

SAPC Facility Reserve

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Investing in our Future

January 14 2021 Edition

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EXECUTIVE SUMMARY

Pickleball is the fastest growing sport in North America. It is suited to all ages and is better suited to seniors than the more strenuous sports of tennis, racquetball, squash and badminton. It is a sport conducive to socialization, like golf, but affords the opportunity for the establishment of many more friendships and acquaintances due to the large number of similarly minded people that it attracts at once.

There is every indication this sport will continue to grow at increasing rates as it becomes more popular with youth. Participation is also expected to jump significantly when it gains national sports organization status in Canada (expected in about two years).

There is a need for additional indoor and outdoor pickleball play spaces in or near St. Albert to accommodate the local demand for pickleball play and to realize its associated boost to social, mental and physical well-being.

As shown in this strategy paper, we anticipate that **within 10 years, pickleball players in St. Albert will need 41 outdoor courts, and within 20 years we will need 69 courts**, up from the 18 we presently have.

During a normal (non-pandemic) year, the St. Albert Pickleball Club (SAPC) has part-time access to school and church gyms that equate to less than 6 indoor courts on a full-time basis. **We anticipate a need for 15 indoor courts within 10 years, and 25 indoor courts within 20 years**, on a full-time basis, for weekday days, weekday evenings, and Saturdays.

SAPC hopes to partner with and to rely upon the City of St. Albert to build more outdoor facilities, as it did with the Alpine Courts.

We are also working towards a partnership or arrangement with property managers and other organizations to rent or lease indoor play facilities that can be at least partially operated by our registered not-for-profit society. We know the opportunities to rent, lease, share and/or own indoor play facilities will change over time, and that such opportunities will be pursued as needed to satisfy a membership growth that is expected to quadruple, to 2500 members, by 2040.

We also know that securing grants can be key to the development of such facilities. Organizations must usually contribute some of their own funding to secure grants. For example, seed funding of \$10,000 was needed for the \$125,000 provincial grant that helped build the Alpine courts, and much more capital funding (over two-thirds of the capital cost) is needed to qualify for a one-third, maximum \$150,000 municipal capital grant.

SAPC will also need to bring capital funding to the table if it hopes to secure priority-use arrangements in any partnership with organizations running not-for-profit sportsplex complexes in future. SAPC will also need to fund a share of the capital cost of any facility it owns, exclusively or in a partnership. Effectively, SAPC must be prepared to make a substantial down-payment (figuratively or literally) towards any grant, partnership arrangement or facility mortgage it hopes to assume in future.

The SAPC board recommends that SAPC slowly build a capital reserve towards any of these future uses, starting with the \$55,000 already held in reserves. To slowly grow this reserve:

- SAPC's future budgets should plan to collect revenues that exceed costs by either 10% or 15%, and
- All SAPC surpluses not needed as operational reserves should be added to these capital reserves.

The initial target for this reserve is \$250,000. Future SAPC boards may increase this target number as capital funding needs become clearer and as facility targets become more specific.

For 2021-22, increasing revenue by 10% or 15% could translate to:

- membership fees going from \$30 to \$33 or \$35 per year,
- sticker¹ prices going from \$3.35 to \$3.69 or \$3.85 each, and
- 10% or 15% being added to tournament fees, ball and shirt sales prices, and rating clinic fees.²

At the 15% rate, and assuming a continued membership and budget growth of 16.5% per year, we would have \$250,000 in reserve by 2031-32. We could also attain this target sooner if we have additional annual surpluses to add to our capital reserve.

As recommended in an earlier draft version of this paper, this paper was made available to SAPC members to gauge support and to seek additional input. The 30 responses received from members were overwhelmingly in support of building a capital reserve, and many offered positive ideas for pursuing facilities and grants or for other fund-raising activities, all of which will help as we seek more facilities and take on more fund-raising.

Accordingly, SAPC is now committed to building a capital reserve, commencing with a minimum 15% annual allocation of its revenue budget for the 2021-22 membership year. The club will use this reserve in future as further described in this paper.

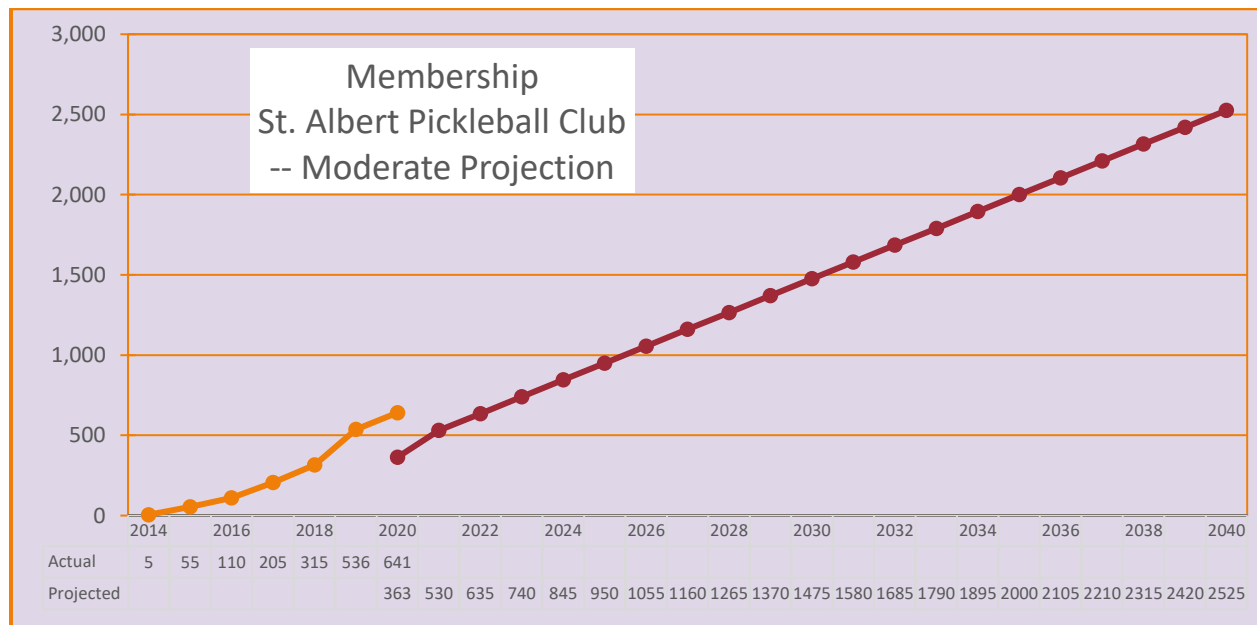
¹ For indoor play, members pre-purchase a card of 20 stickers and pay 1 to 2 stickers for each session.

² Of course, this is only one example. To suit the preferences of SAPC's members, the SAPC board may vary the above to allocate a greater or lesser proportion of the reserve-building to member fees, playing fees or other fees.

WHERE ARE WE AT AND WHAT'S IN OUR FUTURE?

MEMBERSHIP PROJECTION

The following graph shows our past growth in membership and, based on our most recent growth³, projects our future growth on a straight-line basis. This straight-line assumption is likely an average or moderately conservative projection, as an optimistic projection would rise even faster, and a conservative projection might predict a slower growth.



So, at a moderate projection, we could have nearly 1500 members by 2030, and over 2500 members by 2040.

Now let's look at how this translates to a demand for indoor play facilities.

INDOOR FACILITIES NEEDS

SAPC generally makes full use of Indoor Play facilities from mid-October to the end of April each year and, in a normal year, continues to use about 20% of the peak indoor facilities during the months of May through September.

³ As shown on the graph, there was a drop in membership effective with the start of the May 1 2020 membership year due to the suspension of all play to curtail the spread of COVID-19.

The following projections for indoor court needs can be affected by many factors, including whether and how the City makes pickleball play available at Servus Credit Union Place (Servus Place) and the availability of other relatively inexpensive pickleball play facilities readily accessible to residents of St. Albert. These projections presume some stability in the supply of these facilities. More specifically, it presumes that they become increasingly available at a rate that matches the growth of SAPC.

Establishing Ratios of Courts Needed Per Member

Weekday – Daytime. In January and February of 2020, SAPC had about 600 members. We used space at Red Willow Community Church and North Pointe Community Church. We observed that drop-in attendance was often double (and sometimes even triple) the court capacity. If this “unmet” demand were spread over more hours during the day, we believe the club needs at least 6 indoor courts per 600 members for weekday daytime play. We believe there would be a peak need, for some days and some times that well exceeds 6 courts, but assert that a 600-member club would keep 6 courts busy at least 80% of the time, from 9 am to 5 pm on weekdays.

Weekday – Evening. Similarly, based on the 2019-early 2020 attendance at Sturgeon Heights School, Bertha Kennedy School, Sr. Alphonse School and Vital Grandin School, we believe a 600-member club would keep 6 courts busy, with an 80 to 100% utilization, Monday to Friday evenings from 5 pm to 9 pm.

Weekend and Holidays – Daytime. Play on three courts at Bertha Kennedy leads us to believe that a 600-member club needs at least 6 courts on Saturdays. Demand is known to be small on Sunday mornings for the 3.0+ levels based on play at Sturgeon Heights on Sunday mornings, but demand at Red Willow for the introductory levels and for “All Play” significantly exceeds available space. We anticipate that with the right programming, a 600-member club could also keep 4 courts busy from 9 am to 5 pm on Sundays.

Weekend Evenings. We have not had, and do not anticipate, any significant demand for indoor play space on Saturday and Sunday evenings.

Projecting Indoor Court Needs

Based on both the projected membership growth and the ratio of facilities to members determined above, we anticipate a need for the following numbers of courts⁴ to satisfy SAPC members’ needs for indoor play.

<u>January of</u>	<u>Members</u>	Courts Needed October to April			
		<u>Weekday Daytime</u>	<u>Weekday Evening</u>	<u>Saturday Daytime</u>	<u>Sunday Daytime</u>
2020	600	6	6	6	4
2025	1000	10	10	10	7
2030	1500	15	15	15	10
2035	2000	20	20	20	13
2040	2500	25	25	25	17

⁴ Note that the table is really a reflection of the need for court-hours, not just courts. This means, for example, if there were twice as many courts available as needed in any particular season, then the average utilization of courts would likely be 40 to 50%, rather than 80 to 100%.

As shown in the table, we expect to need 15 indoor courts dedicated to pickleball by 2030 and 25 courts by 2040.

OUTDOOR FACILITY NEEDS

Establishing Ratios of Courts Needed Per Member

As of the summer of 2020, St Albert is served by 12 outdoor courts on Alpine Boulevard and 6 at Larose Park for a total of 18. The 12 courts at Alpine have worked well for approximately 400 to 450⁵ SAPC members plus the public, though there were times when the Alpine courts were full and additional players were waiting.

The Larose courts were empty most of the time due both to their poor condition and due to many member's reluctance to play during the COVID-19 pandemic. It is estimated that in a normal year and with court conditions improved at Larose, these courts would have been fully occupied by the public and SAPC's members, when SAPC again reaches membership levels of about 600, but this is more speculative than the example of Alpine courts alone in the paragraph above.

We submit then that SAPC needs 12 outdoor courts for every 450 members.

Projecting Outdoor Court Needs

Based on the ratio established above, here are the anticipated needs for outdoor pickleball courts in St. Albert.

Year	SAPC Members	Outdoor Courts Needed
2020 ⁶	450	12
2025	1000	27
2030	1550	41
2035	2100	56
2040	2600	69

So, by 2030 we will need about 41 outdoor courts and by 2040 we will need about 69.

⁵ As stated previously, SAPC's membership fell May 1 2020 due to COVID, but then it continued to grow during the summer of 2020 at rates similar to previous growth.

⁶ This SAPC Members value for 2020 is as of mid-year. This number decreased due to Covid and lower membership renewals in May of 2020.

FUTURE FACILITY OPTIONS

This section documents our knowledge about current and future facility options. It also mentions, in each applicable option, the need for and opportunity to use funding from a capital reserve.

We cannot predict which of these options will be used by our club at any particular point in time, but it is likely that several of these options will be pursued at various stages of our club's growth and maturity.

Future SAPC boards and facility strategy teams should seek to expand their knowledge of facility options and should update this section with new their knowledge. This will help the boards that follow to further advance this strategy and map out the next best facility options to pursue.

INDOOR PLAY VENUE OPTIONS

Schools and Churches

Thanks to great work of previous and current leaders and volunteers in SAPC, the club has a great relationship with the City of St. Albert, schools, and churches with gymnasiums, and has secured all available space in such facilities, both in St. Albert and in nearby communities. The schools are subject to annual allotments each year, and church space is generally negotiated each year but, in general, the use of such available facilities is already at a maximum level.

There are, occasionally, new schools and church gymnasiums built, and SAPC continues to pursue and add to its allocation and use of both whenever possible. This was most recently done with the addition of the Sister Alphonse venue in 2019.

SAPC should continue to use schools and church gymnasiums for the foreseeable future. They tend to be more economical than other options, helping to keep prices down for our members. However, the growth of pickleball far outpaces the growth of availability of school and church gymnasiums, and additional options must now be pursued for SAPC's indoor play.

Servus Place

Servus Credit Union Place is a municipal-owned and municipal run sportsplex with three gymnasiums capable of accommodating three pickleball courts each. Most of this gym time and space is used by the City for purposes other than pickleball, but drop-in pickleball play has been available in one of the gyms for a few hours per day, pre-COVID pandemic. This play mixes all play levels and uses only one format, paddle play. Play spots are open to the public and, until October 2020, SAPC did not book these gyms specifically for its members, though many SAPC members do play at these facilities as members of the public, paying drop-in or monthly memberships for Servus Place in addition to fees paid to SAPC for SAPC-sponsored play at other venues.

As required by the provincial government at the start of the COVID pandemic, the City shut down its Servus Place gymnasiums. In October 2020, the City began to allow sports organizations with COVID-safety protocols to book its gymnasiums for member play. As one of several recognized sports partners of the City, SAPC is able to rent these gyms at a rate of \$52.50 per hour, and had started to do so to

partially satisfy the demand for play because most other venues, including all schools, were not currently available for adult use.

It is likely that the City will revert to its former allocation of gym time and space once the COVID pandemic is over, and so this is not a long-term solution for the club. Even if SAPC is allowed to book gym time post-COVID, the availability of Servus Place gyms will be very limited, given the competing demands of all the other sports organizations and the public as a whole, for basketball, volleyball, badminton, floor hockey and other gymnasium sports.

To satisfy St. Albert residents' need for pickleball play in the future, venues are needed that can be used nearly full time (day and evening, 7 days per week) for pickleball. A mixed-use facility, operated by the City and with a priority of catering to the public, will not address these needs in the long term.

Active Communities Alberta (ACA) Sport and Community Campus

ACA was proposing to build two indoor rinks, four gymnasiums, a fitness centre and other amenities in a \$42 million complex on the west side of St. Albert⁷. The City of St. Albert had conditionally granted ACA \$20 million toward the campus, was instrumental in having land donated by a land developer, and is in the process of extending city utilities to the area of land to be soon developed; however, the City decided to withdraw support for the ACA proposal in the fall of 2020 after completing a value-for-money study. The City has instead decided to initiate its own recreational facility planning in 2021.

SAPC was consulted and engaged by ACA at various stages of its proposal and business case development, as were other organizations anticipating to be future users of the Sport Campus. SAPC gained some valuable learnings and perspectives as a result of this two-year engagement – learnings applicable to planning and funding future pickleball facilities. Some of these key learnings are described below.

- ACA saw SAPC as potential significant user of their proposed gymnasiums during fall, winter, and spring school hours, and as a potential moderate user in other periods. Pickleball players, particularly retirees and others without a 9-to-5 job, are a source of additional income to these facilities, as they can play at times that are considered low demand for gymnasium space.
- SAPC expected to pay market rates for ACA gymnasium use and storage space. An ACA representative did say that ACA would consider providing guaranteed gym time to SAPC if SAPC were prepared to front some of the facility's capital costs. In addition, with such a capital contribution, SAPC could possibly have secured other rights, such as weekend reservation rights (e.g. for regular weekend play or tournaments), evening play rights, or "right of first refusal" rights over any other competing regular, adult-oriented City Sports Partner or full-pay organization⁸. However, SAPC currently had (and still has) only a very small capital reserve and was not yet in a position to have negotiated such extra rights.

The key lesson here is that a contribution from a capital reserve can help SAPC secure playing times and playing rights, even from a facility that is built by another organization. With a capital contribution, SAPC

⁷ <http://activecommunitiesab.ca/>

⁸ A "full-pay" organization here means any organization that is not recognized by the City of St. Albert as a Sport Partner. Such Sport Partners can rent city facilities at rates that are about two-thirds of the City's regular rates, as stated in https://stalbert.ca/site/assets/files/2284/2020_approved_recreation_fees-1.pdf.

could be able to secure such rights in the future, either from a private sector developer or from an organization like ACA, should their St. Albert Sportsplex proposal be resurrected.

Even if the ACA proposal had gone ahead, SAPC recognized that one sportsplex would not indefinitely satisfy the growing demand for pickleball in St. Albert. SAPC's facility planning needs to also think beyond what ACA could have provided.

Rental or Lease of Private Sector Warehouse Space

For a few months prior to the COVID-based government-ordered full shutdown of gymnasiums in December 2020, SAPC pursued the possibility of leasing warehouse space for temporary pickleball play. The intention was to satisfy the high demand for play and address the lack of availability of school gyms during the COVID pandemic. Some prospects looked promising as temporary space but would not have been suitable as long-term solutions unless a significant investment were made in flooring, court partitioning and other amenities conducive to attracting and retaining players and conducive to the social experience that pickleball play and optimal venues can provide.

Rental of Private Sector Gymnasium Space

SAPC is aware of one facility in northwest Edmonton that will rent gymnasium time to SAPC, and SAPC successfully completed its first such rental at the B-Active Badminton Club. This type of arrangement does not require any capital investment by SAPC, but is not suitable as a long-term solution, primarily because the facility is not located in St. Albert and so is not conveniently accessible to most members of SAPC.

The Edmonton Volleyball and Pickleball (EVP) Center in south Edmonton opened in November 2020. It may occasionally be used by SAPC members for their own bookings, but is not available to SAPC for block bookings, and is too far from St. Albert to serve as a suitable location for frequent play.

As of October 2020, SAPC was not aware of any rentable private sector gymnasium space in St. Albert.

Facility Ownership by Club

The Edmonton Badminton Club and the EVP centre serve as models for what SAPC could do in future, in St. Albert, either on its own or in partnership with another gymnasium-using sports organization.

One advantage of outright ownership is that pickleball play can always be given top priority, and when courts are not needed for pickleball play, the gymnasium space can be rented out to others.

This option is likely to be pursued by SAPC when our organization size warrants it. Up to a decade of planning, fund raising, grant pursuit and other work may be needed to implement this option.

Building a capital reserve is a necessary pre-requisite for this option.

OUTDOOR PLAY OPTIONS

The Ideal Facility

What might a single outdoor facility look like if it accommodated nearly all of St. Albert's summertime pickleball play needs for say 5 to 10 years? We imagine it might look like the 32-court pickleball complex that the Palm Creek Resort community has in Casa Grande, Arizona. Of course, such a complex would be a tremendous magnet for tournaments and for the associated tourist draw that benefits community hotels, shops, and restaurants. More importantly though, while tournaments are not underway, such a complex would satisfy virtually all the pickleball play needs of St. Albert for a significant period.

Such a facility would benefit from an allocation of municipal land and would undoubtedly require capital or grant funding from various levels of government, funding which could be triggered by an organization like SAPC with its own capital reserve as seed funding. Such a facility may also require significant donations and sponsorships, both of which can also depend on seed funding (i.e. capital reserve funding) from SAPC.

Note that a 32-court facility can be built in stages, with the timing of each stage suited to meet both growing demand and funding availability.

City-owned Courts: Alpine Courts Model

The City of St. Albert provides a high quality of life for its residents and has a mandate to provide recreational facilities for its residents. As long as SAPC remains committed to being open to all members of the public, and continues serving the diverse needs of its pickleball players well, the City will continue perceiving SAPC as an agency it can use, along with many others, to fulfill its mandate of providing recreational opportunities to the residents of St. Albert.

SAPC leveraged this special relationship with the City when it pursued a \$125,000 provincial grant to build the Alpine Courts and turned that grant over to the City to fund the rest of this \$375,000 project. The City required SAPC to initially commit \$10,000 of capital to the project but did not require more than a few hundred dollars of this in the end.

The City managed the Alpine Courts construction project and retains both ownership and management of the courts. In the months of May through September, SAPC is allocated exclusive use of approximately 75% of the 12 courts during weekday mornings and most evenings, 83% usage on one evening, and 100% usage on the club's tournament days. The balance of the court availability is allocated to public play. All weekday afternoon times and most weekend times are allocated 100% to public play.

SAPC will continue to seek a larger allocation of court times and/or allocations at Larose courts for the short term, and will work with the City and Province, pursuing grants as opportunities arise to build more city-owned facilities like the Alpine Courts. This model of funding and ownership requires little SAPC capital investment, so far, and is the preferred model for future outdoor court development at least in the short (2 to 5 year) term.

It remains to be seen if this model can be successfully used again though. Provincial grants and municipal financial capacity for recreational facilities are at a premium and are declining due to the impact of COVID on our economy. In any case, it is unlikely that this grant-reliant model will meet all of the public's outdoor pickleball playing needs over the next 15 or 20 years.

SAPC may pursue greater management responsibilities in future city-owned courts, but it is also possible that any future courts built by the City may be allocated increasingly to public play rather than to SAPC play.

Future St. Albert Sport Campus

SAPC should actively participate in the City's 2021 recreational facility planning, if there is any opportunity to do so. SAPC can propose that, in addition to building gymnasiums for pickleball use, land should also be reserved and used to build outdoor pickleball courts, perhaps in stages of 12 at a time, until a total of 36 or 48 such courts are constructed. We understand the land set aside by the City for the west-end sport campus has the room for such a facility, in addition to outdoor soccer, football and baseball fields.

As stated previously for municipally-managed outdoor courts, it is likely that a small SAPC capital reserve could help trigger municipal funding and/or provincial grants which could initiate and accelerate the construction of such outdoor courts, and which could help SAPC secure preferential access and play times at such a facility.

City-Owned Courts Managed by SAPC

This option is similar to the Alpine courts model, but would see the courts managed by SAPC, under an agreement struck with the City of St. Albert. This arrangement could be similar to the agreement the St. Albert Tennis Club has with the City of St. Albert regarding St. Albert's downtown tennis courts.

We also understand the Parkland Pickleheads in Spruce Grove have an agreement with the City of Spruce Grove that gives the club the rights and responsibilities of managing some courts there. This is likely another example of this option.

Some advantages of this type of arrangement are that SAPC could make greater use of the courts for its members and/or could more readily adjust SAPC hours of play to respond to ever-changing member needs and preferences. Undoubtedly though, such an arrangement would also require SAPC to make the facilities available to the general public whenever not used by SAPC or at specific times.

It is not yet known if SAPC would have to contribute funding or pay operating costs to have management rights or "first use" rights for this option.

SAPC should obtain copies of and learn from the above agreements, and further assess the value, risks, costs, and opportunities of such an agreement. If appropriate, SAPC should then map out the pursuit of such an arrangement.

Courts Leased or Owned by SAPC

When SAPC's needs for outdoor pickleball space outgrows or outpaces the availability of courts using the above options, SAPC should be in a position to develop its own facilities, either in partnership with

others or on its own. This solution will require a significant capital investment or other financial reserves, regardless of whether SAPC pursues a long-term lease option, a lease-to-own arrangement, or an ownership option through a mortgage.

PRIORITIES FOR SECURING FACILITIES

As it has in the past, SAPC will continue to always seek out and first use those indoor and outdoor facilities that are available to us at low or no cost. School gyms and public courts are two examples of these low/no cost facilities already being used.

When the supply of low/no cost facilities is insufficient to meet rising demand, SAPC has and will continue to look for all available moderate cost facilities, and when these are exhausted, will then consider the higher cost facilities, while seeking usually to retain and use the low and moderately-priced venues.

No one can predict which particular types of venues will be used by SAPC five, ten or twenty years down the road, but we do know that many of the moderately priced options and all of the higher priced options will likely require SAPC to invest, as a partner or on its own, in one or more facilities.

Consideration of higher cost facilities will include an analysis of anticipated demand and the charge-out rate needed to cover direct rental and indirect costs. SAPC will not plan to operate venues at a net loss.

SAPC will also consider partnership options where the usage, costs and risks of a facility can be shared with other organizations such as volleyball or badminton clubs or even dog training clubs.

ROLE OF GRANTS

As mentioned previously, SAPC obtained a \$125,000 Community Facility Enhancement Program grant to pay about 1/3 of the capital cost of building Alpine courts. SAPC should continue to pursue this particular grant for future pickleball facilities in St. Albert, and should once again collaborate with the City of St. Albert to pick a site and plan both the pursuit of this grant and the development of the next facility that would be undertaken with this grant.

Many other grants require an organization to contribute part of the funding. For example, the City of St. Albert Community Capital Program Grant funds up to \$250,000 towards a facility to cover up to 1/3 of a facility's cost, however, the qualifying not-for-profit organization must put up the remaining 2/3 or more of the cost⁹.

SAPC should also learn about, document the availability of, and pursue other possible facility development and operations grants.

⁹ https://stalbert.ca/site/assets/files/1226/ccpg_guidelines_2020.pdf, page 3.

ROLE OF A FACILITY RESERVE

Our association with Active Communities Alberta (ACA) has allowed SAPC to learn about and discuss the funding models used by other sports complexes in the province. In February 2020, at an ACA town hall meeting in St. Albert, SAPC members were able to have a side conversation with David Dorward, a former minister of the Government of Alberta and the lead of an “initiative that raised \$38M for the building of the Saville Community Sports Center (GO Centre), a 195,000 square foot (sportsplex) located at the University of Alberta south campus area.”¹⁰ Mr. Dorward revealed his solution for having that complex funded and built, and he suggested SAPC follow this model. He first raised a capital reserve of \$1 million which became the seed funding for the donations and grants that followed. He built this reserve over many years by simply adding a \$3 fee to every basketball club member’s season fees and by directing those proceeds to a reserve. He had a 15-year vision and saw that vision become a reality in the Saville center. He suggested SAPC also think 15 years out. That is how long it takes to realize a vision like this. Mr. Dorward’s message to us was the inspiration for this capital reserve strategy.

As mentioned in the previous section, we cannot predict the specific facility opportunities SAPC will have in its future, nor the exact path SAPC will use to take advantage of these opportunities. But we do know that most if not all additional opportunities will require SAPC to make some investment in a facility. Indeed, many opportunities will not arise unless SAPC has the capital or operating facility reserve capacity to take advantage of them.

Building a reserve is like saving for the initial down payment on your house. It is needed to qualify for a mortgage. The goal here is not to save enough to own a facility outright, though that may eventually happen. Rather, the goal of a facility reserve is to provide sufficient seed money to be able to use whatever facilities may be needed to meet future demand. In our house-ownership analogy, the “mortgage” will be paid by future players – we just want to ensure there are future players, and we want to ensure that by arranging for a “down-payment” on future facilities.

GROWING A RESERVE

A reserve can be built by generating a bit more revenue each year than we pay out in operating costs. Additional revenue options include higher membership fees, higher indoor playing fees, donations and sponsorships.

In addition, all operating surpluses not needed for subsequent years should be placed into our facility reserve. This has been done in past years (Oct 2014 to April 2020) and has produced our current reserve of \$55,000, though this reserve was not initially called a facility capital reserve.

At the present time, SAPC does not have the volunteer capacity to pursue donations and sponsorships, though we do expect to have that capacity within five years. For the following examples, we presume all growth in our facility reserve comes from increases to membership fees, indoor playing fees and small sales (tournaments and t-shirts), and none of it comes from additional donations, sponsorships or

¹⁰ https://en.wikipedia.org/wiki/David_Dorward

contributions from annual operating surpluses. With these contributions, and assuming a continued membership and budget growth of 16.5% per year, our reserve could grow as follows.

10% Option – Growth of Capital Reserve with 10% Added to Membership Fees, Indoor Play Fees and Small Sales

Year	Budget Before Reserve	Capital Added to Reserve	Cumulative Capital Reserve
2020			55,000
2021	50,000	5,000	60,000
2022	58,250	5,825	65,825
2023	67,861	6,786	72,611
2024	79,058	7,906	80,517
2025	92,103	9,210	89,727
2026	107,300	10,730	100,457
2027	125,004	12,500	112,958
2028	145,630	14,563	127,521
2029	169,659	16,966	144,487
2030	197,653	19,765	164,252
2031	230,266	23,027	187,279

15% Option – Growth of Capital Reserve with 15% Added to Membership Fees, Indoor Play Fees and Small Sales

Year	Budget Before Reserve	Capital Added to Reserve	Cumulative Capital Reserve
2020			55,000
2021	50,000	7,500	62,500
2022	58,250	8,738	71,238
2023	67,861	10,179	81,417
2024	79,058	11,859	93,275
2025	92,103	13,815	107,091
2026	107,300	16,095	123,186
2027	125,004	18,751	141,937
2028	145,630	21,845	163,781
2029	169,659	25,449	189,230
2030	197,653	29,648	218,878
2031	230,266	34,540	253,418

The analysis and choice of whether to apply some, most or all of the additional revenue to membership fees, to indoor play fees, or to small sales is beyond the scope and mandate of this paper, but as an

example¹¹, if this additional revenue were evenly allocated to all three of these areas, our fees could change as follows.

Area	Current (2020-21) Rate	With 10% Increase	With 15% Increase
Membership, Annual	\$30.00	\$33.00	\$35.00
Indoor Play (One Sticker)	\$3.35	\$3.69	\$3.85
Small Sales			
Tournament Fees	\$10.00	\$11.00	\$11.50
T-Shirts	\$20.00	\$22.00	\$23.00

It appears that the proposed growth in fees is small enough to be acceptable to the majority of current and prospective future SAPC members. The membership and indoor play rates, if modified per the example given above, would remain lower than similar rates in most other local pickleball clubs in Alberta.

RECOMMENDATION, ACCEPTANCE, AND IMPLEMENTATION

A previous draft version of this report recommended that:

- SAPC present this paper to its membership via newsletter and invite email comments to the Board,
- the Board receive an assessment of the comments received,
- if the rationale for having and building a reserve is found to be sound by the membership and/or there is no strong dissent or viable alternatives presented, the Board direct that a 15% capital reserve allocation be built into future SAPC budgets until some future Board provides alternative direction, and
- SAPC use its capital reserve as needed in the future to:
 - o secure facility grants,
 - o obtain right-to-use facility privileges,
 - o secure leases and make leased-facility capital improvements,
 - o use as seed funding for a facility-based donation or sponsorship funding campaign,
 - o qualify for a facility mortgage, and/or
 - o secure other facility partnerships, shareholder, or ownership rights.

The Board received and reviewed 30 written responses from members, 28 of which were in favour of establishing a capital reserve, one was neutral, and only one of which was opposed to this plan.

¹¹ Note that this example presumes there is no other need to adjust fees in a budget year. Changes in any area of our operating costs may trigger a decrease or an additional increase in fees.

- Of the 28 positive responses, 14 supported increases to membership fees of greater than 15%, two suggested increases less than 15%, and the remainder did not express a preference regarding membership fees or the portion of future revenues directed to the capital reserve.
- Responses included numerous suggestions for pursuing particular facility opportunities, partnerships, grants, or other fund-raising avenues, all of which will help direct our future efforts in these areas.

On behalf of the club and its members, the Board has decided to proceed with implementing the reserve, will set or propose prices in future to help build the capital reserve, and will use the reserve as needed in future for the purposes laid out above.

This report will be shared with the City of St. Albert to help SAPC and the City stay aligned in terms of developing and enhancing the sport of pickleball for all players in St. Albert.

Input from the City and the public is invited, and additional input from SAPC members is always welcome. Substantive input will be added to future editions of this plan. This plan should continue to be enhanced to guide SAPC’s development and use of its capital reserve.

APPENDIX A: QUESTIONS AND ANSWERS

Q1: Won’t the City provide needed indoor pickleball space without any contribution or involvement of a club like SAPC?

A: As we’ve seen with Servus Place, the City can provide a some gym facilities, but these are limited in size and number, their availability for pickleball is limited to a few hours in a day and, prior to October 15 2020, have not been made available to rent in blocks or in another fashion conducive to club round robins, shootouts, ladder play, rated-level paddle play, tournaments and other formats enjoyed by most pickleball clubs in North America. It is unlikely the City would entertain allowing SAPC to book huge blocks of time in Servus Place (or in future municipal-run sports centres) once the COVID pandemic has ended as they must also cater to the competing needs of those enjoying badminton, volleyball, basketball and many other gym-using sports. The City will also continue to give priority to youth sports during evenings and weekends, limiting the availability of such facilities to more adult-oriented sports like pickleball.

Note that the City is selling some court times during the pandemic to SAPC, but this arrangement is not expected to continue after the pandemic ends.

Q2: Will the “for profit” private sector step up and provide needed pickleball space, as appears to be happening with the Edmonton Volleyball and Pickleball Center (EVP)?

A: It is hoped that private sector operations continue to be built and be available to handle some of the demand for pickleball play, but unless SAPC (or a club like it) is prepared to pay some fee to secure rights for play time at peak gym usage times (weekends and evenings) and/or commit to long-term usage, pickleball clubs are unlikely to secure all of the needed play time during weekends and evenings.

It is likely that SAPC will enter into some of these arrangements with “for profit” gymnasium operators to address some of its needs at some points in its evolution, but for the long term these arrangements will inevitably be more expensive for SAPC than running a facility that is co-owned, owned or leased under a long term lease, by SAPC.

SAPC’s owned or leased facilities, in future, may also be acquired or improved with the help of government grants. This makes them even more economical for SAPC than the private-sector gymnasium operations.

SAPC is, and expects to remain, a highly economical and efficient organization. It does not need to generate a return for shareholders like a private sector entity does. In addition, much of its administration is carried out, very willingly, by volunteers who receive no payment at all for their services. As long as volunteer resources are plentiful, no “for profit” operation can run as lean as SAPC can.

Q3: If SAPC were disbanded, what would happen to the capital reserve?

A: After payment of all outstanding accounts payable, SAPC’s net assets would be donated to a charity in accordance with our bylaws and as required by the Government of Alberta for all not-for-profit societies like SAPC.