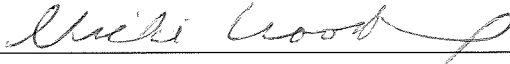




CITY OF HAMILTON
COMMUNITY AND EMERGENCY SERVICES
Recreation Division

TO:	Chair and Members Emergency and Community Services Committee
COMMITTEE DATE:	March 24, 2014
SUBJECT/REPORT NO:	Recreation Concessions at City Operated Facilities (CES14014) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Romas Keliacius 905-546-2424 ext. 4722
SUBMITTED BY:	Vicki Woodcox Acting General Manager Community and Emergency Services Department
SIGNATURE:	

RECOMMENDATION

- (a) That staff consult with volunteer user groups in City operated arenas to determine the level of interest in participating in a pilot project for the operation of City arena concessions;
- (b) That staff undertake a pilot project from September 2014 to March 2015 at a maximum of six City-operated arena concessions to test the feasibility of transferring the operation of arena concessions to volunteer organizations and associations;
- (c) That the Director of Recreation be authorized to select the pilot location sites after consulting with the volunteer user groups;
- (d) That a Request for Proposal (RFP) be issued to select the volunteer user groups that will operate the concessions in the selected pilot sites; and,
- (e) That staff report back to the Emergency and Community Services Committee upon completion of the pilot project with an evaluation of the pilot and recommendation(s) for future management and operations of City-operated arena concessions.

EXECUTIVE SUMMARY

Following the Service Delivery Review, City Council, at its meeting held on Wednesday, September 25, 2013, approved Item 14 of the General Issues Committee Report 13-019, and requested that staff investigate and report back to the Emergency and Community Services Committee with respect to the feasibility of transferring the

operation of concession stands at City-operated facilities to volunteer organizations and associations.

This report focuses on concessions operated in municipal arenas, given arenas are where almost all of the City-operated concession stands are located. A list of concession sites and the Wards in which they are located is attached as Appendix A to Report CES14014.

The Recreation Division's Food Services Unit manages arena food concessions as well as a full service kitchen and catering operation at Sackville Seniors Centre. The unit is also responsible for the overall management of 150 vending machines located in various Recreation facilities across the City.

The arena concession stands operate up to 20,000 regular service hours during the ice season, not including tournaments, special events and summer lacrosse, which equates to 30 to 70 hours per week per concession site. The service hours translate to approximately 25,000 hours of staff time (13.7 FTEs). Some of the benefits found in the current business model include:

- Diverse choices for customers - a selection of over 50 different food and beverage products, which are made up of 160 different inventory items (e.g. a coffee requires the coffee itself, plus a cup, stir stick, milk, sugar, etc.).
- Ability to comply with the City's Healthy Food and Beverage Policy (HF&B policy) in 2014 (i.e. ensuring that 75% of products are healthy choices and are free of trans fats).
- Centralized management model that:
 - Enables the provision of consistent product offering and pricing.
 - Allows for bulk purchasing which results in significant price reductions from vendors and often vendor provided equipment for products.
 - The ability to offset losses generated in 'money losing' concessions with profits from 'money making' concessions.
- Total of 60 to 70 seasonal non-union part-time snack bar clerks and eight unionized part-time senior arena clerks are employed in arena concessions. These part-time jobs are often stepping stones to other full-time work within the City.
- Consistent compliance with legislative and legal requirements such as: Regular Inspections with Public Health and Food Safety, Fire, Technical Standards and Safety Authority, Ministry of Labour, City of Hamilton By laws and all Occupational Health and Safety requirements not limited to WHMIS, training, certification and site inspections.
- Provision of service by concession staff to collect public skate admissions at various facilities across the City resulting in a savings to Recreation of about \$10,000 per season.

The Recreation Division works with many different volunteer organizations and associations including a total of 94 sport organizations and clubs that are formally affiliated with the Division. All of the above are volunteer organizations and associations that are continuously looking for additional sources of revenue to support their organization.

Feasibility and Mitigation of Risks (Pilot Project)

Staff have concluded that the transfer of City owned concessions to volunteer groups is feasible, but not without risk. Processes would need to be put in place to mitigate these potential risks. There are also a number of issues that would have to be resolved before a full roll-out to volunteer groups could be implemented as described in the Analysis and Rational for Recommendation section of Report CES14014.

Staff are recommending that a pilot project be implemented in a maximum of six concession sites during the 2014-2015 ice season to assess the feasibility of a volunteer run concessions model. This would mitigate risk by testing the capacity of volunteer groups to run a concession. It would also provide the City with an opportunity to evaluate feasibility before a wider application of the volunteer model is contemplated and/or implemented.

Staff will consult with arena user groups to determine the level of interest in participating in the pilot project and in which areas of the City. The pilot sites will then be selected by the Director of Recreation in consultation with Ward Councillors. Additional criteria will be used to select sites including profitability (sites selected will include a cross section of profitable, break-even, and non-profitable sites), geographic location and level of interest from user groups in particular locations. During the pilot program, the Recreation Division will continue to look for efficiencies within all other remaining sites.

To minimize some of the operational challenges staff are proposing that the operating model for the proposed pilot be a 'turn-key' operation. Volunteer organizations selected will only be required to provide volunteer staff to operate the concession sites. The Recreation Food Services Unit would continue to purchase and deliver the inventory, provide equipment and facilitate volunteer training on an on-going basis.

Volunteer groups selected to operate the concessions in the pilot project will be charged an administrative fee to cover the Recreation Food Services Unit's administrative costs (i.e. based on the cost of inventory plus 30%). This proposed fee was established based on existing administrative expenses and inventory levels. This will allow the volunteer groups to run the concession sites based on a simplified business model, ensure legislative compliance, and provide products and prices that are consistent with the other concession sites in Hamilton arenas. If the concessions are operated at the same levels as in 2013, there is potential for the volunteer groups operating the pilot to make a profit.

The pilot sites will be evaluated based on profitability, customer satisfaction, and overall capacity of the volunteer groups to effectively run the concessions. For this to happen, the sites will be required to charge the same prices for products as City concessions and operate a minimum number of hours to allow for a comparable evaluation to other City run concessions. Staff would then report to Council on the results of the evaluation and proposed next steps.

The timing of the next steps are as follows:

- 1) Implementation of Pilot (April to September 2014)
 - Meet with arena user groups
 - Competitive process as per City of Hamilton's Procurement Policy will be utilized to select organizations for the pilot concession sites.
 - Training new operator (e.g. Inventory, equipment, food safety, etc.).
- 2) Monitoring & Evaluation (September 2014 to March 2015).
- 3) Recommendation Report to Emergency and Community Services Committee (June 2015).

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The 2014 proposed budget for the Food Services concessions business is \$950,000 offset by \$756,000 in revenues, resulting in a net levy impact of \$194,000.

The pilot program will be designed to have a neutral impact on the net levy.

Staffing: Implementation of the pilot project as proposed would result in hiring fewer seasonal non-union part-time snack bar clerks (1.4 to 6.4 FTE's or 12 to 32 part time staff).

Legal: Legal Counsel, City Manager's Office, will prepare the agreements to be signed by the City and the successful volunteer groups.

HISTORICAL BACKGROUND

On October 29th, 2012, the General Issues Committee was presented with recommendations resulting from the Service Delivery Review. The transfer of food preparation/delivery within City recreational facilities was identified as a potential Service Delivery Review opportunity.

Following the Service Delivery Review, City Council, at its meeting of Wednesday, September 25, 2013, approved Item 14 of General Issues Committee Report 13-019, which reads as follows:

14. Transfer of Operation of Concession Stands at City-operated Facilities

That staff report back to the Emergency and Community Services Committee with respect to the status of the direction to staff to investigate the feasibility of transferring the operation of concession stands at City-operated facilities to volunteer organizations and associations.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The recommended pilot project will minimize associated impacts on policies and legislated requirements.

- By centrally purchasing inventory and selling it to the volunteer organizations, the pilot concessions will comply with the City's Healthy Food and Beverage Policy (HF&B policy).
- The pilot concession sites will be required to comply with legislative and legal requirements such as: Regular Inspections with Public Health and Food Safety, Fire, Technical Standards and Safety Authority, Ministry of Labour, City of Hamilton By laws and all Occupational Health and Safety requirements.

RELEVANT CONSULTATION

- Recreation Division – Administration and Food Services Sections
- City Manager's Office: Legal Services
- Corporate Services: Finance, Administration & Revenue Generation
- Corporate Services: Service Delivery Review
- Financial Services: Risk Management
- Financial Services: Procurement
- Human Resources: Employee and Labour Relations

The comments from all the above stakeholders have been taken into consideration in the writing of this report.

A high-level review of operating models at comparator municipalities for municipal arena concessions was conducted. Hamilton's most comparable cities are London, Windsor and Ottawa. In addition, Brampton and Mississauga were also looked at as they have comparable arena businesses. Ottawa operates under a hybrid model between the private sector and volunteer operators. London and Windsor operate a hybrid model between the private sector and City operated concessions and Brampton and Mississauga both operate concessions internally. In addition, based on a market scan of other municipalities it should be noted that many rural or smaller towns operate arena concessions with a successful volunteer model. Based on this review, multiple business models exist for running arena concessions.

ANALYSIS AND RATIONAL FOR RECOMMENDATION

City staff will be meeting with arena user groups to gauge the level of interest in participating in the pilot project. It is reasonable to assume that volunteer groups would have the potential to be profitable if they operated an arena concession stand that is run solely by volunteers. This assumption is based on the fact that within the City's current operating model, "employee related expenses" represent approximately 60% of total concession expenses. The elimination of these expenses through the use of volunteer labour introduces the potential for profit.

Notwithstanding the profit potential associated with a volunteer driven model, it must be noted that the implementation of the pilot program will present some challenges and risks. These include:

- Job loss - The pilot will require the Food Services Unit to hire fewer snack bar clerks (1.4 to 6.4 FTE's or 12 to 32 part time staff).
- Inconsistent service levels and product offerings - Multiple volunteer service providers will make it challenging to maintain consistent service levels across the City.
- Flexibility - Often there are last minute requests to have a concession stand opened. The City's existing business model allows for the flexibility to respond to these requests. This flexibility may not exist to the same extent in the pilot locations.

Challenges - Volunteer Operator

There would be several challenges for the Volunteer Organizations if they were to assume operations of City-operated concessions. Challenges are listed below:

- Registered Business - A volunteer group would be required to register their operation as a business. This would require specific knowledge, time and cost.
- Complexity - Operating a concession stand requires the skill of operating a small business (e.g. inventory, financial, staffing, legal, Commercial General Liability insurance, legislated requirements, health department inspections, etc.).
- Volunteer Hours - Significant volunteer hours would be required. On average each concession stand operates for 30 to 70 hours per week over a minimum 28 week period. If a group operates for fewer hours, there would be a direct impact on profit potential and service levels.
- Risk - Volunteer organizations may expose themselves to potential financial risks in taking on this new responsibility.

ALTERNATIVES FOR CONSIDERATION

None

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.
- 2.3 Enhance customer service satisfaction.

APPENDICES AND SCHEDULES ATTACHED

Appendix A to Report CES14014: Concession Stands Located in Municipal Arenas

Concession Stands Located in Municipal Arenas

The 15 concession sites that are operated by staff from within the Recreation Food Services Unit, Recreation Division are listed below:

- Ward 1 - None
- Ward 2 - None
- Ward 3 - None
- Ward 4 - Parkdale (Pat Quinn) Arena
- Ward 5 - Rosedale Arena
- Ward 6 - None
- Ward 7 - Mountain (Dave Andreychuck) Arena, Inch Park Arena, Lawfield Arena
- Ward 8 - Chedoke Twin Pad Arena
- Ward 9 - Stoney Creek Arena, Valley Park Arena
- Ward 10 - Saltfleet Arena
- Ward 11 - Glanbrook Arena
- Ward 12 - Morgan Firestone Arena
- Ward 13 - Dundas Market Street (J.L. Grightmire) Arena
- Ward 14 - Beverly Arena
- Ward 15 - North Wentworth Arena, Carlisle Arena