



CITY OF HAMILTON
PUBLIC WORKS DEPARTMENT
 Corporate Assets & Strategic Planning Division
 and
CORPORATE SERVICES DEPARTMENT
 Financial Planning & Policy Division

TO:	Chair and Members Public Works Committee
COMMITTEE DATE:	December 7, 2015
SUBJECT/REPORT NO:	Confederation Park Management Agreement (PW11005c/FCS15090) – (Ward 5)
WARD(S) AFFECTED:	Ward 5
PREPARED BY:	Peter Wobschall (905) 546-2424, Extension 4819 Jennifer DiDomenico (905) 546-2424, Extension 5596 Brian McMullen (905) 546-2424, Extension 4549
SUBMITTED BY:	Gerry Davis, CPA, CMA General Manager Public Works Department Mike Zegarac General Manager Finance & Corporate Services Department
SIGNATURE:	

RECOMMENDATION

- (a) That Appendix A attached to Report PW11005c/FCS15090 respecting *Operational Review of Confederation Park, Hamilton, ON, Sierra Planning and Management, 2015*, be received;
- (b) That based on the results of the operational review the City of Hamilton continue with the Hamilton Conservation Authority as the operators under agreement to manage Confederation Park moving forward;
 - (i) That the General Manager of Public Works be authorized and directed to negotiate a long-term operating agreement with the Hamilton Conservation Authority for Confederation Park in a form satisfactory to the City Solicitor;

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- (ii) That the Mayor and City Clerk be authorized and directed to execute the agreement as outlined in Report PW11005c/FCS15090;
- (c) That payment to the Hamilton Conservation Authority of \$696,217 to cover the Confederation Park accumulated deficit to December 31, 2014 be approved and funded from the following:
 - (i) Tax Stabilization Reserve #110046 – for the operating deficit from 2014 of \$366,397;
 - (ii) 2014 Year-End Operating Budget Surplus – for the accumulated operating deficit to 2013 of \$329,820 (previously approved by Council through Report FCS14047b);
- (d) That an increase to the operating budget for Confederation Park in the amount of \$70,000 be referred to the 2016 budget process for consideration;
- (e) That a Waterpark Reserve be established;
 - (i) That the 2015 operating surplus from the Waterpark operations, estimated at \$300,000, be transferred to the Waterpark Reserve with the exact amount to be determined when the HCA's financial audited statements are finalized in the spring of 2016;
 - (ii) That future annual Waterpark operating surpluses (if realized) be transferred to the Waterpark Reserve so that at least a minimum balance of \$300,000 is maintained, and that reserve funds at or below the \$300,000 level be used to offset future annual operating deficits (if realized);
 - (iii) That Waterpark Reserve balance above the \$300,000 minimum level be available for use for capital improvements at the Waterpark, as approved by the City of Hamilton in consultation with the Waterpark operators, and as one component of a comprehensive 10-year capital plan as outlined in Report PW11005c/FCS15090;
- (f) That the Consolidated Loan Agreement between the City of Hamilton and Hamilton Conservation Authority, as amended on December 8, 2008, in the amount of \$1,699,015 be cancelled as mutually agreed;
- (g) That the capital expenditures for Confederation Park of \$1,699,015 be funded and repaid from the Unallocated Capital Levy Reserve 108020 at \$264,790 annually until December 2023.

EXECUTIVE SUMMARY

On January 10, 2011, General Issues Committee approved the following recommendation as contained in report *PW11005/CS11004/PED11015 – Confederation Park Master Plan*:

- (f) That the General Managers of Public Works and Community Services be directed to review and report back on operating alternatives beyond the interim agreements identified in recommendations (c) [Confederation Park] and (d) [Westfield Village] respectively.

This report responds to the operating alternatives beyond the interim operating agreement for Confederation Park between the City of Hamilton and the Hamilton Conservation Authority (HCA). It also outlines various measures that should be implemented to provide the City with increased ability to mitigate annual deficits and address the ongoing trend of running an accumulated deficit from 2006 to 2015. These measures should be implemented regardless of the operator selected to manage Confederation Park, or selected to manage either of the two business units contained within i.e. City-wide Park and Waterpark [Wild Waterworks].

Based on recommendations from Report *PW11005/CS11004/PED11015 – Confederation Park Master Plan*, a new interim operating agreement was developed, signed by the City and the HCA, and came into effect on January 1, 2012. The interim operating agreement was designed to provide City staff with time to review long-term options for the operation of Confederation Park through a short-term agreement of 3-years, plus two, 1-year renewal options. With a maximum term of five-years, the current interim operating agreement will expire on December 31, 2016.

In 2014, Policy & Programs staff engaged the Business Management consulting firm *Sierra Planning and Management* (“Sierra”) to consider the recent changing dynamics of Confederation Park, including the *Confederation Park Master Plan Review and Update Final Report, August 2010* submitted by the HCA in 2010, and make recommendations for operating alternatives beyond the interim agreement. After reviewing the current management model for Confederation Park under the HCA, and analyzing alternatives to this model including public management (City), third-party management, and private sector concession management, *Sierra Planning and Management* identified that the most cost-effective operating model is to continue with HCA management of Confederation Park, including Wild Waterworks.

Sierra also recommends in their operational review that the City enter into a long-term operating agreement with the HCA to facilitate the implementation of the *Confederation Park Master Plan Review and Update Final Report, August 2010*; received by Council on January 10, 2011 as recommendation (a) in Report PW11005/CS11004/PED11015.

The HCA has successfully managed Confederation Park since 1980 as demonstrated by their ability to nearly consistently realize annual operating surpluses at the Waterpark (Wild Waterworks), while maintaining a relatively level expense line. In addition to their prudent fiscal competence, the experience of operating Confederation Park has provided the HCA with an opportunity to develop specialised expertise in waterpark operations.

Based on Sierra’s recommendations from the operational review, the history of the successful partnership between the City and the HCA within Confederation Park, and the HCA’s specialized waterpark expertise, Public Works staff respectfully recommends that Council receive the attached operational review summary and enter into a long-term agreement with the HCA to manage Confederation Park; including the contained family waterpark (Wild Waterworks). Approving these recommendations will bolster our shared efforts in continuing with long-term planning and implementation of the park’s Master Plan. Additionally, approving the recommendations within this report will provide

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staff with the required time to develop a revised long-term agreement to take effect January 1, 2017.

This report also outlines financial measures that should be taken to better mitigate the long-term trend of accumulated deficits within the consolidated financials of Confederation Park. These measures include:

- Divide Confederation Park's two business units of the Waterpark and the City-wide Park into their own separate accounting;
- Determine reasonable value for operation of the City-wide Park and provide an increased amount to the park operator;
- Establish a Waterpark Reserve;
- Finalize a 10-year, three-element capital plan for Confederation Park and the Waterpark; and
- Use an averaging of past years' actual costs to forecast the Waterpark annual budget (a model similar to that which is used for the Winter Control program).

An additional consideration to be addressed is the loan between the HCA and the City of Hamilton. Council at its meeting on October 29, 2008 approved the consolidation of a number of loans for Confederation Park. A Consolidated Loan Agreement between the City of Hamilton and Hamilton Conservation Authority, as amended on December 8, 2008, in the amount \$2,715,296 for a term of fifteen years at an interest rate of 5.18% was executed. After a review of the terms of the loan agreement and the operating agreement, it has been determined that any loans related to the Confederation Park operation are not required. The loan payable on HCA's Confederation Park books and financial statements of \$1,699,015 is offset with the loan receivable on the City of Hamilton's books and financial statements. Similarly, the annual loan payment of \$264,790 is offset by annual loan receipts. As these capital expenditures for Confederation Park relate to City assets, expenditures of \$1,699,015 will be recorded in the City's books. These capital expenditures will be funded and repaid from the Unallocated Capital Levy Reserve 108020 according to the terms of the loan with annual payments of \$264,790 from December 2016 to December 2023.

Alternatives for Consideration – See Page 17

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Whether or not Council approves of entering into a long-term agreement with the Hamilton Conservation Authority (HCA) to operate Confederation Park, (including the contained waterpark), several financial measures will need to be implemented to mitigate future annual deficits, reimburse the HCA for the accumulated deficit realized from 2008 to 2014, and to ensure the long-term sustainability of the park. These measures are outlined in the following paragraphs.

Accumulated Deficit to 2014

In accordance with the terms of the operating agreement, HCA is managing Confederation Park and the City of Hamilton is required to fund the annual operating budget and the associated surpluses and deficits. In 2014, the

accumulated operating deficit to December 31, 2013 of \$329,820 was recorded in the City's books and financial statements and funded within the City's disposition of operating budget surplus in Report FCS14047b. The operating deficit for 2014 of \$366,397 was not recorded in the City's 2014 expenditures as it was not available until the HCA's audited financial statements were approved by HCA's board in May 2015. Council approval is being requested to pay to HCA the accumulated deficit as it exceeds the operating budget in 2014 and 2015. The City's Tax Stabilization Reserve will be used to fund the 2014 operating deficit of \$366,397. A record of the accumulated deficit is summarized below in *Table 1: Consolidated Business Units Accumulated Operating Deficit & Waterpark Attendance*.

History of Accumulated Deficit from 2008 to 2014

Confederation Park is composed of two business units: A City-wide Park and a Waterpark. As per the Confederation Park operating agreement (2012-2016), the HCA provides annual audited statements that consolidate the financials of the two business units into one statement. Under this financial model, annual surpluses realized by the Waterpark (a revenue generating attraction) have been used to off-set the operating costs of the City-wide Park (a passive park that provides residents with healthy living opportunities). This model has resulted in no major capital investment in the Waterpark since new waterslides were installed in 2007 as Waterpark surpluses have consistently been used to subsidize the operation of the City-wide Park. Capital investment in the Waterpark is important to attract new visitors and retain repeat visitors, and is vital to the long-term sustainability of the Waterpark.

It is important to note that forecasting the annual budget of the Waterpark is very difficult. This is primarily due to the very short operating season of just over two months; approximately 80 days from mid-June to Labour Day Monday in September. The primary influence on park revenue is Waterpark attendance, which is in turn, driven primarily by weather. The difficulty in predicting Waterpark attendance (i.e. revenue) is due to its seasonal nature, and is similar to forecasting annual Winter Control budgets by Public Works' Road Operations. The key difference between predicting Winter Control costs and Waterpark attendance is that the Winter Control season has a 5.5 month operating window, whereas the Waterpark has a much shorter 2.5 month operating window. This makes it even more difficult to predict revenues for the Waterpark as the operating window of the park is approximately half the length of the forecasted Winter Control season. The result of the influence of weather on Waterpark attendance is that it is wildly unpredictable as identified in *Table 1: Consolidated Business Units Accumulated Operating Deficit & Waterpark Attendance*. For example, 2013 and 2014 experienced cooler weather on average and received above average precipitation. The result of poor weather during these years was very low attendance rates of 96,736 and 87,925 respectively. Conversely,

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2012 and 2015 were hotter than average and experienced low precipitation rates, resulting in 116,149 and 130,103 visitors respectively.

Table 1: Consolidated Business Units Accumulated Operating Deficit & Waterpark Attendance

	Annual Surplus / (Deficit)	Prior Year Operating Fund Balance	Accumulated Operating Surplus / (Deficit)	Attendance
2005	\$ 282,097	\$ 12,476	\$ 294,573	140,545
2006	\$ (574,625)	\$ 294,573	\$ (280,052)	124,729
2007	\$ (234,389)	\$ (280,052)	\$ (514,441)	97,186
2008	\$ 416,797	\$ (514,441)	\$ (97,644)	118,981
2009	\$ (216,161)	\$ (97,644)	\$ (313,805)	101,146
2010	\$ 234,610	\$ (313,805)	\$ (79,195)	108,506
2011	\$ 8,168	\$ (79,195)	\$ (71,027)	105,541
2012	\$ (148,796)	\$ (71,027)	\$ (219,823)	116,149
2013	\$ (109,997)	\$ (219,823)	\$ (329,820)	96,736
2014	\$ (366,397)	\$ (329,820)	\$ (696,217)	87,925
2015	\$ 300,000	\$ (696, 217)	\$ (396,217)	130,103

Please note: In addition to the operating revenues and expenses shown in Tables 2 and 3 below, the figures presented in Table 1 are derived from annual audited financial statements that include major maintenance expenditures, capital additions until 2012, consolidated loan funding, principal and interest, changes in capital funding reserves, and net change in assets from 2013 and 2014. Since Table 1 figures are taken from annual audited statements, and figures shown in Tables 2 and 3 are derived from operating budgets, the sum of Tables 2 and 3 will not equal the sum in Table 1.

It is also evident from the data in *Table 1: Consolidated Business Units Accumulated Operating Deficit & Waterpark Attendance* that since 2006, the consolidated business units have continually realized an accumulated deficit. As the expenses of the consolidated business units have remained fairly consistent over time, the cause for the continuing accumulated deficit can be

attributed to Waterpark attendance rates over the limited operating season. Upon investigation of the accumulated deficit trend, staff is making the following administrative and financial adjustments moving forward:

- Divide the two business units of the Waterpark and the City-wide Park into their own separate Deptlds.
- Determine a reasonable amount of funding for the operation of the City-wide Park and provide an increased amount to the park operator.
- Establish a Waterpark Reserve.
- Finalize a 10-year capital plan for Confederation Park including both business units.
- Use an averaging of past years' actual costs to forecast the Waterpark annual budget (a model similar to that which is used for the Winter Control program).

These measures are further explained in the following paragraphs.

Separate Accounting of the Two Business Units

Separating the accounting of the Waterpark and the City-wide Park will improve the ability of City staff to oversee the operator's management of funds for each business unit. It will provide staff with the tools necessary to make informed budget adjustments from year to year and mitigate the possibility of realizing an annual deficit. The City will require separate business unit reports to be reported by the park operator at regular monthly meetings with Public Works' staff, and at annual Park Management Review Team (PMRT¹) meetings. In addition, the City will require separate annual audited statements for each business unit as a component of the revised park operating agreement to take effect January 1, 2017. The City will also request that the HCA provide separate audited statements for each of the two business units for the remainder of the current agreement (i.e. for 2015 and 2016).

In addition to offering more control over business unit budgets, separate accounting will also prevent the wildly fluctuating revenues of the Waterpark from impacting the City-wide Park operating budget, and will assist in

¹ Excerpt from the 2012 Confederation Park Management Agreement: "The Park Management Review Team (PMRT) is comprised of four members of the City's administrative staff and three members authorized and appointed at all times by the HRCA. The PMRT meets at least once per year during the Term, and as needed by call of the chair or as may be requested by any member of the PMRT. The scope of the PMRT shall be to review, advise and comment on the following matters: (a) Monitoring of compliance of the parties as to the terms of the Agreement; (b) The review of any business plans, capital and operating budgets, or any revisions thereto; (c) Advise on proposed material changes, as determined by PMRT, to the operating and maintenance standards and policies as may be proposed by the City or the HRCA from time to time; (d) The review of allocation approaches and practices applicable to the Park; (e) The review of scheduling and programming practices applicable to the Park; (f) The character of the Park; (g) All services and facilities in the Park; and (h) Fix the location and nature of such services and facilities."

mitigating future annual deficits. *Table 2: Commercial Operations Operating Costs Summary* provides a summary of revenue, expenses, and annual balance of the commercial operations (waterpark and leased properties) from 2010-2014.

*Table 2: Commercial Operations Operating Costs Summary**

Year	Revenue: Waterpark User Fees	Expenses: Waterpark	Waterpark Operating (Deficit) / Surplus	Revenue: Leases	Commercial Operations Operating Balance (Deficit) / Surplus
2010	\$ 2,543,792	\$ (2,003,084)	\$ 540,708	\$ 193,017	\$ 733,725
2011	\$ 2,085,968	\$ (1,916,336)	\$ 169,633	\$ 266,846	\$ 436,478
2012	\$ 2,023,672	\$ (2,240,622)	\$ (216,950)	\$ 267,600	\$ 50,650
2013	\$ 1,775,681	\$ (2,132,503)	\$ (356,822)	\$ 274,450	\$ (82,372)
2014	\$ 1,677,976	\$ (2,068,576)	\$ (390,600)	\$ 280,223	\$ (110,377)

**Note that for the purposes of this report, Commercial Operations includes the Waterpark and leased properties (Barangas on the Beach, Adventure Village, Hutch's on the Beach, Sandbox Sports (beach volleyball), and Beaches Grill and Patio). The City-wide Park includes the passive park and the Lakeland Centre (pool user fees and facility rentals).*

Provide Reasonable Value for Park Operation

In order to bring Confederation Park in line with other city parks, Council eliminated gate (parking) fees at Confederation Park beginning January 1, 2012². This decision solidified the position that Confederation Park is a City-wide Park, and like other City parks, provides a place for residents to enjoy a healthy lifestyle that is funded through municipal taxes. It is therefore reasonable to provide full operating costs of the City-wide Park to the operator, and not rely on the surpluses of the Waterpark to supplement the City-wide Park budget.

Public Works staff has consulted with the Hamilton Conservation Authority (HCA) and reviewed the past 5-years of accounting to determine that a reasonable funding level for operation of the City-wide Park (excluding the Waterpark) is \$650,000 annually in 2015 dollars. *Table 3: City-wide Park 5-*

² In context of the historical ongoing budget challenges of the consolidated business units, it is important to consider that the elimination of gate fees resulted in approximately \$200,000 to \$240,000 in lost revenue annually.

Year Historical Operating Costs summarizes City-wide Park revenue, expenses, and total annual cost to operate this business unit. The operating budget is currently included within the portfolio of the Policy & Programs section in Dept ID 382005.

Table 3: City-wide Park 5-Year Historical Operating Costs

	Revenue*	Expenses	Balance: Total Annual Cost to Operate City-wide Park
2010	\$ 207,351	\$ (810,651)	\$ (603,300)
2011	\$ 183,457	\$ (739,938)	\$ (556,481)
2012	\$ 144,636	\$ (753,540)	\$ (608,904)
2013	\$ 145,303	\$ (760,696)	\$ (615,393)
2014	\$ 123,155	\$ (770,908)	\$ (647,753)

**Annual City-wide Park revenue includes: ~\$62,000 in pavilion and film rentals, ~\$25,000 in Lakeland Pool Rentals, and \$50,000 in Lakeland Centre rentals. Prior to the elimination of gate fees in 2012, ~\$59,000 was allocated to City-wide park revenues from gate (parking) fees (total annual revenue from gate fees prior to 2012 was ~\$225,000).*

Establish a Waterpark Reserve

Staff are recommending establishing a Waterpark Reserve with a minimum balance to be maintained at \$300,000. Considering the influence and unpredictability of the weather, which is the primary influence on attendance and revenues, future annual deficits may occur from time to time. Following the City's Winter Control model, establishing a Waterpark Reserve and maintaining a minimum balance of \$300,000 will enable these funds to be used to off-set future deficits if realized. The reserve will receive all surpluses realized from the operation of the Waterpark and the City-wide Park³. Funds exceeding the minimum \$300,000 level will be used for capital improvement at the Waterpark. Due to a hot and dry 2015 operating season that led to the highest Waterpark attendance in 13 years, HCA staff has reported that they expect an annual Confederation Park (consolidated financials) surplus of \$300,000⁴. It is recommended that this surplus be used to establish the Waterpark Reserve.

³ Surpluses are not expected from the operation of the City-wide park; however in the rare chance that a surplus is realized, staff recommends that it is also placed in the Waterpark Reserve.

⁴ Estimate only. Exact figures to be verified through the financial auditing process and presented to the City in the spring of 2016.

Capital Planning

Capital planning within Confederation Park, including the Waterpark, will be important to ensure its success and the long-term sustainability of the buildings and property contained within. Capital development related to public open space occurring within Confederation Park is currently being funded through the Open Space Development Block that is administered by Landscape Architectural Services (LAS). The Open Space Development Block is intended to cover all park development and redevelopment across the City of Hamilton; primarily neighbourhood parks. The Open Space Development Block has an annual allocation below what is required for Confederation Park. As a city-wide park initiative, the annual Open Space Development Block is therefore not sufficient to fund requirements as identified in the 2010 Confederation Park Master Plan.

As per the Confederation Park Master Plan report (PW11005/CS11004/PED11015 Item 8.2), feasibility of the Confederation Park Master Plan is under review through Landscape Architectural Services (LAS). A report will be forwarded to Council in early 2016 for consideration.

Components of the 2010 Confederation Park Master submitted by the HCA align with the LAS 10-year capital program which in part works to satisfy recommendations from the Recreation Division in the provision of City-wide recreational facilities. This work currently includes the first phase of sports field development in the east-end of the park (the former campground), as well as planning for park amenities and utility services aimed to attract private sector investment⁵. To address Master Plan components beyond this in-progress work, LAS is targeting 2016 to forward a report to Council on the feasibility of a subsequent sports field phase and the overall 2010 Confederation Park Master Plan, along with an associated budget estimate for consideration.

The second element of a comprehensive capital plan for Confederation Park relates to investment into the Waterpark. Wild Waterworks has seen the addition of only one major attraction since 2001 when the two slides 'Night Rider' and 'Blue Demon' were installed, and that was in 2008 when two other slides, 'Vertigo' and 'Sidewinder', were added. Strategic Planning (Public Works) will use \$300,000 of approved funds from the existing capital project 4401356801 Confederation Park to engage a professional amusement park design firm to develop a 10-year, phased plan for re-development of the Waterpark. The scope of the consultant's work will include a conceptual plan identifying refurbished and new attractions, detailed re-design for Little Squirtworks (kiddie attraction within the Waterpark), and detailed design for one new attraction that meets an identified gap in amenities. An associated

⁵ For more information on the master planning process, refer to www.hamilton.ca/parks-recreation/improving-our-parks/confederation-park.

10-year business plan identifying necessary levels of investment, estimated revenue, and attendance is also recommended and will be further explored by staff during this process.

Leased property within Confederation Park accounts for approximately \$300,000 in annual revenue. Public Works staff will consult with Real Estate and the park operator to develop a 10-year capital plan for the leased buildings within the park. A draft capital plan for the leased properties within Confederation Park will be presented to Council for consideration at an appropriate time⁶. This element is expected to be included in the revised operating agreement to take effect January 1, 2017 and will be coordinated by the park operator.

Staff from Policy & Programs (Strategic Planning, Public Works) will consult with the park operator to coordinate the activities of the three capital planning elements, and develop a 10-year holistic capital plan.

Five-year Rolling Average Budget Model

Similar to Winter Control, Waterpark budget forecasting is very difficult to predict. City staff will collaborate with the park operator to apply a five-year rolling average budget forecast model to the Waterpark. This model uses a historical average to forecast budgets and is expected to assist in mitigating future annual deficits. The Winter Control model of establishing a reserve will also be implemented as identified in the *Establish a Waterpark Reserve* section above.

Consolidated Loan

Council at its meeting on October 29, 2008 approved the consolidation of a number of loans for Confederation Park. A Consolidated Loan Agreement between the City of Hamilton and Hamilton Conservation Authority, as amended on December 8, 2008, in the amount \$2,715,296 for a term of fifteen years at an interest rate of 5.18% was executed. After a review of the terms of the loan agreement and the operating agreement, it has been determined that any loans related to the Confederation Park operation are not required. The loan payable on HCA's Confederation Park books and financial statements of \$1,699,015 is offset with the loan receivable on the City of Hamilton's books and financial statements. Similarly, the annual loan payment of \$264,790 is offset by annual loan receipts. As these capital expenditures for Confederation Park relate to City assets, expenditures of \$1,699,015 will be recorded in the City's books. These capital expenditures will be funded and repaid from the Unallocated Capital Levy Reserve 108020 according to the terms of the loan with annual payments of \$264,790 from December 2016 to December 2023.

⁶ Estimated 2017 or 2018; after the implementation of the new operating agreement that will take effect January 1, 2017; and after the Feasibility to Implement the Confederation Park Master Plan 2010 report is presented to Council.

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Staffing: There are no additional staffing implications with Report PW11005c/FCS15090.

Legal: Public Works staff will support Legal Services in preparing and executing a new operating agreement between the City and the Hamilton Conservation Authority (HCA) to be effective beginning January 1, 2017.

Corporate Services staff has discussed the cancellation of the Consolidated Loan Agreement with Legal Services.

HISTORICAL BACKGROUND

Confederation Park is a 93 hectare (228 acre) park within the City of Hamilton's east end, located on the shores of Lake Ontario. The park is largely linear in orientation, stretching approximately four kilometres along the shoreline. The park is bounded on the south by the Queen Elizabeth Way (QEW) highway, and stretches west to Beach Boulevard, and to Grays Road in the east. Main points of access are from Centennial

Parkway North at the QEW, from the North Service Road in the east, and off of Van Wagner's Beach Road to the west. See Appendix B attached to Report (PW11005c/FCS15090) for an orthophoto (aerial photo) of Confederation Park.

The partnership between the Hamilton Conservation Authority (HCA) and the City of Hamilton began in Confederation Park during the 1970's when the City approached the HCA for their expertise in addressing flooding issues within the beach area. This relationship continued throughout the 1970s and in 1980, the HCA entered an agreement to manage the park. Under the terms of the agreement, the role of the HCA is to *'develop, operate, maintain and manage and secure the park to a like standard, insofar as it is practicable to do so, as it operates, maintains and manages and secures its own conservation areas.'*

In 2008, the HCA received Council approval and associated funding to update the Master Plan for Confederation Park. *Confederation Park Master Plan Review and Update Final Report, August 2010* completed by the HCA and approved by the HCA Board of Directors in July 2010 and submitted to the City for consideration.

On January 10, 2011, General Issues Committee approved Item 8.2 which included the following recommendations from Report *PW11005/CS11004/PED11015 - Confederation Park Master Plan*:

- (a) That the Confederation Park Master Plan Review and Update Final Report, August 2010 as submitted by the Hamilton Conservation Authority be received;
- (b) That the General Manager of Public Works be directed to review and report back on the feasibility of implementing the Confederation Park Master Plan, in consultation with the relevant departments;
- (c) That the General Managers of Public Works, Community Services and Planning and Economic Development be authorized and directed to negotiate all necessary agreements in a form satisfactory to the City Solicitor, including an interim

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operating agreement for the necessary lands comprising Confederation Park with the Hamilton Conservation Authority;

- (d) That the General Manager of Community Services be authorized and directed to negotiate an interim operating agreement with the Hamilton Conservation Authority for Westfield Heritage Village in a form satisfactory to the City Solicitor;
- (e) That the Mayor and City Clerk be authorized and directed to execute the agreements as outlined in Report PW11005/CS11004/PED11015;
- (f) That the General Managers of Public Works and Community Services be directed to review and report back on operating alternatives beyond the interim agreements identified in recommendations (c) and (d) respectively.

Landscape Architectural Services (Public Works) is developing a report to address recommendation (b) and will forward a report in 2016 for Council's consideration on the feasibility of implementing the Confederation Park Master Plan. This item is also discussed in the Financial section above.

Recommendation (c), directing staff to negotiate all necessary agreements in a form satisfactory to the City Solicitor, including an interim operating agreement for the necessary lands comprising Confederation Park with the Hamilton Conservation Authority was satisfied when an interim operating agreement was endorsed by both parties and came into effect on January 1, 2012. The interim operating agreement was designed to provide staff with time to review long-term options for the operation of Confederation Park. To this end, the agreement was short-term at three-years, with an additional two, one-year renewal options. It was executed by both parties beginning January 1, 2012, and expires on December 31, 2016.

At their meeting on March 26, 2014, under item 30, Council authorized staff to negotiate and execute the transfer/sale of Westfield Village to the Hamilton Conservation Authority. This action rendered recommendation (d) and (f) from Report *PW11005/CS11004/PED11015 - Confederation Park Master Plan* partially obsolete (in reference to Westfield – the reference to Confederation Park still stands).

Report PW11005c/FCS15090 responds to recommendation (f), directing the General Manager of Public Works to review and report back on operating alternatives beyond the interim agreement as identified in recommendation (c) for Confederation Park.

In 2014, Policy & Programs (Public Works) staff engaged a Business Management consulting firm (*Sierra Planning and Management*) to consider the changing dynamics of Confederation Park, including the *Confederation Park Master Plan Review and Update Final Report, August 2010* submitted by the HCA in 2010, and make recommendations regarding operating alternatives beyond the interim agreement; including both business units: the City-wide Park and the Waterpark. The purpose of this review was:

To outline and assess the business culture, systems, processes and service delivery options of the Hamilton Conservation Authority (HCA) as it pertains to its management of Confederation Park. The Review is intended to

assess existing operations and where appropriate develop recommendations for improvement as they relate to the operation and management of Confederation Park. Within the broader mandate, the Review ensures that Confederation Park, including Wild Waterworks, is being operated in a safe, efficient and effective manner, considering the needs of customers, employees and the general public.

The objectives of the Review were to:

- Review the organizational structure, governance model and strategic direction of Confederation Park inclusive of Wild Waterworks;
- Review the operational capacity and management model of the HCA as it relates to Confederation Park; and
- Review the administrative structure and processes of the HCA as it relates to Confederation Park.

The review provides an overview of the operations of the HCA as it pertains to Confederation Park and Wild Waterworks. It included a detailed financial review and situation analysis to identify current and past operational concerns and successes, and areas for improvement.

After reviewing the current model of the HCA managing Confederation Park, and analyzing alternatives to this model including public management (City), third-party management, and private sector concession management, *Sierra Planning and Management* identified that the most cost-effective operating model, and the model that best supports a shared mandate (long-term vision) for the Park between the City and the Park Operator, is to continue with Hamilton Conservation Authority (HCA) management of Confederation Park, including Wild Waterworks:

“Our recommended approach – retaining management with the HCA and maintaining both the waterpark and the balance of the park in one management structure – is important in light of the prospective plans to develop the Central Village [as outlined in the Master Plan]. All aspects of the park need to complement one another, particularly as new uses are contemplated over time.” (*Sierra Planning and Management – Confederation Park Operational Review*)

Sierra also recommends entering into a long-term operating agreement with the HCA to facilitate the long-term implementation of the *Confederation Park Master Plan Review and Update Final Report, August 2010*; received by Council on January 10, 2011 as recommendation (a) in Report PW11005/CS11004/PED11015:

“Our comments on the management agreement itself are limited to its duration. A one year extension of the management agreement is of limited value to long term planning. We recommend that the management agreement be revised to remove the limitations of single year extensions and include a longer term agreement.” (*Sierra Planning and Management – Confederation Park Operational Review*)

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The Waterpark Reserve will be established in accordance with the City's "Reserve Policy – Administration of Financial Reserves and Reserve Funds".

RELEVANT CONSULTATION

Hamilton Conservation Authority: Regarding financial information in terms of park and waterpark performance, and to confirm their interest in continuing to operate Confederation Park, including Wild Waterworks, and enter into a long-term operating agreement.

Landscape Architectural Services (Public Works): Regarding Confederation Park Master Plan including associated Economic Feasibility Study and implementation plan.

Recreation (Community & Emergency Services), and Cemeteries and Office of Energy Initiatives (Public Works): Regarding cost comparison of estimated municipal costs vs HCA costs to operate Confederation Park.

Real Estate (Planning & Economic Development): Regarding the sale/transfer of Westfield Village and the prospect of extending, through a new long-term agreement, the management agreement with the HCA to manage and operate Confederation Park.

Tourism & Culture (Planning & Economic Development): Regarding the sale/transfer of Westfield Village.

Finance & Administration and Financial Planning & Policy (Corporate Services): Regarding financial information including when the funding was exclusively under the responsibility of Corporate Services (Boards & Agencies funding).

Ward 5 Councillor: Consulted on the recommendations contained within this report.

Sierra Planning and Management: Consultant retained by Public Works to conduct an operational review of Confederation Park.

ANALYSIS AND RATIONAL FOR RECOMMENDATION

Rational for the recommendation to continue with the Hamilton Conservation Authority (HCA) is summarized by Sierra Planning and Management in the following excerpt from their *Confederation Park Master Plan Review and Update Final Report, August 2010* (pg. 81):

[Confederation] Park outside of Wild Waterworks operates largely as any public park – operating at deficit, with operating revenues based on carefully crafted tenant lease agreements for ground rent, some event space rentals and user fees for sports fields. In this regard, there is no competitive advantage in the City retrenching operations to its staff.

Operation by the City may result in some things being done better, some worse, some costs higher and some costs saved. The common value in either operation by HCA or the City lies in the operational control, planning and investment in the park as a whole, including Wild Waterworks. The waterpark in private hands would potentially separate its mandate from that of the park, while investment in the

facilities of Wild Waterworks could only be supported by the private sector with significant changes to the business model.

Our recommended approach – retaining management with the HCA and maintaining both the waterpark and the balance of the park in one management structure – is important in light of the prospective plans to develop the Central Village [as outlined in the Master Plan]. All aspects of the park need to complement one another, particularly as new uses are contemplated over time. This is not to say that an alternative to HCA management of Wild Waterworks and the Park as a whole should not be considered at some point in the future. Specifically, that debate should occur once greater clarity exists as to the proposed new uses in the park and the extent to which these can only be achieved through public-private partnership.

OPERATING MODEL ANALYSIS

The following text summarizes the benefits and challenges as presented in the recommendations from the *Operational Review of Confederation Park, Hamilton, Ontario, February 2015 (Sierra Planning and Management)*.

Continuing with the HCA as the Park's operator provides the following benefits:

- This option provides the most stability moving forward. Since this arrangement has been in place since 1980, projecting budgets and anticipated outcomes are predictable for the HCA and the City.
- Having one operator of the park and the waterpark can ensure the mandate of both aligns.
- The HCA offers significant business-specific experience, which is highly important for Wild Waterworks.
- Unionized staffing could raise costs [please note: based on a preliminary review conducted with HR of 26 position titles involved in the delivery of service at the Park, it was estimated that the City's costs are approximately 43% lower with the HCA as operator].
- The HCA has operated the waterpark well, producing a surplus net operating income (NOI) annually, for a number of years (with the exception of 2013-2014).
- Enables the City to maintain control of the park and waterpark, while sharing legal liability.
- Close, established relationship between the HCA and the City enables an efficient management and oversight structure.

Continuing with the HCA does present the following constraint:

- Broader mandate of the HCA may contrast with the profit-motivation of a private operator of the waterpark.

Whether or not Council approves of continuing with the Hamilton Conservation Authority as the Confederation Park operators (including the City-wide Park and the Waterpark),

staff recommends the measures presented in the financial section be supported to improve budget forecasting, mitigate the possibility of realizing future annual deficits, and provide for improved management of the budgets for both business units: City-wide Park and Waterpark.

ALTERNATIVES FOR CONSIDERATION

This section presents alternatives to the recommendations within this report. Staff does not recommend any of the alternatives presented below.

Alternatives 1, 2, and 3 are summarized from information contained in the *Confederation Park Master Plan Review and Update Final Report, August 2010*.

Alternative 1 - City Operation of Confederation Park:

This alternative includes moving the operation of Confederation Park, including both business units of the Waterpark and the City-wide Park, to the City of Hamilton. Staff does not recommend this alternative.

Pros:

- City will likely be operating and maintaining the sportsfield, and operation of the balance of the park (excluding the waterpark) may offer potential efficiencies. (**these discussions are in progress and will be included in a new operating agreement to take effect January 1st, 2017*)

Cons:

- The waterpark is a specialized facility (wave pool and 6 large waterslides) and it is unlikely the City will realize efficiencies in operation.
- Union staffing may significantly raise costs. A cursory comparison of costs, based on position titles only, suggests that the increased cost of lifeguards would amount to greater than \$225,000 in additional costs to the city. Note that lifeguard costs are approximately 38% of the HCA's total salaried and seasonal staffing costs.

Alternative 2 - Third-Party Management of Confederation Park:

This alternative includes moving the operation of Confederation Park, including both business units of the Waterpark and the City-wide Park, to a third party operator. Staff does not recommend this alternative.

Pros:

- Potential to reduce management fee
- Potential for commercially-minded operator to improve the bottom-line performance

Cons:

- More likely to force the necessary capital investment on a recurrent basis to maintain patron base

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- Operator is committed to revenue maximization and not necessarily the mandate of the park (recreational, healthy, environment, etc.)
- Capacity to balance park operations with waterpark may be lost
- Few qualified operators in the region
- Could lead to possible operating cost reductions to ensure revenue surplus
- Disconnect may exist between objectives of the private operator and the broader mandate of the Park
- Higher likelihood of competition with the planned Central Village (Master Plan)
- As land owner, the City remains liable

Alternative 3 - Private Operation of Concessions:

This alternative includes offering operations of concessions available at Wild Waterworks (food, rentals, etc.) to one or more private operators. Staff does not recommend this alternative.

Pros:

- In concept: ability to transfer risk to a qualified investor and operator forgoing surpluses, but shielding City from losses
- Facility reverts to City at the end of the concession period
- Potential to enforce capital reserve to enable investment
- City maintains control of park operations in role of owner

Cons:

- Investors will likely have little interest in assuming the aging facilities without City commitment to contribute the cost of capital renewal
- Could lead to possible operating cost reductions to ensure revenue surplus
- Disconnect may exist between objectives of the private operator and the broader mandate of the Park
- Higher likelihood of competition with the planned Central Village (Master Plan)
- Capacity to balance park operations with Waterpark may be lost
- As land owner, the City remains liable
- Little City control on price of admission, goods, and services

In addition to the alternatives presented above that are derived from the Operational Review, staff presents alternatives 4 and 5 below.

Alternative 4 – Conduct an RFP process for operation of the Waterpark Only:

This alternative includes conducting an RFP process to generate ideas and concepts from the private sector on the management and vision of the Waterpark only. Under this

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alternative, the operation of the City-wide Park could be managed by the City, offered to a third-party (as identified above), or continued with the Hamilton Conservation Authority (HCA). City staff does not recommend this alternative.

Pros:

- Potential to reduce management fee
- Potential for commercially-minded operator to improve the bottom-line performance

Cons:

- May force necessary capital investment prior to, and on a recurrent basis to maintain patron base
- Operator is committed to revenue maximization and not necessarily the mandate of the park (recreational, healthy, environment, etc.)
- Few qualified operators in the region
- Could lead to possible operating cost reductions to ensure revenue surplus
- Disconnect may exist between objectives of the private operator and the broader mandate of the Park
- Higher likelihood of competition with the planned Central Village (Master Plan)
- As land owner, the City remains liable

Alternative 5 – City Divestment in Ownership and Operation of the Waterpark:

This alternative includes divesting in ownership and operation of the Waterpark. City staff does not recommend this alternative.

Pros:

- Potential to reduce management fee
- Potential for commercially-minded operator to improve the bottom-line performance
- May significantly increase lease revenues and/or proceeds from sale.

Cons:

- City would lose a potential revenue-generating facility; one that is unique to the region
- May force necessary capital investment prior to, and on a recurrent basis to maintain patron base
- Operator is committed to revenue maximization and not necessarily the mandate of the park (recreational, healthy, etc.)
- Few qualified operators in the region

- Could lead to possible operating cost reductions to ensure revenue surplus
- Disconnect may exist between objectives of the private operator and the broader mandate of the Park
- Higher likelihood of competition with the planned Central Village (Master Plan)
- As land owner, the City remains liable

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

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

2.3 Enhance customer service satisfaction.

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” - Operational Review of Confederation Park, Hamilton, Ontario, November 2014. (Sierra Planning and Management)

Appendix “B” - Aerial Map (orthophoto) of Confederation Park