a membership, or something else?

Despite these limitations, this study does provide some insight into fitness facility participation for residents in the Catchment Area. In addition, the study highlights the fact that the Kinsmen Sports Centre and the Commonwealth Stadium Sports Centre are the most commonly visited City-operated facilities for downtown residents. As such, these two facilities are likely to be the most significantly impacted City-operated facilities if a new City Centre YMCA were to be established.

2003 Criterion Study

In 2003, Criterion Research Corp. conducted a follow-up analysis of its 2001 study in which only respondents who had visited the Kinsmen Sports Centre or the Commonwealth Stadium Sports Centre in the previous 12 months were examined. From the 400 survey respondents, a total of 80 had visited the Kinsmen and 46 had visited Commonwealth in the 12 months prior to the 2001 survey.

When the data from these specific respondents was reviewed, the following was found:

- For the respondents who had visited the Kinsmen in the previous 12 months:
 - 80% stated that they were very likely (42%) or somewhat likely (38%) to visit a new fitness facility in the downtown core;
 - 79% stated that they were very likely (52%) or somewhat likely (27%) to visit a new fitness facility located north of downtown;
- For the respondents who had visited Commonwealth in the previous 12 months:
 - 78% stated that they were very likely (44%) or somewhat likely (34%) to visit a new fitness facility in the downtown core;
 - 87% stated that they were very likely (59%) or somewhat likely (28%) to visit a new fitness facility located north of downtown;

The follow-up analysis suggests that those people already participating in fitness activity at the Kinsmen or Commonwealth were more likely to be interested in visiting a new downtown

facility. However, because the term “visit” is not sufficiently defined, the extent of the impact of a new YMCA on these City-operated facilities is difficult to determine from this study.

2003 City Exit Polls

In June 2003, the City performed exit polls at the Kinsmen Sports Centre and Commonwealth Stadium Sports Centre to determine the potential impact on these facilities of a new City Centre YMCA.

The surveys polled 101 respondents at the Kinsmen Sports Centre and 62 respondents at the Commonwealth Stadium Sports Centre.

The findings of the exit polls included the following:

- 40% of the Kinsmen respondents and 30% of the Commonwealth respondents stated that they worked in the downtown core; and
- Of the respondents who worked in the downtown core, 23% of the Kinsmen respondents and 21% of the Commonwealth respondents stated that they would likely or definitely “use” a new City Centre YMCA.

These findings suggest that the Kinsmen and Commonwealth facilities could suffer reductions in users by approximately 20% as a result of the opening of a new City Centre YMCA. However, the reliability of these results may be limited by the following:

- The term “use” is not clearly defined. As such, it is unclear whether respondents who stated that they would likely “use” the new City Centre YMCA would actually cancel their passes and/or stop using the Kinsmen and Commonwealth facilities. In addition, the term “use” does not clearly differentiate between a single use, multiple uses, or purchase of a membership; and
- The survey results relate only to those respondents who worked in the downtown core, which included 40 respondents from the Kinsmen and 19 respondents from the Commonwealth. As such, the survey sample was quite small.

4.2 ESTIMATE OF SIZE OF FITNESS MARKET IN CATCHMENT AREA

Based on our review of population and employment forecasts, socio-economic studies, previous market surveys, and current industry trend reports, we have prepared an estimate of the size of the fitness market in the Catchment Area. This analysis is presented in Appendix A.

As the analysis in Appendix A indicates, we estimate that the total current potential number of fitness memberships in the Catchment Area is in the range of 11,000 to 15,000. With population and employment growth, we estimate that the market size will increase to a range of 13,000 to 18,000 memberships by the year 2025.

Our market estimates are based on following key factors/assumptions:

- Population in the Catchment Area of 52,261 in 2003, increasing to 59,335 by 2025 (as per analysis in Section 3.2 above);
- Employment in the Catchment Area of 85,277 in 2003, increasing to 98,894 by 2025 (as per analysis in Section 3.2 above);
- 62%¹⁶ of the residents in the Catchment Area who are of working age (i.e. 20-64 years) also work in the Catchment Area;
- The proportion of the entire population that would buy a fitness club membership is in the range of 12% - 16% (see discussion below); and
- The proportion of the working age population that would buy a fitness club membership is in the range of 13% - 18% (see discussion below).

In determining the proportion of the population that would buy a fitness club membership, we relied upon market trends and statistics, previous market studies, and discussions with experts in the Canadian fitness industry.

The International Health, Racquet, and Sportsclub Association (“IHRSA”) is a nonprofit trade association representing more than 6,500 fitness clubs worldwide. On a monthly basis, IHRSA publishes a trend report that summarizes fitness activity levels for the US market. In the October 2003 edition of the Trend Report, IHRSA reported that the average number of fitness club members per 100 people was 14.1 in the United States. Health club membership by age demographic were also reported as follows:

- Under 18 years – 8.1 memberships per 100 people
- 18 – 34 years – 19.1 memberships per 100 people

¹⁶ Based on DTCF study described in Appendix C

- 35 – 54 years – 15.5 memberships per 100 people
- 55 years and up – 11.7 memberships per 100 people

Unfortunately, comparable statistics are not available for the Canadian market. We discussed the relevance of the US statistics with a former President of IHRSA Ontario. He suggested that the Canadian rate of fitness members per 100 people would be similar to those trends experienced in the US owing to similar population demographics and a similar number of fitness clubs per 1,000 people.

The market survey prepared for the City of Edmonton by Criterion Research Corp. in 2001 reported that 24% of the 400 respondents claimed to have a membership in a fitness or recreation facility. These results are somewhat higher than the IHRSA trend statistics and could indicate that there is a higher propensity for fitness membership in the Catchment Area. However, these results are likely overstated for the fitness market given that respondents may have memberships in recreation facilities such as golf, curling, tennis, and seniors' clubs. Such recreation facilities are not relevant to the fitness market in which we are attempting to estimate. As a result, we have determined that the 24% figure indicated in the 2001 Criterion survey cannot be directly applied to our market estimate. Nonetheless, we have considered this result in determining an appropriate range for fitness club membership in the Catchment Area.

Based on our review of the various studies and statistics, we have determined that the IHRSA statistics provide a reasonable basis for which to estimate the size of the fitness market in the Catchment Area. As such, we have used these statistics as a “midpoint” in establishing a range of potential fitness club memberships in the Catchment Area. We have used a range of 15% on either side of the “midpoint” to increase the confidence level of our market estimate. As a result, we have estimated that the proportion of the residential population that would buy a fitness club membership in the Catchment Area is 12.3% - 16.2%, which equates to 6,300 to 8,500 persons (Appendix A).

Similarly, for the “at work” population, we have determined that the proportion of people that would buy a fitness club membership is in the range of 13.1% - 17.7%, which equates to 4,900 to 6,600 persons (Appendix A). The rate of fitness club membership is higher for the “at work” population since individuals in the working age bracket are more likely to be fitness club members than children and seniors.

In preparing our market analysis, the City has directed us to focus on the identified Catchment Area, that being the downtown and downtown fringe. We recognize that there may be people who neither work nor live downtown that may purchase a fitness membership in the Catchment Area. While such individuals have been excluded from our market estimate, we do not expect that their numbers would be significant due to the inconvenience of travelling into downtown if one neither works nor lives in that area.

While it may be argued that the new City Centre YMCA could attract a wider geographic market because of its appeal to children and families, it should be recognized that the three suburban

YMCA Membership Centres (William Lutsky, Jamie Platz, Castle Downs) already target such individuals outside of the downtown area. Even if the YMCA attracted 20% (1,000 of 5,000 estimated members) of its new City Centre YMCA members from individuals who neither work nor live downtown this would not significantly affect our estimate of the market size or the impact to other fitness facilities as discussed herein.

4.3 FITNESS CENTRES IN CATCHMENT AREA

To support the validity of our market size estimate, we have completed a review of existing fitness centres in the Catchment Area. A summary of these facilities, including the estimated number of members and capacity, is provided in the following table¹⁷:

	Average # of Members	Member Capacity	% Capacity
Club Fit Downtown	3,000	5,000	60%
Grant MacEwan (Note 1)	2,500	3,000	83%
World Health Centre Club	1,800	2,800	64%
YMCA Downtown (existing)	1,235	3,000	41%
Commonwealth Stadium Sports Centre	1,000	1,660	60%
Canada Place Fitness Centre	700	700	100%
Energizer Health & Fitness Centre	590	650	91%
Royal Glenora Club (Note 2)	400	400	100%
Manulife Fitness Centre	250	600	42%
CN Tower Fitness Centre	206	300	69%
ATB Financial Fitness Centre	150	300	50%
Scotia Fitness Centre	135	200	68%
Westmount Fitness Centre	127	300	42%
MacDonald Health Club	125	150	83%
Totals	12,218	19,060	64%
Excluding YMCA Downtown (existing)	10,983	16,060	68%

Notes:

1 - Excludes student memberships.

2 - Estimate provided by facility manager as to number of members that use facility primarily for the fitness centre and racquet courts. Members that primarily use the skating and tennis facilities at Royal Glenora have been excluded from this analysis.

As the above table shows, the current fitness club membership in the Catchment Area is approximately 12,200 with a total member capacity of approximately 19,100.

¹⁷ Based on discussions and correspondence with facility managers

Our review of the fitness clubs in the Catchment Area appears to confirm our market size estimate of 11,000 to 15,000 potential memberships. Based on the high end of this range, we would estimate that there may be an unmet market of up to 2,800 (15,000 less 12,200) memberships in the Catchment Area. Given that the fitness clubs are reporting to be at just 64% of member capacity, this unmet market is not likely due to a lack of available fitness opportunities.

If the existing downtown YMCA is excluded from the analysis, there are approximately 11,000 members and a capacity of approximately 16,000. This would suggest that a new City Centre YMCA could attract up to 4,000 (15,000 less 11,000) members in the Catchment Area before cannibalizing the membership base of the other fitness centres. However, this assumes that the new YMCA could attract the unmet market, which the current fitness centres, including the existing downtown YMCA, have not been able to do.

4.4 POTENTIAL IMPACT ON PRIVATE FITNESS CENTRES

The above market analysis suggests that a potential unmet market exists, which the new City Centre YMCA could tap into. However, there is also the potential that the new City Centre YMCA will attract members from other fitness facilities.

To determine the potential impact of a new City Centre YMCA on existing fitness clubs, we conducted a consultation process with the 12 private facilities operating in the Catchment Area. Excerpts from the comments we received from these fitness clubs are presented in Appendix B.

Our consultation process revealed that the two private fitness centres that were most concerned about the potential opening of a new City Centre YMCA were Club Fit Downtown and World Health Centre Club. A more detailed discussion regarding these two clubs is provided below.

Club Fit Downtown

Club Fit Downtown, located at 10303 – Jasper Avenue in the Canadian Western Bank Building, is one of four fitness facilities operated by Club Fit Corp. in the City of Edmonton. Our consultations indicate that the downtown club has approximately 3,000 members and a member capacity of 5,000.

Club Fit Downtown primarily attracts working age adults with over 90% of the club's members being in the 18-54 age group. Less than 1% of the club's members are under the age of 18. Depending on length of contract, an annual membership fee at Club Fit Downtown is currently in the range of \$348-\$468.

In January 2003, Club Fit completed a \$1.1 million¹⁸ expansion of its downtown club. The expanded 22,795 square foot facility offers a full range of fitness amenities including cardio

¹⁸ Source: Club Fit Corp. management. Included \$630,000 for fixtures and \$500,000 for equipment.

equipment, free weights, weight stations, a wide variety of group exercise classes, personal training, and steamrooms.

The proposed new City Centre YMCA will be located 1 block from Club Fit Downtown. Due to its close proximity and the fact that the YMCA will offer additional amenities such as a swimming pool, indoor running track, full-size gymnasium, and access to the indoor pedway system, management of Club Fit estimate that they will lose between 1/3 (1,000) and 1/2 (1,500) of their downtown membership.

According to financial information provided by management of Club Fit, the downtown club has been operating at an approximate break-even level over the past two years. If the downtown club were to suffer significant membership losses, management of Club Fit expect that the downtown club would become uneconomic and would inevitably close.

Club Fit Downtown paid the City \$25,485 in property taxes and \$15,265 in business taxes in 2003.

To determine the reasonableness of Club Fit's estimates for membership losses, DTCF conducted a survey of 100 members of Club Fit Downtown. A detailed description of the survey is presented in Appendix C.

When asked to rate their likelihood of switching their membership from Club Fit Downtown to the new City Centre YMCA, 16% of the respondents stated that they would "likely" (9%), "very likely" (4%), or "definitely" (3%) switch their membership. Another 20% of respondents stated that they were "somewhat likely" to switch their membership to the new City Centre YMCA. Based on our professional interpretation of the "somewhat likely" responses, we have estimated that approximately 50% of these respondents have the potential to switch their memberships while the other 50% are unlikely to do so.

Based on the results of our survey, we would estimate that Club Fit Downtown would lose 16% - 26% of its membership if the new City Centre YMCA were opened. As such, we believe that management of Club Fit may have over-estimated its membership losses, however, we do see the potential for Club Fit Downtown to lose up to one quarter of its membership base.

Based on an estimated average annual membership fee of \$348¹⁹, a loss of 16% - 26% of Club Fit Downtown's membership base of 3,000 would equate to a revenue decrease in the range of \$167,000 to \$271,000 per year.

World Health Centre Club

The World Health Centre Club ("Centre Club"), located at 10120 – 101st Avenue in the Bell Tower, is one of five fitness facilities operated by World Health Club in the City of Edmonton. Our consultations indicate that the Centre Club has 1,800 members and a member capacity of 2,800.

¹⁹ Assuming average membership paying \$29/month.

The Centre Club attracts primarily business and professional people aged 30 years and over. Approximately 35% of the 1,800 members hold executive memberships giving them access to separate change-rooms and additional services. Depending on type of membership contract (regular vs. executive), the annual membership fee at the Centre Club is in the range of \$588-\$1,188.

In 2002, World Health completed a \$900,000²⁰ renovation of the Centre Club. The 35,000 square foot facility offers a full range of fitness amenities including cardio equipment, free weights, weight stations, a 1,600 square foot gymnasium, racquet courts, a wide variety of aerobic exercise classes, personal training, whirlpool, sauna, steam rooms, and access to the Sutton Place Hotel swimming pool.

The proposed new City Centre YMCA will be located 1½ blocks from the Centre Club. Due to its close proximity and the additional amenities to be offered by the new City Centre YMCA, management of World Health estimate that they will lose 20% of their Centre Club membership.

According to financial information provided by management of World Health, the Centre Club is currently operating at a break-even/marginal loss level. Management of World Health expect that a 20% decrease in the membership base at the Centre Club would be financially devastating and that closure of the club would be inevitable. The Centre Club paid the City \$37,392 in property taxes and approximately \$18,000 in business taxes in 2003.

To determine the reasonableness of World Health's estimates for membership losses, DTCF conducted a survey of 87 members of the Centre Club. A detailed description of the survey is presented in Appendix C.

When asked to rate their likelihood of switching their membership from the Centre Club to the new City Centre YMCA, 16% of the respondents stated that they would "likely" (8%), "very likely" (3%), or "definitely" (5%) switch their membership. Another 28% of respondents stated that they were "somewhat likely" to switch their membership to the new City Centre YMCA. Based on our professional interpretation of the "somewhat likely" responses, we have estimated that approximately 50% of these respondents have the potential to switch their memberships while the other 50% are unlikely to do so.

Based on the results of our survey, we would estimate that the Centre Club would lose 16% - 30% of its membership if the new City Centre YMCA were opened. As such, we believe that management of World Health has reasonably estimated its potential membership losses.

Based on the average current annual membership fee of \$798²¹, a loss of 16% - 30% of the Centre Club's membership base of 1,800 would equate to a revenue decrease in the range of \$230,000 to \$431,000 per year.

²⁰ Source: World Health Club management. Included \$600,000 for fixtures and \$300,000 for equipment.

²¹ Given current breakdown of membership of 35% executive (\$1,188/year) and 65% regular (\$588/year)

4.5 POTENTIAL IMPACT ON CITY-OPERATED FITNESS CENTRES

The City has asked us to estimate the potential impact of a new City Centre YMCA on existing City-operated fitness facilities. The results of the 2001 study conducted by Criterion Research Corp. (as described in Section 4.1 above) indicate that the two City-operated facilities, which will be most significantly impacted by a new City Centre YMCA, are the Kinsmen Sports Centre and the Commonwealth Stadium Sports Centre. As such, we have prepared an analysis of the potential impact of a new City Centre YMCA on these two facilities.

Kinsmen Sports Centre

The Kinsmen Sports Centre (the “Kinsmen”), located at 9100 Walterdale Hill, is the largest City-operated recreation and fitness facility in Edmonton.

The 150,000 square foot facility has the following amenities:

- Five swimming pools
- Two indoor running tracks
- Indoor and outdoor tennis courts
- Squash, racquetball, and badminton courts
- Volleyball and basketball courts
- Cardio equipment
- Free weights and weight stations
- Two saunas
- Personal training and nutritional consulting
- Over 50 drop-in exercise classes per week
- Kids Den babysitting service and child recreation area

The Kinsmen currently has approximately 2,200 annual pass holders, however, less than half of the facility’s visitors obtain admission via an annual pass. In 2002, the Kinsmen recorded 682,525 visits. Based on our discussions with facility management it is estimated that the Kinsmen attracted approximately 4,600 average monthly users in 2002.

Our discussions with facility management indicate that approximately 2/3 of the Kinsmen’s users are in the 19-44 age group and that the average number of annual visits per user is approximately 102. The cost of an annual pass at the Kinsmen is \$432.45 and the cost of a 30-visit admission pass is \$135 or \$4.50 per visit.

As the facility is located on the south side of the North Saskatchewan River, the Kinsmen is technically outside of the defined Catchment Area. Nonetheless, its relative proximity to downtown make it an attractive fitness facility to residents and workers of the Catchment Area.

Therefore, it is conceivable that the opening of a new City Centre YMCA will impact the Kinsmen.

As noted earlier, a June 2003 exit poll completed by the City found that 23% of Kinsmen users would likely or definitely use the new City Centre YMCA. To validate the findings of this poll, DTCF conducted its own survey of 100 Kinsmen users. A detailed description of the survey is presented in Appendix C.

When asked to rate their likelihood of switching their user pass from the Kinsmen to the new City Centre YMCA, 10% of the respondents stated that they would “likely” (5%), “very likely” (4%), or “definitely” (1%) switch their membership. Another 10% of respondents stated that they were “somewhat likely” to switch their membership to the new City Centre YMCA. Based on our professional interpretation of the “somewhat likely” responses, we have estimated that approximately 50% of these respondents have the potential to switch their memberships while the other 50% are unlikely to do so.

Based on the results of our survey, we would estimate that the Kinsmen would lose 10% - 15% of its user base if the new City Centre YMCA were opened.

Assuming annual fitness related admissions and program revenues of \$2.0 million²², a loss of 10% - 15% of Kinsmen’s user base of 4,600 would equate to a revenue decrease in the range of \$200,000 to \$300,000 per year.

Commonwealth Stadium Sports Centre

Commonwealth Stadium Sports Centre (the “Commonwealth”) is located in Commonwealth Stadium, one of City’s most prominent landmarks, at 1100 Stadium Road.

The 20,000 square foot facility has the following amenities:

- 10,000 square foot gymnasium
- Two weight rooms
- Wide variety of drop-in and registered fitness classes and programs
- Indoor squash and racquetball courts
- Access to outdoor running track
- Four outdoor tennis courts
- Personal training and nutritional consulting

Commonwealth currently has approximately 390 annual pass holders, however, less than half of the facility’s visitors obtain admission via an annual pass. In 2002, Commonwealth recorded 149,193 visits with approximately 45% gaining admission via an annual pass, 18% via a monthly

²² DTCF estimate based on overall facility financial information provided by the City

pass, and 3% via a multi-admission pass. All other admissions were obtained through single admission fees.

Admission prices at Commonwealth are summarized in the following table²³:

Admission Type	Adult Fee	Youth & Senior Fee
Annual pass (13 months)	\$283.00	\$195.80
3 month pass	\$114.15	\$81.15
1 month pass	\$42.30	\$33.90
10 Admission pass	\$41.10	\$32.40
Single admission	\$4.60	\$3.85

Commonwealth had 149,193 visits in 2002 and it is estimated that Commonwealth attracted approximately 1,000 average monthly users in 2002.

Since the facility is located within the downtown Catchment Area (on the northeast corner), it is likely that the opening of a new City Centre YMCA will impact Commonwealth.

As noted earlier, a June 2003 exit poll completed by the City found that 21% of Commonwealth users would likely or definitely use the new City Centre YMCA. To validate the findings of this poll, DTCF conducted its own survey of 61 Commonwealth users. A detailed description of the survey is presented in Appendix C.

When asked to rate their likelihood of switching their user pass from Commonwealth to the new City Centre YMCA, 13% of the respondents stated that they would “likely” (8%), “very likely” (2%), or “definitely” (3%) switch their membership. Another 15% of respondents stated that they were “somewhat likely” to switch their membership to the new City Centre YMCA. Based on our professional interpretation of the “somewhat likely” responses, we have estimated that approximately 50% of these respondents have the potential to switch their memberships while the other 50% are unlikely to do so.

Based on the results of our survey, we would estimate that Commonwealth would lose 13% - 21% of its user base if the new City Centre YMCA were opened.

Assuming annual fitness related admissions and program revenues of \$500,000²⁴, a loss of 13% - 21% of Commonwealth’s user base of 1,000 would equate to a revenue decrease in the range of \$65,000 to \$105,000 per year.

²³ Source: Commonwealth Stadium Sports Centre website

²⁴ DTCF estimated based on overall facility financial information provided by the City

4.6 MACEWAN CENTRE FOR SPORT & WELLNESS

The MacEwan Centre for Sport & Wellness (the “MacEwan Centre”), located at the City Centre campus of Grant MacEwan College, is the largest recreation and fitness facility in the downtown Catchment Area.

The 150,000 plus square foot facility offers the complete range of recreation and fitness amenities such as a 6-lane 25-metre swimming pool, a teaching pool, a whirlpool, an 18,000 square foot gymnasium, four convertible squash/racquetball courts, a complete cardio and weights area, a variety of drop-in fitness classes, fitness and nutritional consulting, steamrooms, and four private family change rooms.

While the majority of users of the MacEwan Centre are students and staff of the college, the facility is open to and used extensively by the public. In 2001/2002, over 45%²⁵ of the facility’s users were public. Our consultations indicate that the MacEwan Centre currently has approximately 2,500 public members and a capacity of approximately 3,000 public members.

The MacEwan Centre attracts a wide range of public users from all age groups and all socio-economic backgrounds, including children and seniors. Facility access fees vary by age and membership plan. Plan A provides a member with access to the fitness centre during all building hours while Plan B restricts a member’s access to the fitness centre to non-peak²⁶ hours. Public membership fees are summarized in the following table²⁷:

Plan Type	Annual	1 Month	4 Months
Plan A Adult (18-54)	\$375	\$45	\$145
Plan A Senior (55+) / Alumni	\$275	\$40	\$130
Plan A Teen (16-17)	\$260	\$30	\$100
Plan B Adult (18-54)	\$298	\$38	\$120
Plan B Senior (55+) / Alumni	\$244	\$34	\$102
Plan B Teen (13-17)	\$170	\$20	\$60
Plan B Youth (7-12)	\$140	\$15	\$50
Plan B Child (2-6)	\$110	\$12	\$40

²⁵ Source: MacEwan Centre for Sport & Wellness Annual Report 2001/2002

²⁶ Peak hours defined as Mon-Fri 12-1pm and 4:30-7:30pm

²⁷ Source: MacEwan Centre for Sport & Wellness website

The proposed new City Centre YMCA will be located approximately 7 blocks from the MacEwan Centre. Due to this relative proximity, the positioning of the new YMCA inside the downtown core, and the fact that the YMCA will offer similar programs and amenities, the management of the MacEwan Centre expect to lose some members to the new City Centre YMCA although they are not currently able to estimate such losses. Nonetheless, management is relatively confident that the new City Centre YMCA will not cut significantly into its public membership base.

In our view, the MacEwan Centre could be at risk of losing a significant proportion of its public membership base if a new City Centre YMCA were to open. Not only will the new YMCA be offering the same or similar services at comparable rates but the new YMCA will also have the advantages of being located right in the heart of downtown and garnering the image as the newest and most state-of-the art facility in the area.

The MacEwan Centre is the most comparable facility to the planned new City Centre YMCA. Not only does it offer the same range of fitness amenities as the new YMCA will offer (with the exception of an indoor running track), it also serves public users from all age and socio-economic profiles. While the MacEwan Centre does not currently offer subsidized membership fees for the financially distressed, they do coordinate a number of programs, through grant funding, for under-privileged children, such as summer camps.

4.7 SUMMARY OF DOWNTOWN FITNESS MARKET

The key considerations from our analysis of the fitness market in the downtown Catchment Area are as follows:

- We estimate that the total number of potential fitness memberships in the Catchment Area are currently in the range of 11,000 to 15,000. By 2025, we estimate that this market will increase to a range of 13,000 to 18,000 potential memberships;
- The existing fitness facilities in the Catchment Area are currently reporting a membership base of 12,200 including 1,235 members at the existing downtown YMCA;
- The two private fitness facilities that are expected to be most- significantly impacted by the opening of a new City Centre YMCA are Club Fit Downtown and World Health Centre Club. The potential impact of a new City Centre YMCA on these facilities is estimated as follows:

Facility	Current Member Base	Membership Loss		Potential Revenue Decrease	
		Low	High	Low	High
Club Fit Downtown	3,000	16%	26%	\$ 167,000	\$ 271,000
World Health Centre Club	1,800	16%	30%	\$ 230,000	\$ 431,000
				<u>\$ 397,000</u>	<u>\$ 702,000</u>

The management of both Club Fit Downtown and World Health Centre Club have stated that the potential membership losses would result in the ultimate closure of their facilities.

- Although the YMCA positions itself as targeting families, children, and seniors, they have also acknowledged that the new City Centre YMCA will target the “at work” population, which includes the primary existing membership base of most of the existing downtown fitness facilities;
- The two City-operated fitness facilities that are expected to be most- significantly impacted by the opening of a new City Centre YMCA are the Kinsmen Sports Centre and Commonwealth Stadium Sports Centre. The potential impact of a new City Centre YMCA on these facilities is estimated as follows:

Facility	Current Monthly Average User Base	User Loss		Potential Revenue Decrease	
		Low	High	Low	High
Kinsmen Sports Centre	4,600	10%	15%	\$ 200,000	\$ 300,000
Commonwealth Sports Centre	1,000	13%	21%	\$ 65,000	\$ 105,000
				<u>\$ 265,000</u>	<u>\$ 405,000</u>

- Based on our discussions with the various facility managers and the fixed nature of the majority of the costs associated with operating a fitness facility, we expect that there would be little opportunity to reduce costs to compensate for the projected revenue decreases at the private and City-operated fitness centres;
- The MacEwan Centre for Sport & Wellness is the most comparable fitness facility to the proposed new City Centre YMCA and is located approximately 7 blocks from the proposed site of the new YMCA; and
- Although management of the MacEwan Centre do not expect significant public membership losses from the opening of the new City Centre YMCA, we believe there is potential for such losses owing to the comparability and relative proximity of the two facilities.

	As at 2003			As at 2025		
	Low	Mid	High	Low	Mid	High
I) Downtown Residents						
- Downtown core (Note 1)	7,724	7,724	7,724	11,472	11,472	11,472
- Downtown Fringe (Note 1)	44,537	44,537	44,537	47,863	47,863	47,863
	52,261	52,261	52,261	59,335	59,335	59,335
Probability of buying fitness membership (Note 2)	12.0%	14.1%	16.2%	12.0%	14.1%	16.2%
Number of fitness memberships in Catchment Area amongst Catchment Area residents	6,271	7,369	8,466	7,120	8,366	9,612
II) "At Work" Population						
- Downtown core (Note 1)	50,571	50,571	50,571	60,475	60,475	60,475
- Downtown Fringe (Note 1)	34,706	34,706	34,706	38,419	38,419	38,419
	85,277	85,277	85,277	98,894	98,894	98,894
Less: number of workers that live in Catchment Area and are therefore already counted above (Note 4)	(22,836)	(22,836)	(22,836)	(21,918)	(21,918)	(21,918)
Number of workers that live outside of Catchment Area	62,441	62,441	62,441	76,976	76,976	76,976
Probability of buying fitness membership (Notes 2 & 5)	13.1%	15.5%	17.7%	13.1%	15.5%	17.7%
Number of potential fitness members amongst persons who work within but live outside of Catchment Area	8,180	9,678	11,052	10,084	11,931	13,625
Less: estimate of proportion of fitness members using clubs outside of Catchment Area (Note 3)	40%	40%	40%	40%	40%	40%
Number of potential Catchment Area fitness memberships amongst persons working within but living outside of Catchment Area	4,908	5,807	6,631	6,050	7,159	8,175
Total Potential Number of Fitness Memberships in Catchment Area Rounded	11,179	13,176	15,097	13,170	15,525	17,787
	11,000	13,000	15,000	13,000	16,000	18,000

Notes:

1 - Based on projected population and employment figures for the City of Edmonton from the *Edmonton Population and Employment Forecast Allocation Study 2000-2025 - Summary Report*, Applications Management Consulting Ltd., November 2001.

2 - In the October 2003 IHRSA Trend Report, health club membership per 100 people by age demographic was measured for the US fitness market. Unfortunately, comparable studies are not available for the Canadian market. Our discussions with various Canadian fitness experts suggest that the Canadian statistics are likely similar to the US statistics but could vary depending on the number of fitness centres operating in a given community. As such, we have used the US statistics as a "mid" point in establishing a range of potential health club memberships in the Catchment Area. We have used a range of 15% on either side of the "mid" point to determine the market size. As such, the ranges are as follows:

	Low (-15%)	Mid (US Trend)	High (+15%)
< 18 years	6.9%	8.1%	9.3%
18-34 years	16.2%	19.1%	22.0%
35-54 years	13.2%	15.5%	17.8%
55+ years	9.9%	11.7%	13.5%
Entire population	12.0%	14.1%	16.2%

3 - DTCF estimate.

4 - We have estimated that 62% of Catchment Area residents aged 20-64 also work in the Catchment Area.

	2003	2025
Residents - aged 20 to 64 years (Downtown core)	6,102	7,113
Residents - aged 20 to 64 years (Downtown Fringe)	30,731	28,239
	36,833	35,352
Proportion that work in Catchment Area	62%	62%
Catchment Area residents that also work in Catchment Area	22,836	21,918

5 - "At work" population is assumed to be in 20 - 64 age range. Assume "at work" population evenly distributed between the 18-34, 35-54, and 55+ age groups. As such, the weighted average probability for health club membership for this population is calculated as follows:

Age Category	Low end of range		Mid-point		High end of range	
	Weighting	Probability	Weighted Probability	Weighted Probability	Probability	Weighted Probability
18-34 years	33.3%	16.2%	5.4%	6.4%	22.0%	7.3%
35-54 years	33.3%	13.2%	4.4%	5.2%	17.8%	5.9%
55+ years	33.3%	9.9%	3.3%	3.9%	13.5%	4.5%
	100.0%		13.1%	15.5%		17.7%

Appendix B – Results of Business Consultation Process

Overview:

To help determine the potential impact of a new City Centre YMCA on existing downtown fitness clubs, Deloitte & Touche Corporate Finance Canada Inc. (“DTCF”) conducted a consultation process with 12 private facilities operating in the downtown and downtown fringe (the “Catchment Area”).

In completing the consultation process, DTCF contacted the facility managers at the following fitness clubs:

1. World Health Centre Club (10120 - 103 Avenue);
2. Club Fit Downtown (10303 - Jasper Avenue);
3. Grant MacEwan Centre for Sport and Wellness (10700 - 104 Avenue);
4. Royal Glenora Club (1160 River Valley Road);
5. Westmount Fitness Centre (12840 - 109 Avenue);
6. Scotia Fitness Centre (10060 - Jasper Avenue);
7. Manulife Fitness Centre (10180 – 101 Street);
8. Energizer Health & Fitness Centre (10020 – 100 Street);
9. MacDonald Health Club (10065 – 100 Street);
10. ATB Financial Fitness Centre (9888 Jasper Avenue);
11. CN Tower Fitness Centre (10004 – 104 Avenue); and
12. Canada Place Fitness Centre (9700 Jasper Avenue).

Each facility manager was asked to respond to a series of questions regarding their club and their thoughts on the potential opening of a new City Centre YMCA. Each facility manager was also asked to provide information regarding their club’s membership base, membership capacity, membership rates, amenities/services offered, etc. A summary of responses we received for questions asked of the facility managers is provided below. Some responses have been edited for anonymity.

1. Are you in favour of the City supporting a new City Centre YMCA? Why or why not?

- *“The City should support all fitness facilities that promote active living and healthy choices. Their support should not lend itself to one institution only.”*

➤ *“If the YMCA plans to operate similar to the downtown location in Calgary, definitely not. Tapping the corporate fitness market should not be the role of the YMCA. A location away from the downtown, serving an under serviced community as the Y's were intended, is much more palatable. I see little need for City tax dollars to support the YMCA's efforts in any location in Edmonton.”*

➤ *“We are not in favour of City providing funding for a new YMCA in the downtown core. Our reasoning is three fold: 1) Unfair competition, 2) Limited prospective members 3) YMCA mandate upheld.*

A new YMCA presents the problem of unfair competition with the facilities in the private sector and community because of the inherent advantages allowed by City funding. Community leagues and private clubs all adhere to the same rules that govern business enterprise. We pay property taxes and business taxes. We take the risk that another provider may enter the market under the same conditions and jeopardize our business. This is an equal environment in which all businesses compete fairly. By paying taxes each business should be entitled to these standards. However a non-tax paying, city funded facility creates an unlevelled playing field. City funding and tax breaks result in lower operating costs which creates a distinct advantage for the YMCA.

For a city council that is constantly seeking taxpayer money, it makes no sense to fund a non-tax paying facility at the expense of the facilities that do pay taxes. Instead, it can be argued that the city should be offering the tax paying facilities financial support so they may flourish and continue to support the city infrastructure through tax dollars for years to come.”

➤ *“No, we are not in favour of the City supporting a new City Centre YMCA. We believe that the YMCA as an organization has evolved over many years into a business, not a charitable institution. We are of the opinion that the plans for the downtown Y support that belief, since even though the proposed Y does provide facilities for the "underprivileged", the primary target market for the facility is "upscale", people who live and/or work downtown. We suggest that the City take a look at the Eauclair YMCA in Calgary as a model. Although we are aware that the Y's charitable status is not a municipal issue, we believe that the City should direct grant monies to more worthy, truly charitable organizations.”*

➤ *“No, not unless you are willing to give the same amount of money to all of the other fitness facilities in Edmonton that are also providing a great service to Edmontonians without asking (the City) for free money.”*

➤ *“I am in favour of a new City Centre YMCA if the fitness centres available are not sufficient to meet current demands. I would not want to see another fitness centre built which would take away from other current businesses. What are the reasons behind*

building the new YMCA? Were fitness centre usage statistics analyzed to determine the need (for another fitness centre downtown)?”

- *‘We strenuously oppose any government funding of the proposed new Downtown YMCA at the proposed location.’*
- *“I support the YMCA to the extent that they focus on family and social programs. I am not supportive of the YMCA if they are focused on getting corporate people as members.”*
- *“City funding should be reserved for service not offered by other facilities to specific low income clients.”*

2. Is there an adequate fitness market downtown to support an additional fitness facility?

- *“Obviously the market is there or the YMCA would not be considering such an expansion of its facility.”*
- *“In my view the downtown market has more than adequate options for fitness within a 5 - 10 minute drive or walking distance.”*
- *“The YMCA is targeting an upscale downtown market with this proposed facility. We believe that there are adequate facilities downtown to support that market. Many employers downtown have recently added fitness facilities for employees. Many downtown housing developments have included fitness facilities for their residents. People living in the downtown core who do not have facilities within their development do have a wide variety of existing facilities to choose from, at a wide range of prices. Also, downtown residents are within walking/biking distance of the river valley, which obviously provides excellent fitness opportunity for 6 months of the year. An analysis of facilities downtown should include facilities run by companies and building owners as well as those run as commercial enterprises in order to answer your question properly. While a point can be made that there are inadequate facilities downtown to accommodate those who do not have access to private facilities, or cannot afford commercial facilities, we believe that the downtown Y as proposed does not target this demographic.”*
- *“I would say yes since many people live and work in the downtown area. Also, convenient access is available through ETS for people who live farther away. I don't have the necessary information to provide a strong answer to this question.”*

- *“We believe that the fitness market downtown is well served.”*
- *“I feel that downtown fitness market is already saturated.”*

3. How would you characterize your customer base?

- *“All professionals.”*
- *“Our customers are students, staff and the general public from all walks of life and financial background.”*
- *“Our clientele consist of a mix of professionals, students, seniors and young adults. The average age of our members is 35 – 40.”*
- *“80% plus of our clientele are professionals.”*
- *“Our customer base consists only of employees, contractors, company retirees, and their spouses. Currently, other employees working in the building are not eligible for membership.”*

4. Do you consider the YMCA a direct competitor? Why or why not?

- *“Yes. We operate like the YMCA in that we encourage the family unit, we assist the financially stressed, and we offer programs and fitness classes that encompass persons from all walks of life.”*
- *“The YMCA does compete on some products. In our experience our customer's typically tell us that they've tried the YMCA for various programs and come back for the quality of programming and expertise of our staff.”*
- *“We believe the YMCA is a direct competitor for our clientele. It has been put forth by representatives of the YMCA that its facilities cater to a different clientele than ours, that of young families. We believe a further indepth study of the current membership at the YMCA would prove otherwise. With its multimillion-dollar facilities and equipment that rivals the most established club chains, its target clientele hardly seems limited to young families. Two reasonable questions to ask is*

why are there executive change rooms and subsequent inflated membership costs. Secondly, what percentage of membership is actually attributed to the clientele they claim to target. The belief that the clientele for each facility would be entirely different is both naïve and misrepresented by the YMCA.”

- *“No. We offer low business volumes and 5 star service.”*
- *“No. Membership for our fitness centre is available at no cost to Employees. Employee's spouses pay \$9 per month and pensioner's spouses pay \$6 per month. The low cost for membership as well as the convenient location for employees keeps members coming back and choosing our fitness centre over others in the area. Also, our fitness centre is a private facility and isn't as busy as most other fitness centres open to the public which is appealing to members because they don't have to worry about waiting in line for equipment during busy times. ”*
- *“We consider ourselves a direct competitors in the adult fitness market because we offer similar but fewer services at similar but lower prices.”*
- *“The YMCA will compete directly with us because they will offer the same services.”*

5. How likely are your members to leave your facility if a new City Centre YMCA were opened? Can you estimate the % of members you might lose?

- *“We attract people from the downtown core, therefore we would, depending on the price structure, lose a few members to the YMCA facility.”*
- *“Yes we would see some loss. To estimate is difficult.”*
- *“We would lose approximately 20% of our current member base.”*
- *“We feel that we will lose very few if any current members to a new downtown YMCA. I do feel, however, that in the future, a downtown YMCA may inhibit my ability to attract downtown residents to my facility, given future growth of people in my demographic living downtown.”*
- *“0% will leave. We have an incredible facility and it is only \$20 per month for the tenants of the building.”*

- *“I don't believe that I would lose a significant number of members to a new YMCA fitness facility. The reasons being no cost for use of the facility, convenient location for employees in the tower, free programs (fitness classes) and services (fitness assessments exercise program consultations), and great amenities and equipment available. None of the equipment is "state of the art" or brand new but it is in good working condition and is sufficient for members to do their routines.”*
- *“Given our close proximity to the proposed new downtown YMCA, the additional amenities that YMCA offers (pool, running track, membership plus and squash) and pedway connection to most major office buildings, we estimate that we will loss a third to a half of our membership.”*

6. How would the new City Centre YMCA impact your facility? Can you estimate the financial impact?

- *“It would impact our small non-profit facility by providing one more competitor that can afford to supply all the latest, modern fitness equipment. Any financial impact to a small business can have dire consequences.”*
- *“It is difficult to predict but it could be substantial in the first year or two before customers become dissatisfied with their level of expertise.”*
- *“As a direct competitor, a new downtown YMCA would have a negative impact on our business. New sales would decrease by an estimated 20%. Furthermore, we would lose approximately 20% of our current member base. With a 20% decrease in business and our fixed costs being the same, the effects that a new YMCA would have on our business would be devastating.”*
- *“We do not think that there would be any immediate impact. However, membership growth and therefore financial growth could be affected in the future. The extent of that impact would depend upon the growth of the population living downtown that fits our demographic.”*
- *“Little to no financial impact because the centre does not run on membership revenues or program revenues. If members were to leave the facility to join the YMCA and member usage dropped considerably management would definitely review the need for the facility to be staffed and programs to be offered. The current services and programs offered could potentially be lost. A minimum number of members are needed to justify need for the facility.”*

- *“If a new downtown YMCA is built at the proposed location, our facility will become uneconomical.”*

7. How (if at all) would you change your business to lessen the impact of a new City Centre YMCA on your facility?

- *“We would not change the aura of our facility. However, we would strive to gain more grant funding to improve our facility – appearance, classes, amenities, and fitness equipment. We would also use strategies such as reduced rates, raffles, activities, free memberships, etc. to encourage people to choose our facility.”*
- *“We already focus on a few niche markets and would continue to do so.”*
- *“If we were to compete on the same level as the YMCA, we would be forced to change our mandate to that of a non-profit facility and seek the same tax breaks currently provided to the YMCA.”*
- *“We would not change our business at all operationally. We may re-address our long range plan to add indoor swimming at our facility, and we may not continue to market our facility to downtown residents.”*
- *“Incentive programs with prizes, membership drives, advertising quality fitness classes and services, and group activities (e.g. running teams, corporate challenge etc.) would be my first approach to maintain or increase current membership numbers. Such changes are limited by a very small budget and only 16 staff hours per week. Management may look at purchasing new equipment if needed.”*
- *“At current (membership) rates, the business is at break-even. I do not believe there is an economically justifiable change that could be made to the business to less the impact of a new City Centre YMCA.”*

8. Does your facility offer any fee reduction-type programs or special memberships for individuals who are unable to pay full membership rates?

- *“Yes (on a case by case basis).”*

- *“We have accessed a number of grants to provide camps to under privileged children in our neighbourhood. Providing membership subsidies is not considered our role.”*
- *“Currently we do not implement any Fee Reduced-Programs for individuals who are unable to pay full membership as the YMCA does.”*
- *“We offer 10% discounts when 2 or more people join from the same household. We also offer 10% discount for payment in full for 12 months.”*

9. What other social/family/health services programs does your facility offer?

- *“We have two personal trainers who offer their business out of our facility. We have a Sports Program for kids. We offer workshops/seminars on nutrition, etc. We rent our facility to a number of small businesses such as dance groups, church groups, and martial arts groups.”*
- *“We have an on-site medical facility, an athletic therapist, massage therapist, dietician, and personal trainers (which includes rehabilitation services and lifestyle consulting). We do have a daycare on campus, but it is not a drop-in daycare. We also offer programs that are health and rehab related to members and non-facility members.”*
- *“We do not participate in any social/family/health service programs as a general rule. Day care is offered in our suburban locations however, we do not have such programs at the downtown location because traditionally the demand for such services in a downtown facility is rare.”*
- *“We offer childcare, nutrition counselling, mental skills counselling, massage therapy, and are contemplating physiotherapy and chiropractic services.”*

Appendix C –Deloitte & Touche Exit Surveys

Overview:

To help quantify the potential impact of a new City Centre YMCA on existing downtown fitness clubs, Deloitte & Touche Corporate Finance Canada Inc. (“DTCF”) conducted a exit survey with three fitness facilities operating in the downtown and downtown fringe (the “Catchment Area”). DTCF also conducted a survey at the Kinsmen Sport Centre which is located on the south side of the North Saskatchewan River and technically outside of the define Catchment Area.

The fitness facility and the related number of participants surveyed at each location were as follows:

Facility	Number of participants surveyed
Kinsmen Sport Centre	100
Commonwealth Stadium Sport Centre	61
Club Fit	100
World Health	87
Total	348

The survey was conducted on October 29-30, 2003 and was administered by DTCF employees to fitness facility members exiting the various clubs at three different times during the day; 7:00 a.m. – 8:30 a.m., 11:30 a.m. – 1:30 p.m. and 4:30 p.m. - 6:30 p.m.. A brief background on the proposed YMCA was communicated to the participants prior to administering the survey questions. The background provided to the participants was as follows:

The YMCA is proposing a new facility on 103rd street and 102nd avenue just south of Edmonton City Center West in the vacant lot directly north of Manulife Two.

The proposed facility will be about 60,000 square feet and include the following amenities:

- *25-meter indoor pool*
- *State of the art work out facility with free weights and cardio equipment*
- *Full-size gymnasium*
- *Racquet courts*
- *Fitness and aerobic classes*
- *Indoor running track*
- *Child care*
- *Hot tub*
- *Available parking*
- *Indoor access to pedway system*
- *Membership plus includes:*
 - *Separate change rooms*
 - *Towel service*
 - *Other amenities*

The membership rates at the new YMCA are expected to be as follows:

Monthly Payment Plan	
Adult	\$46.00
Second Adult in family	\$35.00
Young Adult (18 to 24 years)	\$35.00
Second Young Adult in family	\$27.00
Senior (65 years and older)	\$41.00
Second Senior in family	\$31.50
Youth (13 to 17 years)	\$28.00
Second Youth in family	\$15.00
Preschool or Child (0 to 12 years)	\$25.00
Preschool or Child in family	\$12.00
Membership Plus	\$80.00

There is also a mandatory initiation/building fee of \$50 for Membership and \$75 for Membership Plus.

The questions in the survey were developed by DTCF and were asked to the participants after DTCF employees presented the background information on the proposed YMCA. The questions of the survey and their possible responses were as follows:

1) What is the closest distance from your work or home to this health club?

- 1) Under 1 km
- 2) 1 – 2 km
- 3) 2 – 3 km
- 4) 3 – 5 km
- 5) Over 5 km

2) What is the likelihood that you would switch your membership/pass to the new downtown YMCA once your current membership or pass expires?

- 1) Not likely
- 2) Somewhat likely
- 3) Likely
- 4) Very likely
- 5) Definitely

3) If you were to switch your membership/pass to the new downtown YMCA, what would be your primary reason for doing so?

- 1) Location of new facility
- 2) Cost savings
- 3) Facilities/amenities offered at new facility relative to your current facility
- 4) Perceived family and community nature of the YMCA
- 5) None of the above

4) *Do you work in the downtown area (defined as East to 82nd Street, West to Groat Road, North to 111th Avenue, and South to the River)?*

- 1) *Yes*
- 2) *No*

5) *Do you live in the downtown area (defined as East to 82nd Street, West to Groat Road, North to 111th Avenue, and South to the River)?*

- 1) *Yes*
- 2) *No*

Results of the Survey:

Question 1. What is the closest distance from your work or home to this health club?

Response	Kinsmen	Commonwealth	Club Fit	World Health	Total	
Under 1 km	19	15	69	42	145	42%
1-2 km	11	7	8	9	35	10%
2-3 km	12	9	6	11	38	11%
3-5 km	14	5	4	7	30	9%
Over 5 km	44	25	13	18	100	29%
Total	100	61	100	87	348	100%

Question 2. What is the likelihood that you would switch your membership/pass to the new downtown YMCA once your current membership or pass expires?

Response	Kinsmen	Commonwealth	Club Fit	World Health	Total	
Not likely	80	44	64	49	237	68%
Somewhat likely	10	9	20	24	63	18%
Likely	5	5	9	7	26	7%
Very likely	4	1	4	3	12	3%
Definitely	1	2	3	4	10	3%
Total	100	61	100	87	348	100%

Question 3. If you were to switch your membership/pass to the new downtown YMCA, what would be your primary reason for doing so?

Response	Kinsmen	Commonwealth	Club Fit	World Health	Total	
Location	31	18	6	9	64	18%
Cost Savings	18	1	6	11	36	10%
Facility	24	26	38	42	130	37%
Family	1	4	12	8	25	7%
None above	26	12	38	17	93	27%
Total	100	61	100	87	348	100%

Question 4. Do you work in the downtown area (defined as East to 82nd Street, West to Groat Road, North to 111th Avenue, and South to the River)?

Response	Kinsmen	Commonwealth	Club Fit	World Health	Total	
Yes	27	13	78	71	189	54%
No	73	48	22	16	159	46%
Total	100	61	100	87	348	100%

Question 5. Do you live in the downtown area (defined as East to 82nd Street, West to Groat Road, North to 111th Avenue, and South to the River)?

Response	Kinsmen	Commonwealth	Club Fit	World Health	Total	
Yes	8	22	28	24	82	24%
No	92	39	72	63	266	76%
Total	100	61	100	87	348	100%

Appendix D

Edmonton YMCA

Analysis of YMCA Historical Financial Statements 1999 to 2002 and YMCA Financial Projections 2003 to 2007

Edmonton YMCA
Statement of Operations
For The Years Ended December 31,
Unaudited

APPENDIX D - CONTINUED

	<u>1999</u>	<u>%</u>	<u>2000</u>	<u>%</u>	<u>2001</u>	<u>%</u>	<u>2002</u>	<u>%</u>
Revenue								
Membership dues	\$ 5,761,366	48%	\$ 6,177,526	48%	\$ 6,561,801	49%	\$ 6,936,714	52%
Program Fees	2,627,106	22%	3,033,656	24%	3,414,709	26%	3,747,462	28%
YMCA Opportunity Fund	(233,757)	-2%	(266,254)	-2%	(418,932)	-3%	(618,994)	-5%
	<u>8,154,715</u>	<u>69%</u>	<u>8,944,928</u>	<u>70%</u>	<u>9,557,578</u>	<u>72%</u>	<u>10,065,182</u>	<u>75%</u>
Purchase of service - government	2,168,413	18%	2,212,247	17%	2,066,295	16%	1,447,288	11%
Residence	475,908	4%	484,426	4%	536,149	4%	520,956	4%
Contribution	254,812	2%	419,461	3%	520,217	4%	454,200	3%
Rental and other revenue	417,095	4%	216,161	2%	182,485	1%	216,691	2%
United Way	274,778	2%	279,169	2%	278,800	2%	316,455	2%
Utility rebate	-	0%	-	0%	-	0%	228,316	2%
Purchase of service - YMCA Canada	104,150	1%	119,381	1%	-	0%	-	0%
Investments	53,169	0%	74,936	1%	115,444	1%	92,518	1%
	<u>11,903,040</u>	<u>100%</u>	<u>12,750,709</u>	<u>100%</u>	<u>13,256,968</u>	<u>100%</u>	<u>13,341,606</u>	<u>100%</u>
Expenses								
Operating								
Salaries and wages	6,207,180	56%	7,239,065	58%	7,412,456	59%	7,353,745	57%
Benefits	684,935	6%	790,101	6%	831,950	7%	866,704	7%
Occupancy	1,346,645	12%	1,414,718	11%	1,538,126	12%	1,849,942	14%
Supplies	850,163	8%	900,174	7%	815,129	6%	876,819	7%
Repairs and maintenance	409,669	4%	539,187	4%	439,322	3%	334,548	3%
Purchased service	343,096	3%	323,208	3%	306,895	2%	302,844	2%
Printing and promotion	186,025	2%	184,723	1%	246,023	2%	218,925	2%
Training	204,821	2%	247,749	2%	218,913	2%	215,661	2%
Membership and association dues	140,447	1%	183,678	1%	174,582	1%	183,423	1%
YMCA Management Resource Centre	(782)	0%	(10,223)	0%	-	0%	-	0%
Finance	138,719	1%	135,856	1%	151,706	1%	171,627	1%
Telephone and postage	169,532	2%	164,265	1%	147,899	1%	142,305	1%
Employee and participant travel	73,530	1%	92,480	1%	77,860	1%	78,903	1%
Bad debts	64,044	1%	75,703	1%	52,459	0%	51,486	0%
Project costs	69,786	1%	9,754	0%	17,378	0%	7,419	0%
Other	64,239	1%	57,071	0%	11,409	0%	5,690	0%
Interest on long term debt	217,864	2%	200,237	2%	176,510	1%	161,601	1%
	<u>11,169,913</u>	<u>100%</u>	<u>12,547,746</u>	<u>100%</u>	<u>12,618,617</u>	<u>100%</u>	<u>12,821,642</u>	<u>100%</u>
Excess of revenue over expenses from operation before other items	733,127		202,963		638,351		519,964	
Internally restricted items								
New Membership Building Fees	-		144,946		184,035		170,197	
Investment income	3,436		-		-		-	
Externally restricted items								
Investment income	(355)		23,122		23,767		20,081	
Award/project expenses	-		(18,058)		(18,115)		(18,264)	
Other revenues	48,980		31,411		-		-	
Other (non-cash items) items								
Decline in the value of land	-		-		(40,520)		-	
Transfer of investment to Edmonton YMCA Foundation	-		(132,764)		-		-	
Amortization of deferred capital contributions	718,724		729,247		734,405		729,711	
Gain on disposal of capital assets	-		-		-		2,221	
Amortization	(1,387,201)		(1,410,128)		(1,381,839)		(1,386,321)	
Excess of revenue over expenses	<u>\$ 116,711</u>		<u>\$ (429,261)</u>		<u>\$ 140,084</u>		<u>\$ 37,589</u>	

Edmonton YMCA
Statement of Financial Position
As at December 31,
Unaudited

APPENDIX D - CONTINUED

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Asset				
Current				
Cash	\$ 435,024	\$ 602,540	\$ 214,637	\$ -
Short term investments	672,786	18,058	289,045	755,929
Accounts and grants receivable	611,357	373,795	589,272	271,399
Receivable from YMCA Alberta	-	29,945	35,168	13,137
Receivable from Edmonton YMCA Foundation	-	3,952	-	5,268
Inventories	25,329	28,920	23,439	21,730
Prepays and deposit	39,602	8,756	54,522	79,762
	<u>1,784,098</u>	<u>1,065,966</u>	<u>1,206,083</u>	<u>1,147,225</u>
Long term investments	587,995	1,049,884	1,063,721	1,078,725
Capital assets	19,489,461	18,353,775	17,385,628	17,412,813
	<u>\$ 21,861,554</u>	<u>\$ 20,469,625</u>	<u>\$ 19,655,432</u>	<u>\$ 19,638,763</u>
Liabilities				
Current				
Cheques issued in excess of funds on deposits	\$ -	\$ -	\$ -	\$ 19,234
Payables and accruals	869,703	953,194	706,478	853,345
Deferred contributions	867,502	1,059,421	1,085,971	1,146,524
Due to Edmonton YMCA Foundation	14,956	-	54,275	-
Due to YMCA Alberta	236,685	-	-	-
Current portion of capital lease	52,125	48,669	39,924	86,389
Current portion of long term debt	350,634	181,051	189,798	199,177
	<u>2,391,605</u>	<u>2,242,335</u>	<u>2,076,446</u>	<u>2,304,669</u>
Obligation under capital leases	100,231	50,025	10,101	250,785
Long term debt	3,700,560	3,519,509	3,329,711	3,380,534
Deferred capital contributions	14,263,926	13,681,785	13,123,119	12,549,131
	<u>20,456,322</u>	<u>19,493,654</u>	<u>18,539,377</u>	<u>18,485,119</u>
Net assets				
Internally restricted	80,929	-	-	74,609
Externally restricted	498,132	452,858	458,509	460,326
Investments in capital assets	1,021,985	875,226	692,975	946,807
Unrestricted	(195,814)	(352,113)	(35,429)	(328,098)
	<u>1,405,232</u>	<u>975,971</u>	<u>1,116,055</u>	<u>1,153,644</u>
	<u>\$ 21,861,554</u>	<u>\$ 20,469,625</u>	<u>\$ 19,655,432</u>	<u>\$ 19,638,763</u>

Edmonton YMCA
Statement of Cash Flow
For The Years Ended December 31,
Unaudited

APPENDIX D - CONTINUED

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Operating				
Cash receipts from members and participants	\$ 10,109,456	\$ 10,863,242	\$ 11,458,049	\$ 12,019,312
Cash receipts from purchased services	1,920,135	2,491,916	1,877,623	1,725,051
Cash paid to suppliers and employees	(10,831,471)	(12,628,103)	(12,872,023)	(12,535,372)
Interest received	104,150	116,775	116,671	109,620
Interest paid	(217,864)	(202,266)	(177,696)	(162,373)
	<u>1,084,406</u>	<u>641,564</u>	<u>402,624</u>	<u>1,156,238</u>
Financing				
Capital contributions received	548,385	147,106	175,739	155,723
Proceeds from obligations under capital lease	95,246	-	-	-
Repayment of obligations under capital lease	(38,775)	(53,662)	(48,669)	(77,870)
Repayment of long term debt	(647,806)	(350,634)	(181,051)	(189,798)
Proceeds from long term debt	444,000	-	-	250,000
	<u>401,050</u>	<u>(257,190)</u>	<u>(53,981)</u>	<u>138,055</u>
Investing				
Increase in long term debt	(4,304)	(461,889)	(13,837)	(15,004)
Acquisition of capital assets	(389,501)	(276,933)	(454,212)	(1,358,508)
Proceeds from disposition of capital assets	-	-	2,490	312,232
Transfer of investment to Edmonton YMCA foundation	-	(132,764)	-	-
	<u>(393,805)</u>	<u>(871,586)</u>	<u>(465,559)</u>	<u>(1,061,280)</u>
Net increase (decrease) in cash and cash equivalents	1,091,651	(487,212)	(116,916)	233,013
Cash and cash equivalents				
Beginning of year	16,159	1,107,810	620,598	503,682
End of year	<u>\$ 1,107,810</u>	<u>\$ 620,598</u>	<u>\$ 503,682</u>	<u>\$ 736,695</u>

Edmonton YMCA

Historical Financial Summary and Growth Scenario Projection By Operating Branch
For The Years Ending December 31,
Unaudited

SUMMARY	Actual								Projected									
	1999		2000		2001		2002		2003		2004		2005		2006		2007	
Revenues																		
Downtown (new City Centre YMCA in 2006)	673,066	5%	702,399	5%	759,869	6%	851,730	6%	876,900	6%	983,296	7%	1,061,400	7%	1,783,000	10%	2,240,000	12%
William Lutsky	3,085,652	25%	3,520,094	27%	3,602,685	27%	3,724,856	28%	3,924,700	29%	4,121,208	27%	4,203,632	26%	4,287,705	24%	4,373,459	23%
Jamie Platz	2,033,686	17%	2,185,991	17%	2,332,301	17%	2,409,550	18%	2,485,300	18%	3,094,899	21%	3,532,064	22%	3,715,000	21%	3,974,800	21%
Castle Downs	1,979,661	16%	2,193,528	17%	2,189,605	16%	2,286,803	17%	2,418,900	18%	2,674,875	18%	2,808,619	17%	2,949,050	17%	3,096,502	17%
	<u>7,772,065</u>	<u>63%</u>	<u>8,602,012</u>	<u>65%</u>	<u>8,884,460</u>	<u>66%</u>	<u>9,272,939</u>	<u>70%</u>	<u>9,705,800</u>	<u>71%</u>	<u>10,874,278</u>	<u>72%</u>	<u>11,605,715</u>	<u>72%</u>	<u>12,734,754</u>	<u>73%</u>	<u>13,684,761</u>	<u>73%</u>
Projects																		
Childcare	322,386	3%	293,734	2%	296,867	2%	288,429	2%	263,000	2%	355,000	2%	355,000	2%	355,000	2%	355,000	2%
Housing Centre	1,378,143	11%	1,420,532	11%	1,525,840	11%	1,721,089	13%	2,178,900	16%	2,142,102	14%	2,184,944	14%	2,228,643	13%	2,273,216	12%
Administrative Services	475,908	4%	484,426	4%	536,149	4%	520,956	4%	567,000	4%	579,000	4%	657,000	4%	677,000	4%	798,000	4%
Enterprise Centre	\$ 194,692	2%	\$ 229,799	2%	\$ 275,224	2%	\$ 206,069	2%	\$ 195,000	1%	\$ 199,107	1%	\$ 203,086	1%	\$ 207,148	1%	\$ 211,291	1%
	<u>2,123,375</u>	<u>17%</u>	<u>2,144,290</u>	<u>16%</u>	<u>1,900,582</u>	<u>14%</u>	<u>1,275,797</u>	<u>10%</u>	<u>778,900</u>	<u>6%</u>	<u>930,960</u>	<u>6%</u>	<u>1,117,152</u>	<u>7%</u>	<u>1,340,582</u>	<u>8%</u>	<u>1,408,699</u>	<u>8%</u>
	<u>4,494,504</u>	<u>37%</u>	<u>4,572,781</u>	<u>35%</u>	<u>4,534,662</u>	<u>34%</u>	<u>4,012,340</u>	<u>30%</u>	<u>3,982,800</u>	<u>29%</u>	<u>4,206,169</u>	<u>28%</u>	<u>4,517,182</u>	<u>28%</u>	<u>4,808,373</u>	<u>27%</u>	<u>5,046,205</u>	<u>27%</u>
	<u>12,266,569</u>	<u>100%</u>	<u>13,174,793</u>	<u>100%</u>	<u>13,419,122</u>	<u>100%</u>	<u>13,285,279</u>	<u>100%</u>	<u>13,688,600</u>	<u>100%</u>	<u>15,080,447</u>	<u>100%</u>	<u>16,122,897</u>	<u>100%</u>	<u>17,543,128</u>	<u>100%</u>	<u>18,730,966</u>	<u>100%</u>
Expenses																		
Downtown (new City Centre YMCA in 2006)	832,326	7%	981,371	8%	985,401	8%	1,070,729	8%	1,177,798	9%	1,260,137	9%	1,324,203	9%	1,936,874	12%	2,171,647	13%
William Lutsky	2,565,090	22%	2,783,564	21%	2,927,755	23%	3,051,167	24%	3,273,749	24%	3,381,336	23%	3,440,284	23%	3,507,736	22%	3,575,390	21%
Jamie Platz	2,019,680	18%	2,241,318	17%	2,207,646	17%	2,396,149	19%	2,620,331	19%	2,869,226	20%	3,129,884	21%	3,141,738	19%	3,139,342	18%
Castle Downs	2,021,832	18%	2,250,717	17%	2,229,472	17%	2,371,549	19%	2,495,028	18%	2,566,687	18%	2,663,900	18%	2,745,281	17%	2,842,030	17%
	<u>7,438,928</u>	<u>64%</u>	<u>8,256,970</u>	<u>64%</u>	<u>8,350,274</u>	<u>65%</u>	<u>8,889,594</u>	<u>70%</u>	<u>9,566,906</u>	<u>70%</u>	<u>10,077,386</u>	<u>70%</u>	<u>10,558,271</u>	<u>70%</u>	<u>11,331,629</u>	<u>70%</u>	<u>11,728,409</u>	<u>69%</u>
Projects																		
Childcare	374,837	3%	677,131	5%	307,768	2%	294,330	2%	285,738	2%	403,128	3%	402,027	3%	401,925	2%	401,606	2%
Housing Centre	1,551,922	13%	1,572,356	12%	1,782,490	14%	1,841,209	14%	2,274,410	17%	2,242,264	16%	2,281,317	15%	2,314,665	14%	2,359,278	14%
Administrative Services	349,955	3%	418,587	3%	470,139	4%	448,035	4%	445,035	3%	456,754	3%	533,168	4%	549,778	3%	679,451	4%
Enterprise Centre	1,817,800	16%	2,046,786	16%	1,870,101	15%	1,292,160	10%	1,016,513	7%	1,231,935	9%	1,392,026	9%	1,583,157	10%	1,816,167	11%
	<u>4,094,514</u>	<u>36%</u>	<u>4,714,860</u>	<u>36%</u>	<u>4,430,498</u>	<u>35%</u>	<u>3,875,734</u>	<u>30%</u>	<u>4,021,696</u>	<u>30%</u>	<u>4,334,081</u>	<u>30%</u>	<u>4,608,538</u>	<u>30%</u>	<u>4,849,525</u>	<u>30%</u>	<u>5,256,502</u>	<u>31%</u>
	<u>11,533,442</u>	<u>100%</u>	<u>12,971,830</u>	<u>100%</u>	<u>12,780,772</u>	<u>100%</u>	<u>12,765,328</u>	<u>100%</u>	<u>13,588,602</u>	<u>100%</u>	<u>14,411,467</u>	<u>100%</u>	<u>15,166,809</u>	<u>100%</u>	<u>16,181,154</u>	<u>100%</u>	<u>16,984,911</u>	<u>100%</u>
Contributions	Net Margin		Net Margin		Net Margin		Net Margin		Net Margin		Net Margin		Net Margin		Net Margin		Net Margin	
Downtown (new City Centre YMCA in 2006)	(159,260)	-24%	(278,972)	-40%	(225,532)	-30%	(218,999)	-26%	(300,898)	-34%	(276,841)	-28%	(262,803)	-25%	(153,874)	-9%	68,353	3%
William Lutsky	520,562	17%	736,530	21%	674,930	19%	673,689	18%	650,951	17%	739,872	18%	763,348	18%	779,969	18%	798,069	18%
Jamie Platz	14,006	1%	(55,327)	-3%	124,655	5%	13,401	1%	(135,031)	-5%	225,673	7%	402,180	11%	573,262	15%	835,458	21%
Castle Downs	(42,171)	-2%	(57,189)	-3%	(39,867)	-2%	(84,746)	-4%	(76,128)	-3%	108,188	4%	144,719	5%	203,769	7%	254,472	8%
	<u>333,137</u>	<u>4%</u>	<u>345,042</u>	<u>4%</u>	<u>534,186</u>	<u>6%</u>	<u>383,345</u>	<u>4%</u>	<u>138,894</u>	<u>1%</u>	<u>796,892</u>	<u>7%</u>	<u>1,047,444</u>	<u>9%</u>	<u>1,403,125</u>	<u>11%</u>	<u>1,956,352</u>	<u>14%</u>
Projects																		
Childcare	(52,451)	-16%	(383,397)	-131%	(10,901)	-4%	(5,901)	-2%	(22,738)	-9%	(48,128)	-14%	(47,027)	-13%	(46,925)	-13%	(46,606)	-13%
Housing Centre	(173,779)	-13%	(151,824)	-11%	(256,650)	-17%	(120,120)	-7%	(95,510)	-4%	(100,162)	-5%	(96,373)	-4%	(86,022)	-4%	(86,062)	-4%
Administrative Services	125,953	26%	65,839	14%	66,010	12%	72,921	14%	121,965	22%	122,246	21%	123,832	19%	127,222	19%	118,549	15%
Enterprise Centre	194,692	100%	229,799	100%	275,224	100%	206,069	100%	195,000	100%	199,107	100%	203,086	100%	207,148	100%	211,291	100%
	<u>305,575</u>	<u>14%</u>	<u>97,504</u>	<u>5%</u>	<u>30,481</u>	<u>2%</u>	<u>(16,363)</u>	<u>-1%</u>	<u>(237,613)</u>	<u>-31%</u>	<u>(300,975)</u>	<u>-32%</u>	<u>(274,874)</u>	<u>-25%</u>	<u>(242,575)</u>	<u>-18%</u>	<u>(407,468)</u>	<u>-29%</u>
	<u>399,990</u>	<u>9%</u>	<u>(142,079)</u>	<u>-3%</u>	<u>104,164</u>	<u>2%</u>	<u>136,606</u>	<u>3%</u>	<u>(38,896)</u>	<u>-1%</u>	<u>(127,912)</u>	<u>-3%</u>	<u>(91,356)</u>	<u>-2%</u>	<u>(41,152)</u>	<u>-1%</u>	<u>(210,297)</u>	<u>-4%</u>
2003 Expected salary and benefits increase	-		-		-		-		(100,000)		(103,000)		(106,090)		(109,273)		(112,551)	
Total Contribution	\$ 733,127	6%	\$ 202,963	2%	\$ 638,350	5%	\$ 519,951	4%	\$ (2)	0%	\$ 565,980	4%	\$ 849,998	5%	\$ 1,252,701	7%	\$ 1,633,505	9%

Edmonton YMCA
Projected Statement of Cash Flow
For The Years Ended December 31,
Unaudited

APPENDIX D - CONTINUED

	Actual	Projection						Total
	2002	2003	2004	2005	2006	2007	2008	
Operating								
Operating contributions and changes in working capital	\$ 970,951	\$ -	\$ 566,000	\$ 850,000	\$ 1,253,000	\$ 1,633,000	\$ 1,833,000	\$ 7,105,951
Other								-
	<u>970,951</u>	<u>-</u>	<u>566,000</u>	<u>850,000</u>	<u>1,253,000</u>	<u>1,633,000</u>	<u>1,833,000</u>	<u>7,105,951</u>
Financing								
Capital contributions received								
City of Edmonton	-	-	800,000	800,000	800,000	800,000	800,000	4,000,000
Province of Alberta	-	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Government of Canada	-	-	1,000,000	1,000,000	1,000,000	-	-	3,000,000
Community contributions	156,000	636,000	2,282,280	2,729,100	769,500	733,500	205,500	7,511,880
New member building fees	170,000	170,000	200,000	200,000	250,000	250,000	250,000	1,490,000
Total Capital Contributions	<u>326,000</u>	<u>806,000</u>	<u>5,282,280</u>	<u>5,729,100</u>	<u>3,819,500</u>	<u>2,783,500</u>	<u>2,255,500</u>	<u>21,001,880</u>
Maturity of Annuity - re. City of Edmonton loan	-	-	-	-	-	-	780,000	780,000
Proceeds from long term debt	250,000	4,800,000	-	-	-	-	-	5,050,000
Repayment of long term debt								-
Jamie Platz - City of Edmonton loan	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(780,000)	(1,140,000)
Canadian Western Bank - existing mortgage	(129,798)	(137,500)	(147,500)	(158,000)	(169,500)	(181,700)	(195,000)	(1,118,998)
Canadian Western Bank - new mortgage				(204,000)	(216,000)	(229,000)	(244,000)	(893,000)
Total repayment of long term debt	<u>(189,798)</u>	<u>(197,500)</u>	<u>(207,500)</u>	<u>(422,000)</u>	<u>(445,500)</u>	<u>(470,700)</u>	<u>(1,219,000)</u>	<u>(3,151,998)</u>
	<u>386,202</u>	<u>5,408,500</u>	<u>5,074,780</u>	<u>5,307,100</u>	<u>3,374,000</u>	<u>2,312,800</u>	<u>1,816,500</u>	<u>23,679,882</u>
Investing								
Capital Development Plan								
Jamie Platz YMCA	(282,139)	(5,054,000)	-	-	-	-	-	(5,336,139)
New City Center YMCA	(510,042)	(86,800)	(2,226,950)	(9,307,258)	(118,950)	-	-	(12,250,000)
Housing Centre Redevelopment	-	-	-	(70,200)	(1,000,800)	(929,000)	-	(2,000,000)
William Lutsky/Castle Downs repositioning	-	-	-	(500,000)	(500,000)	(1,000,000)	(1,000,000)	(3,000,000)
Endowment	-	-	-	-	-	-	(3,000,000)	(3,000,000)
Capital campaign costs	(73,614)	(150,000)	(75,000)	(35,000)	-	-	-	(333,614)
Capital development costs	-	(75,000)	(75,000)	(75,000)	(75,000)	(65,000)	-	(365,000)
	<u>(865,795)</u>	<u>(5,365,800)</u>	<u>(2,376,950)</u>	<u>(9,987,458)</u>	<u>(1,694,750)</u>	<u>(1,994,000)</u>	<u>(4,000,000)</u>	<u>(26,284,753)</u>
Other capital additions								
Knowledge Management (IS Hardware & Software)	(513,643)	(172,000)	(190,000)	(192,000)	(162,000)	(103,000)	(100,000)	(1,432,643)
Other capital asset additions - normal capital maintenance	(44,707)	(100,000)	(550,000)	(600,000)	(650,000)	(700,000)	(800,000)	(3,444,707)
Proceeds from disposition of capital assets	300,000	-	-	-	-	-	-	300,000
	<u>(1,124,145)</u>	<u>(5,637,800)</u>	<u>(3,116,950)</u>	<u>(10,779,458)</u>	<u>(2,506,750)</u>	<u>(2,797,000)</u>	<u>(4,900,000)</u>	<u>(30,862,103)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 233,008</u>	<u>\$ (229,300)</u>	<u>\$ 2,523,830</u>	<u>\$ (4,622,358)</u>	<u>\$ 2,120,250</u>	<u>\$ 1,148,800</u>	<u>\$ (1,250,500)</u>	<u>\$ (76,270)</u>
Cumulative net impact on cash (note 1)	<u>\$ 233,008</u>	<u>\$ 3,708</u>	<u>\$ 2,527,538</u>	<u>\$ (2,094,820)</u>	<u>\$ 25,430</u>	<u>\$ 1,174,230</u>	<u>\$ (76,270)</u>	<u>\$ (152,540)</u>
Estimated long term debt continuity								
Opening long term debt (per balance sheet)		\$ 3,579,711	\$ 8,182,211	\$ 7,974,711	\$ 7,552,711	\$ 7,107,211	\$ 6,636,511	
Proceeds of long term debt (from above)		4,800,000	-	-	-	-	-	
Repayment of long term debt (from above)		(197,500)	(207,500)	(422,000)	(445,500)	(470,700)	(1,219,000)	
Closing long term debt		<u>\$ 8,182,211</u>	<u>\$ 7,974,711</u>	<u>\$ 7,552,711</u>	<u>\$ 7,107,211</u>	<u>\$ 6,636,511</u>	<u>\$ 5,417,511</u>	

Note 1 - The YMCA intends to finance the deficit position in 2005 of \$2,094,820 with short term construction financing.

Analysis of YMCA Historical Financial Statements 1999 to 2002

Our comments are based upon information provided to us by the YMCA. Deloitte & Touche has not audited or in any way provided any assurance that this information is accurate or complete.

Revenue

1. **Membership dues** revenue related to health, recreation and fitness access increased by 6%, 6% and 7% in 2002, 2001 and 2000, respectively. In 2002, membership dues represent \$6.9 million or 52% of YMCA operating revenue.
2. **Program fees** revenue related to various health, recreation and fitness facility programs increased by 10%, 13% and 15% in 2002, 2001 and 2000, respectively. In 2002, program fees represent \$3.7 million or 28% of YMCA operating revenue.

Program fees include items such as day passes; public swim fees; day camp fees; and the parents' portion of preschool daycare, kindergarten program and 'out of school' childcare. In 2002, \$2.1 million or 55% of program fees revenue related to the parents' portion of preschool daycare, kindergarten program and 'out of school' childcare.

3. **YMCA Opportunity Fund** - Qualifying individuals and families are eligible for sponsorship of membership and program fees through the YMCA's financial assistance program. The sponsorship under the YMCA opportunity fund increased by 48%, 57% and 14% in 2002, 2001 and 2000, respectively. The sponsorship under this fund represents 6% of the total 'program fees' and 'membership dues' revenue in 2002 (4% and 3% in 2001 and 2000, respectively).

APPENDIX D - CONTINUED

4. **Purchase of service – Government** - The YMCA received \$1,447,287 (2001 – \$2,066,295) in funding from government agencies for the purchase of services in 2002. This represents 11% of total operating revenue in 2002 (2001 – 16%). The purchases of services from Government Agencies which were provided by the YMCA is summarized as follows:

Federal Agencies

Federal contract - Youth Internship program	\$ 161,871
Federal funding - Education Support Services program	18,126
Federal funding - International Development program	18,645
Federal funding - Summer employment grants	15,369
CIDA International	3,152
Federal Contract - Youth Exchange Program	72,141
	<u>289,304</u>

Provincial Agencies

Provincial contract - Youth Connections Program	387,193
Provincial funding - Education Support Services program	10,750
Provincial contract - Self Employment Program	61,670
Provincial funding - Special needs/Community Options	29,849
Edmonton Public School Board - Enterprise Center contract	105,573
Alberta Learning Funding - Kindergarten program	78,780
Provincial funding - Day Care registration	229,673
Provincial - Housing subsidies	20,305
	<u>923,793</u>

Municipal Agency

City of Edmonton funding - Out of School Care registrations	<u>234,190</u>
---	----------------

Total per 2002 Statement of Operations **\$ 1,447,287**

5. **Residence** revenue of \$521,000 decreased by 3% in 2002 but increased by 11% and 2% in 2001 and 2000, respectively.

APPENDIX D - CONTINUED

6. **Public contributions** of \$454,000 are made up of 'designated contributions' (restricted) and 'annual giving contributions' (unrestricted). Approximately 54% of the contributions in 2002 to the YMCA were annual giving contributions. The contributions in 2002 are summarized as follows:

	<u>2002</u>
Public Designated Contributions	
Funding support for Kids' University, Kids' Club and Outreach programs	\$ 24,746
Healthy Youth / Healthy Communities Coalition	49,164
Literacy Endowment Fund Investment Earnings	18,264
Anonymous Donor – Family Ties Program	117,754
Public Annual Giving Contributions	
Annual giving donations - International	18,627
Annual giving donations	225,645
	<u>\$ 454,200</u>

Expenses

7. **Salary, wages and benefits** totaled \$8,220,449 in 2002 (\$8,244,406 in 2001). In 2002, 2001 and 2000, salary and wages increased by 0%, 3% and 17%, respectively. Salaries, wages and benefits represent 64% of total operating expenses in 2002 (65% of total operating expenses in 2001).
8. **Occupancy** costs include amounts for utilities and rent. Occupancy costs represented \$1.85 million or 14% of total operating expenses in 2002 (12% in 2001). In 2002, occupancy costs increased 20% over the prior year (in 2001 occupancy cost increased 9% over 2000 costs).
9. **Supplies** cost have increased by 8% in 2002 over the prior year. Major costs within supplies include pool chemicals, childcare food costs, cleaning supplies and merchandise costs. Supplies represent \$877,000 or 7% of total operating expenses in 2002 (6% in 2001).

Other Financial Statements Items of Interest

10. **Capital additions** - The YMCA had capital acquisitions of \$1,358,508 in 2002 (\$454,212 in 2001).
11. **City Centre YMCA land** – During 2002, the YMCA purchased a portion of land for the construction of the new YMCA City Centre Fitness Facility in the amount of \$500,000. The YMCA holds an option to purchase the remaining required land for \$900,000. The option expires February 1, 2005.

Analysis of YMCA Financial Projections 2003 to 2007 Growth Scenario by Branch Operations

Financial information related to historical and projected branch operations was obtained from YMCA management. The financial information for 1999 – 2002 only represents the unrestricted operating fund and excludes internally and externally restricted items such as amortization of deferred capital contributions, amortization expense and gain/loss on disposal.

The historical summaries for 1999 - 2002 and the financial projections for 2003 – 2007 have been prepared by YMCA management. The Growth Scenario assumes a new City Centre YMCA is constructed and opened in 2006. Deloitte & Touche has not audited nor performed procedures to verify the accuracy or reasonableness of the management assumption's used with in the financial projections. No written summary of assumptions was provided to us for our use in this analysis.

1. Management has projected the percentage revenue increases at the various YMCA health, recreation and fitness facilities over the next five years to be as follows:

	2003	2004	2005	2006	2007
Downtown	3%	12%	8%	68%	26%
William Lutsky	5%	5%	2%	2%	2%
Jamie Platz	3%	25%	14%	5%	7%
Castle Downs	6%	11%	5%	5%	5%

The revenue increase in 2006 at the Downtown fitness facility of 68% is due to the expected opening of the new City Centre YMCA.

The revenue increase in 2004 at Jamie Platz of 25% is due to the expected increase in membership and programs fees from the facility expansion.

2. Management has projected the percentage revenue increases over the next five years of the YMCA housing, educational and childcare programs to be as follows:

	2003	2004	2005	2006	2007
Projects	-9%	35%	0%	0%	0%
Childcare	27%	-2%	2%	2%	2%
Housing Centre	9%	2%	13%	3%	18%
Enterprise Centre	-39%	20%	20%	20%	5%

The revenue decrease in 2003 at the Enterprise Centre of 39% is due to the completion of the Youth Connection Program and the related contributions of federal agencies.

APPENDIX D - CONTINUED

3. Management has projected the percentage expense increases at the various YMCA health, recreation and fitness facilities over the next five years to be as follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Downtown	10%	7%	5%	46%	12%
William Lutsky	7%	3%	2%	2%	2%
Jamie Platz	9%	9%	9%	0%	0%
Castle Downs	5%	3%	4%	3%	4%

The expense increase in 2006 at the City Centre fitness facility of 46% is due to the expected opening of the new City Centre YMCA. YMCA management has projected increases in membership to be approximately 2000 members.

4. Management has projected the percentage expense increases over the next five years of the YMCA housing, educational and childcare programs to be as follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Projects	-3%	41%	0%	0%	0%
Childcare	24%	-1%	2%	1%	2%
Housing Centre	-1%	3%	17%	3%	24%
Enterprise Centre	-21%	21%	13%	14%	15%

5. **Projected Net Contributions** - YMCA Management has projected the net contributions by branch/program over the next five years as follows:

Contribution Margins	<u>2003</u>		<u>2004</u>		<u>2005</u>		<u>2006</u>		<u>2007</u>	
Health, recreation and fitness facilities										
Downtown	(300,898)	-34%	(276,841)	-28%	(262,803)	-25%	(153,874)	-9%	68,353	3%
William Lutsky	650,951	17%	739,872	18%	763,348	18%	779,969	18%	798,069	18%
Jamie Platz	(135,031)	-5%	225,673	7%	402,180	11%	573,262	15%	835,458	21%
Castle Downs	(76,128)	-3%	108,188	4%	144,719	5%	203,769	7%	254,472	8%
	<u>138,894</u>	<u>1%</u>	<u>796,892</u>	<u>7%</u>	<u>1,047,444</u>	<u>9%</u>	<u>1,403,125</u>	<u>11%</u>	<u>1,956,352</u>	<u>14%</u>
Housing, educational childcare and other										
Projects	(22,738)	-9%	(48,128)	-14%	(47,027)	-13%	(46,925)	-13%	(46,606)	-13%
Childcare	(95,510)	-4%	(100,162)	-5%	(96,373)	-4%	(86,022)	-4%	(86,062)	-4%
Housing Centre	121,965	22%	122,246	21%	123,832	19%	127,222	19%	118,549	15%
Administrative Services	195,000	100%	199,107	100%	203,086	100%	207,148	100%	211,291	100%
Enterprise Centre	(237,613)	-31%	(300,975)	-32%	(274,874)	-25%	(242,575)	-18%	(407,468)	-29%
	<u>(38,896)</u>	<u>-1%</u>	<u>(127,912)</u>	<u>-3%</u>	<u>(91,356)</u>	<u>-2%</u>	<u>(41,152)</u>	<u>-1%</u>	<u>(210,297)</u>	<u>-4%</u>
Unallocated salary increase	(100,000)		(103,000)		(106,090)		(109,273)		(112,551)	
Total Contribution	<u>(2)</u>		<u>565,980</u>		<u>849,998</u>		<u>1,252,701</u>		<u>1,633,505</u>	

The projected net contributions earned from the Health, Recreation and Fitness facilities are partly utilized in funding/supporting the other operations of the YMCA but are primarily to be utilized in funding the capital additions of the \$26 million Capital Development Plan and other capital requirements.

APPENDIX D - CONTINUED

6. The **Projected Statement of Cash Flow** provides a summary of the projected net operating net contributions; the various projected capital donations/contributions, the projected capital expenditures and the various receipts and repayments of long term debt.

An implied result of timing of the various cash flows included in the Projected Statement of Cash Flow is the cumulative net cash and long term debt position the YMCA will be facing over the next six years.

Based on discussions with YMCA management, it is their intention to finance the net cash deficit in 2005 of approximately \$2.1 million with short term construction financing as the requirement arises. The estimated long-term debt position of the YMCA is as follows:

Estimated long term debt continuity	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Opening long term debt	\$ 3,579,711	\$ 8,182,211	\$ 7,974,711	\$ 7,552,711	\$ 7,107,211	\$ 6,636,511
Proceeds of long term debt	4,800,000	-	-	-	-	-
Repayment of long term debt	(197,500)	(207,500)	(422,000)	(445,500)	(470,700)	(1,219,000)
Closing Long term debt	<u>\$ 8,182,211</u>	<u>\$ 7,974,711</u>	<u>\$ 7,552,711</u>	<u>\$ 7,107,211</u>	<u>\$ 6,636,511</u>	<u>\$ 5,417,511</u>