



Hamilton

INFORMATION REPORT

TO:	Chair and Members Emergency and Community Services Committee
COMMITTEE DATE:	June 22, 2015
SUBJECT/REPORT NO:	Recreation Concessions at City Operated Facilities (CES14014(b)) (Wards 5, 7, 12) (Outstanding Business List Item)
WARD(S) AFFECTED:	Wards 5, 7, 12
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SIGNATURE:	

Council Direction:

At their meeting on September 8, 2014, the Emergency and Community Services (E&CS) Committee discussed the Recreation Concessions at City Operated Facilities (CES14014(a)) report and advised staff to simplify the suggested pilot model and to explore the feasibility of volunteer run concessions in City operated arenas.

Information:

The Recreation Division's Food Services Section manages 15 arena food concessions as well as a full service kitchen and catering operation at Sackville Seniors Centre. The Section is also responsible for the overall management of 120 vending machines located in various Recreation facilities across the City.

On March 24, 2014, Council approved the Recreation Concessions at City Operated Facilities (Report CES14014) for the implementation of a pilot program to test the feasibility of volunteer run concessions in City operated arenas. On June 20, 2014, a Request for Proposals (RFP) based on the approved operating model in Report CES14014 was issued to the affiliated arena user groups to select volunteer operators.

On September 8, 2014, Report CES14014(a) was submitted to the Emergency and Community Services (ECS) Committee outlining the results of the RFP which did not generate any bids from the user groups. This was in large part due to a feeling amongst the groups that they found the RFP process and proposed model to be too onerous and complicated. Staff were directed to return to the ECS Committee with a simplified model that would potentially generate more interest from targeted volunteer groups.

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Following Committee direction, staff consulted with Legal Services, Finance & Administration, Risk Management Services, Procurement, Employee and Labour Relations and Public Health Services to simplify the pilot model as much as possible to make it more attractive for affiliated arena users. (A full listing of the affiliated youth arena user groups is attached as Appendix A to Report CES14014(b)). Based on feedback from these internal consultations, several adjustments have been made. However, some aspects of the previously proposed model cannot be changed due to existing bylaws, policies, contracts or other legislation. The model has been simplified in the following areas:

Business Model

The business model has been simplified as follows:

- Purchasing of Inventory – Instead of purchasing inventory through the City as previously proposed, groups will purchase inventory on their own. As per Public Health bylaws, all food suppliers must be licensed and therefore government inspected. Homemade foods are not allowed unless from a licensed kitchen. Existing vendor agreements (e.g. beverage exclusivity and equipment) will also need to be honoured if volunteer groups want to continue using vendor supplied equipment (for example, coffee machines are supplied by the coffee vendor. If the group chooses to sell coffee from a different vendor, they will no longer have use of the machine).
- Pricing schedule – Groups will be allowed to set their own pricing rather than charge prices set by the City as was previously proposed. This could mean that prices are inconsistent between concessions.
- Hours of Operation – No minimum operating hours will be required. However, the expectation will be that the concession is open for all groups that utilize the arena, not exclusively for the group chosen to operate the concession.
- Fees – The proposed model will offer free use of concession space. Administrative fees will be waived by the City in the simplified model (Administration fees are charged against the net levy to cover centralized warehouse costs, supervisor and administrative salaries, utilities, maintenance costs, equipment repairs, facility audits, facility schedules, etc.), without a revenue offset. The original model had a mark-up of 30% on the inventory purchased from the City to cover these costs.
- Selection of Groups – Staff discussed with Procurement and it was decided that rather than put volunteer groups through a lengthy RFP process again, the City will “sole source” the operation of each pilot site based on a required business plan outlining how they intend to enlist volunteers and operate the concession while meeting minimum requirements. This can be done under the delegated authority granted to the General Manager, Community & Emergency Services.

Risk Management

Many of the risk management aspects of the proposed model are governed by existing by-laws, policies, contracts or other legislation. However there are two areas where the Recreation Division can provide some flexibility:

- WHMIS Training – This training requirement will be removed as a mandatory requirement. The Ministry of Labour states that *“training on the use of controlled products is only required for workers under the Occupational Health and Safety Act. As volunteers do not meet the definition of a worker, no training is legally required. However, employers are strongly encouraged to train volunteers who handle controlled products, or are exposed to any other potential workplace hazards. Although not legally required, providing such training can only be considered part of being a responsible employer.”* Since the Recreation Division believes in the importance of this training it will be offered through several sessions for the volunteers that may be interested.
- Minimum Age Requirements – The original operating model required all volunteers to be at least 16 years of age. This requirement will be removed and the volunteer organizations will be required to follow the Ministry of Labour guidelines on the minimum age for working (and volunteering) in Ontario workplaces. These guidelines state that *“in a restaurant, the food preparation area would be considered a factory, with a minimum age of 15 years, whereas the cash register would be a shop - minimum age: 14 years.”*

The areas that cannot be simplified are listed below along with supporting rationale:

- Licence Agreement – The volunteer organization will still be required to sign a licence agreement to operate the concession. This agreement will outline some of the finer details associated with running the concessions (e.g. authority to occupy the concession space, what equipment can be found in the concession and details on who will repair it if broken, minimum reporting requirements (hours, volunteer list, and financials)).
- Criminal Record Check – The Police Background Checks Policy (HR-07-09) requires the City to exercise due diligence by ensuring, to the extent reasonably possible, that employees and volunteers who provide such services do not pose a risk to vulnerable individuals or to the City’s interest. All volunteers over the age of 18 will require a Police Vulnerable Sector Check (PVSC) and volunteers younger than 18 will require a Police Information Check (PIC).
- Food Handlers Certificate – The Mandatory Food Handler Training By-Law (No. 07-245) requires all medium and high risk food premises in Hamilton to have a certified food handler working on-site in a supervisory capacity during all hours of operation. In almost all instances a concessions volunteer will eventually find themselves operating a concession on their own. This will necessitate, as a matter of practicality,

that all volunteers have a food handler's certificate. A volunteer group can avoid this requirement if they choose to sell only low risk items (e.g. pre-packaged, non-hazardous food).

- Insurance Requirements – As required by any organization operating on City premises, the City's standard insurance requirement of Commercial General Liability insurance with a minimum limit of \$2M per occurrence and \$4M in the aggregate will apply.
- Tax laws – In the original volunteer model, volunteer concessions were required to purchase inventory from the City of Hamilton. Since this is no longer the case, taxation is not a City issue. The affiliated arena user groups may be required to remit HST as they are selling taxable goods to the public. They are responsible for following Federal and Provincial tax legislation.
- Compliance with other City policies – All volunteers will be required to follow the City's Code of Conduct, Harassment and Discrimination Prevention and Violence in the Workplace policies.
- Legislative and Legal Requirements – Through open communication with Recreation staff, groups will be required to facilitate 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.

Following the development of a more simplified model, Recreation staff consulted affiliated ice user groups to ensure it was sufficiently simplified. A survey was administered to determine if the new model was attractive to the groups and determine interest in participating in the pilot program. A total of 22 of the 34 affiliated youth ice user groups completed the survey (65%). Several attempts were made to reach the other groups with no success. Of the groups that responded, nine (41%) expressed interest in running a concession under the proposed new model. Of the 13 that were not interested, 12 (92%) indicated that it was due to volunteer capacity issues. The full survey results are attached as Appendix B to Report CES14014(b).

Recreation staff met with each group interested in operating a pilot concession site to provide updated information on the pilot model and answer questions. During this process six of the nine groups withdrew their interest in participating primarily based on volunteer capacity issues. The remaining groups have indicated in writing that they have their organization's support to assume responsibility for operating a concession. These groups will have the opportunity to participate in the pilot program which will run from September 2015 to March 2016. The three sites are:

- Inch Park Arena (Ward 7)
- Morgan Firestone Arena (Ward 12)
- Rosedale Arena (Ward 5)

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By the end of July, the groups will have submitted a brief business plan outlining how they intend to enlist volunteers and meet the minimum requirements outlined in this report. Failing to submit this plan will eliminate the group from the pilot. Following receipt and acceptable review of the business case, the individual concession sites in the pilot will then be sole sourced to groups under the delegated authority granted to the General Manager, Community & Emergency Services. Selected groups will then be required to sign a license agreement to operate the concession for the 2015/16 season.

Based on the 2015 budget, the net levy impact associated with the concessions business is \$202,000. The proposed simplified pilot model will not result in a chargeback of administrative fees from the City to volunteer operators. As a result the financial implications will be limited to the elimination of the profit or loss associated with each of the selected pilot sites. If the three pilot sites are operated by volunteer groups, it is estimated that expenses will be reduced by \$125,160. However, those savings will be offset by a reduction in revenue of \$132,200 resulting in an overall negative impact on the net levy of \$7,040.

The volunteer run pilot will impact the current staffing complement associated with the Food Services Section. Implementation of the pilot project as proposed would result in hiring fewer seasonal non-union part-time snack bar clerks (approximately 1.63 FTE's or 10 part time staff) and one (1) less seasonal Senior Arena Clerk (0.27 FTE). Of the \$125,160 in expenses mentioned above, \$68,800 represents employee related costs. These jobs are often stepping stones to further employment with the City of Hamilton.

In addition to job loss, it must be noted that the implementation of the simplified volunteer operating model will present some other challenges and risks. These include:

- Inconsistent service levels, product offerings, and prices - Multiple volunteer service providers will make it challenging to maintain consistent service levels across the City.
- Long Term Sustainability – Volunteer groups do not guarantee that year after year there will be interest by the group to run the concessions. Volunteer executives frequently change and that could jeopardize the long-term sustainability of the model and would therefore be limited to short term contracts.

At the completion of the 2015/2016 season, the pilot sites will be evaluated based on profitability to the user groups, customer satisfaction, and overall capacity of the affiliated arena user groups to effectively run the concessions. Staff will then report to the Emergency and Community Services Committee on the results of the evaluation and provide related next steps and recommendations.

APPENDICES AND SCHEDULES ATTACHED

Appendix A to Report CES14014(b): Affiliated Youth Ice User Groups

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Appendix B to Report CES14014(b): Affiliated Youth Arena Ice Group Survey
Results (February 2015)