

Willow Creek Intermunicipal Recreation Funding Agreement

The Willow Creek Intermunicipal Recreation Agreement was executed on April 28, 2021. It provides for an annual contribution from the MD of Willow Creek toward recreation facilities in Nanton, Stavely, Claresholm, and Fort Macleod, based on fixed operating costs such as utilities, insurance, and telecommunications. The agreement includes provisions for automatic renewal and allows for amendments with the consent of all parties.

The MD of Willow Creek recognizes the challenges facing recreation service providers. Rising operating costs are an issue all councils must consider when evaluating service levels.

Like its municipal partners, the MD of Willow Creek faces significant pressures, including aging infrastructure, increasing costs, declining municipal assessment, and the continued downloading of provincial public services to municipalities.

The proposed update to the Intermunicipal Recreation Funding Agreement reflects the level of cost increase the MD of Willow Creek can afford. The agreement also outlines a consultation process for joint capital construction or rehabilitation projects. The MD is open to these discussions, subject to the ICF agreement's opt-in and opt-out provisions for joint funding.

The proposed renewal of the Intermunicipal Recreation Funding Agreement is presented in this memorandum for review by the partner municipalities.

Background: Rationale for Fixed Cost Contribution

The rationale for the funding formula, terms and conditions of the agreement was determined through the negotiation process in which all five municipalities participated as follows:

Purpose of Fixed Cost Contributions

Fixed cost contributions are intended to support the continued existence, availability, and long-term sustainability of regional recreation facilities that provide shared benefit to residents across municipal boundaries. Fixed costs are incurred regardless of usage levels and are necessary to maintain core recreation assets.

Asset-Based and Regionally Beneficial Costs

The Agreement distinguishes fixed costs from variable and policy-driven operating costs. Fixed costs are asset-driven and include costs such as insurance, base utilities, and capital-related expenditures required to keep facilities available for use. These costs are appropriately shared because the facilities provide demonstrable regional benefit to residents of all participating municipalities.

Fair, Equitable, and Data-Driven Formula

The fixed cost contribution formula is based on an analysis of 2019 financial data and reflects average fixed costs across comparable facilities. Unique operating arrangements, such as partnerships with third parties, were considered in order to ensure equity. Operational costs including staffing and programming were excluded to recognize local policy decisions and the variances between communities in how recreation services are provided.

Preservation of Municipal Autonomy

By limiting intermunicipal cost sharing to fixed costs only, the Agreement preserves municipal autonomy. Each urban municipality retains full control over programming, service levels, staffing, and day-to-day operations. Variable costs remain locally determined and are not subject to intermunicipal cost sharing. As the MD of Willow Creek has no operational decision-making authority in recreation decisions in any of the partner community's operational costs and their relative affordability or unaffordability fall entirely upon the local governance body.

Financial Certainty and Predictability

Fixed cost contributions are established for the full term of the Agreement based on agreed-upon baseline data. Adjustments are limited to defined inflationary cost reviews and must be supported by demonstrated changes in actual fixed costs. This approach provides predictable, sustainable funding and avoids ongoing ad-hoc negotiations.

Support for Long-Term Asset Sustainability

In addition to annual fixed operating costs, the Agreement provides for contributions to facility reserves. Recreation facilities are capital-intensive and aging assets, and reserve funding supports planned maintenance, repairs, and enhancements. Reserve contributions are matched by urban municipalities, reinforcing shared responsibility while respecting local decision-making.

Alignment with the Intermunicipal Collaboration Framework

The fixed cost contribution model aligns with the principles of the Intermunicipal Collaboration Framework by promoting efficient use of public resources, equitable cost sharing for services of mutual benefit, transparency, accountability, and financial certainty for all parties.

Summary

Fixed cost contributions are justified as they support regionally beneficial recreation assets, are based on fair and transparent analysis, preserve municipal autonomy, and provide predictable and sustainable funding for both current operations and long-term facility viability, consistent with the premise of the Intermunicipal Recreation Funding Agreement.

TERM

Article 2.1 of the Agreement establishes the Term of the Agreement.

The agreement takes effect on execution and continues until April 30, 2026, unless it is amended or terminated in accordance with the agreement.

The Agreement includes the provision for Automatic Renewal.

At the end of the initial term (and any subsequent renewal term), the agreement automatically renews for an additional period of equal length, unless the parties agree in writing to extend, renew, replace, or otherwise modify it or the Intermunicipal Collaboration Framework (ICF) is revised such that recreation (or a substantial portion of it) should no longer be delivered on an intermunicipal basis, in which case Article 6 applies.

The agreement may also be extended or renewed at any time by written agreement of all parties, independent of the automatic renewal mechanism.

The MD of Willow Creek is willing to renew the Agreement with specific amendments outlined in this proposal. The MD of Willow Creek is not willing to open the agreement to wholesale re-negotiation, to take on any portion of recreation operational costs or to increase financial contributions other than those outlined in this agreement.

CALCULATION OF CONTRIBUTIONS

Article 5 of the agreement establishes how financial contributions are provided by the MD of Willow Creek over the term of the agreement:

ARTICLE 5 - FINANCIAL RESPONSIBILITY

5.1 Funding Contribution. The funding contribution to and of each of the Parties in respect of Recreation are provided within **Schedule “C”, “D”, “E”, and F”**. Save and except for those cost shares and payments contemplated within the aforementioned Schedules, or otherwise agreed to by the Parties from time to time, each Party is solely responsible for funding their own Recreation budget.

The annual funding contribution is summarized as:

	CELEBRATION EVENT	CEMETERIES	CURLING ARENA POOL	CURLING ARENA POOL RESERVE		SUMMER GAMES
MD (GRANUM)	\$ 1,000.00	-	-	-	MD	\$ 2,600.00
Claresholm	\$ 1,000.00	\$3,000.00	\$62,000.00	\$12,300.00	Claresholm	\$ 800.00
Fort Macleod	\$ 1,000.00	\$3,000.00	\$62,000.00	\$12,300.00	Fort Macleod	\$ 800.00
Nanton	\$ 1,000.00	\$3,000.00	\$62,000.00	\$12,300.00	Nanton	\$ 800.00
Stavelly	\$ 1,000.00	\$3,000.00	\$29,000.00	\$5,700.00	Stavelly	\$ 200.00
TOTAL MD CONTRIBUTION	\$ 5,000.00	\$ 12,000.00	\$215,000.00	\$42,600.00	TOTAL PARTNER CONTRIBUTION	\$ 5,200.00
Total MD Contribution -----				\$274,600 -----		

5.2 Calculations and Review. The Parties acknowledge and agree that the contributions are based on 2019 data, and are to remain constant for the Term of this Agreement. Assessment or other adjustments will not be considered for the Term of this Agreement, with the exception that changes to costs pertaining to insurance, utilities and telecommunications attributable to recreation services, will be reviewed in year three (3) with a view to making appropriate adjustments that are data driven for years four (4) and five (5), based on aggregate averaging to achieve a common rate (the “**Inflationary Cost Review**”).

5.3 Inflationary Cost Reviews. With respect to the conduct of any Inflationary Cost Review:

- a) the Parties recognize that a significant deflationary result would be due to something innovative taking place, and therefore:
 - i) for the Term of this Agreement, base funding levels do not change for the Parties; and
 - ii) base funding does not get reduced if there are deflationary results from the Inflationary Cost Review;
- b) the Inflationary Cost Review will require that actual fixed costs associated with providing Recreation services be demonstrated;
- c) the bases and process for making a decision in inflationary/deflationary adjustments are as follows:
 - i) each of the four urban municipalities must provide actual fixed costs and identify total increases or decreases;
 - ii) the highest and lowest increases/decreases will be eliminated from the averaging, and the middle two will be averaged;
 - iii) taking out the highest eliminates rewarding inefficiency or purchasing that is above base levels;
 - iv) taking out the lowest ensures that efficiency or being frugal with purchasing is not penalized;
 - v) adjustments will be made for year four (4) and five (5) based on this averaging;
- d) any increases in adjustments will be capped by the average of the rate of the projected rate of inflation (as of March 5, 2021) for 2021, 2022, and 2023, as set out within the graph of actual and projected inflation rates contained within **Schedule “G”** attached to this Agreement (which average, as of March 5, 2021, is 1.58%);
- e) if any costs are out of line for any one Party, all Parties will ask for and/or provide detailed information and explanation so that there is a shared understanding; and any and all final decisions pertaining to adjustments will be made by the MD of Willow Creek.
- f) any and all final decisions pertaining to adjustments will be made by the MD of Willow Creek.

SUMMARY OF CONTRIBUTIONS DURING AGREEMENT TERM

In 2023 the MD of Willow Creek waived the calculation provisions outlined in the agreement due to the introduction of the carbon tax which significantly affected utility costs. As a result of this decision over the fiscal years 2023, 2024, 2025 years of the agreement the MD has provided an additional \$173,992 in recreation financial contributions to the Towns of Nanton, Claresholm and Fort Macleod and Town of Stavely over the 5 year term of the agreement.

The following charts demonstrates recreation contributions as conceived by the agreement vs the actual financial contribution to fixed costs which have been provided by the MD of Willow Creek to the Towns:

Financial Contributions in Accordance with the Agreement

AGREEMENT Calculation to Determine Fixed Costs - Nanton / Claresholm / Fort Macleod

2021	2022	2023	2024	2025		
62000	62000	62,979.60	63,974.68	64,985.48		
	1.58%	1.58%	1.58%	1.58%		
	979.6	995.08	1010.80	1026.77		
62000	62979.6	63974.68	64985.48	66,012.25	5 yr Total / Community	\$319,952
					x3 communities	\$959,856

AGREEMENT - Other Contributions (Celebration, Cemetery, Capital) - Nanton / Claresholm / Fort Macleod

2021	2022	2023	2024	2025		
\$16,300	\$16,300	\$16,300	\$16,300	\$16,300	5 yr Total / Community	\$81,500
					x3 communities	\$244,500

AGREEMENT Calculation to Determine Fixed Costs - Stavely

2021	2022	2023	2024	2025		
29,000	29,000.00	29,458.20	29,923.64	30,396.43		
	1.58%	1.58%	1.58%	1.58%		
	458.2	465.44	472.79	480.26		
29000	29,458.20	29,923.64	30,396.43	30,876.70	5 yr Total - Stavely	\$149,655

AGREEMENT - Other Contributions (Celebration, Cemetery, Capital) - Stavely

2021	2022	2023	2024	2025		
\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	5 yr Total - Stavely	\$48,500

Agreement Contributions / 5 years \$1,402,511

Actual Financial Contributions Provided During Term of Agreement

ACTUAL Fixed Cost Funding Provided - Nanton / Claresholm / Fort Macleod

2021	2022	2023	2024	2025		
62,000	62000	77,000.00	82,000.00	82,000.00	5 yr Total / Community	\$365,000
					x 3 communities	\$1,095,000

ACTUAL - Other Contributions (Celebration, Cemetery, Capital) - Nanton / Claresholm / Fort Macleod

2021	2022	2023	2024	2025		
\$16,300	\$16,300	\$16,300	\$16,300	\$16,300	5 yr Total / Community	\$81,500
					x3 communities	\$244,500

ACTUAL Fixed Costs Funding Provided - Stavelly

2021	2022	2023	2024	2025		
29,000	29000	41,000.00	44,000.00	45,500.00		\$188,500

ACTUAL - Other Contributions (Celebration, Cemetery, Capital) - Stavelly

2021	2022	2023	2024	2025		
\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	5 yr Total - Stavelly	\$48,500

CONTRIBUTIONS REQUIRED BY AGREEMENT **\$1,402,511**

TOTAL FUNDING CONTRIBUTIONS ACTUALLY PROVIDED **\$1,576,500**

ADDITIONAL FUNDING PROVIDED OVER 5 YEAR AGREEMENT **\$173,989**

2021-2025 Recreation Fixed Costs

	2021 Fixed Costs	2022 Fixed Costs	2023 Fixed Costs	2024 Fixed Costs	2025 Fixed Costs
Fort Macleod	142,371.00	179,470.07	226,575.72	225,508.48	220,534.01
Nanton	140,788.00	160,790.06	141,888.36	148,462.38	144,387.58
Claresholm	87,717.00	119,246.25	122,232.40	116,828.17	116,015.54
Stavelly	57,800.00	81,685.00	88,516.10	90,981.54	92,103.60

Renewal of Recreation Funding Agreement

The agreement expires April 26, 2026 however renewal and extension terms are included in the agreement.

The agreement may only be amended or terminated with unanimous approval of all communities. Without agreement to renew the original terms of the agreement apply including the 2019 base year funding level of \$62,000. It is the best interest of all parties to agree to reasonable amendments.

From a fairness perspective this is the ideal time to amend this agreement. Following the receipt of prior year costs for 2025 and 2026 it was determined that fixed costs have stabilized and in fact have declined. The financial contribution proposals outlined in this agreement exceed the contributions that would be otherwise provided if calculated exactly as the agreement outlines.

Certain amendments to the agreement are proposed by the MD of Willow Creek to ensure the agreement remains current and relevant.

The MD of Willow Creek proposes that the following amendments to the agreement be considered:

1. **Base Year Update**

- Funding calculations move from utilizing **2019 data to 2025 data**. This will increase the base year calculation for fixed costs from \$62,000 to \$82,000 for Claresholm, Nanton and Fort Macleod and from \$29,000 to \$45,500 for Stavely.

2. **Aggregate Averaging over the Full Term**

- A common regional rate is established using aggregate averaging **every year of the five-year term**, rather than maintaining the existing base year during the first 3 years of the agreement and deferring inflationary (or deflationary) adjustments until years 4 and 5 in the term.

3. **Revise Inflationary Adjustment Cap**

- Any annual increase is **capped at Statistics Canada's annual average CPI (December)**.
- If calculated increases are lower than CPI, the lower amount applies.

These changes will:

- Not change contribution formulas – only the reference base year.
- Remain current to conditions as annual review of aggregated average inflation to a maximum of Annual Consumer price index inflation as determined by Statistics Canada annual average consumer price index for the twelve-month period ending in December of the applicable year
- Not reopen historic payments unless explicitly agreed otherwise.
- Aligns naturally with the upcoming renewal window (post-April 30, 2026)

Why This Matters

- Ensures current, evidence-based financial inputs
- Improves year-to-year predictability and transparency
- Protects all Parties from inflation volatility
- Eliminates ad-hoc or discretionary adjustments

Proposed Amendments to the Intermunicipal Recreation Agreement

Proposed Amendment to Section 5 -Change base year from 2019 to 2025 and Revision to Section 5.2 - Aggregate Averaging over the Full Term

The Parties acknowledge and agree that funding contributions are based on 2025 data and shall be determined using aggregate averaging to achieve a common rate throughout the entire five (5) year Term, with the exception that changes to costs pertaining to insurance, utilities and telecommunications attributable to recreation services will be reviewed annually.

Aggregate averaging shall be applied annually using actual fixed costs associated with providing Recreation services, as demonstrated by the urban municipalities, in order to establish and maintain a common regional rate in accordance with Section 5.3 of the Agreement.

All other provisions of Section 5, including the methodology, timing, caps, and dispute resolution mechanisms associated with the Inflationary Cost Review, remain unchanged and in full force and effect.

For certainty, the updated 2025 base year shall apply prospectively from the effective date of this amendment and shall not require retroactive adjustments to contributions previously made.

Proposed Amendment to Section 5.3(d) – Inflationary Adjustment Cap

5.3(d) Any annual inflationary adjustment arising from the aggregate averaging process shall be limited to a maximum increase equal to the rate of inflation, as determined by Statistics Canada's annual average Consumer Price Index (CPI) for the twelve-month period ending in December of the applicable year.

For greater certainty, where the aggregate averaging calculation would otherwise result in an increase exceeding the applicable CPI rate, the adjustment shall be capped at the CPI rate, and where the calculation results in an increase below the CPI rate, the lower calculated amount shall apply.

5.3 (e) No inflationary adjustment shall exceed the applicable Statistics Canada annual average CPI rate for December of the relevant year, regardless of regional cost variances.