

**AGENDA ITEM #7.2
PUBLIC WORKS COMMITTEE
DECEMBER 7th, 2015**



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**Public Works Department – Corporate Assets & Strategic Planning
and
Corporate Services Department – Financial Planning & Policy**

**Confederation Park Management Agreement
(PW11005c/FCS15090) – (City Wide)**

Presentation Outline

- Background - Confederation Park Business Units
- Situational Analysis and Recommendations
- Next Steps

→ Community
→ People
→ Processes
→ Finance



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Background: Business Units

Confederation functions as 2 'business' units:

- **City-wide Park** – open space for visitors to enjoy. Features the waterfront trail and picnic areas
- **Waterpark** (Wild Waterworks) – revenue generating attraction

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Background: City-wide Park

Limited opportunity to generate revenue from users – multi-use trail, picnic areas, etc.

- Revenue generation is not consistent with CoH Parks' business model.
- Gate fees were eliminated in 2012 (equates to a loss of ~\$200-\$240K/yr)
- Pavilion and film rentals (~\$62K/yr), ~\$25K in Lakeland Pool Rentals, and \$50K in Lakeland Centre rentals.

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Background: Waterpark

Revenue generation is the focus of this attraction

- Features the area's largest wavepool
- Unique to Hamilton
- Average annual revenue generated between 2010 and 2014 was just over \$2,000,000
- Over 3.5 Million visitors since 1983



Background: Successful Partnership

The City of Hamilton and the Hamilton Conservation Authority have partnered on various initiatives at Confederation Park since the early 1970's (waterpark established in 1980)

This partnership has been successful overall despite the City and the HCA having differing mandates:

- City: provide services to residents
- HCA: focus on revenue generation and environmental stewardship

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Conservation Authority

Healthy Streams...Healthy Communities!

Background: Budget

- Administration of the Operating & Capital Maintenance budgets was transferred from Corporate Services to Public Works beginning in 2012 (*Report: PW11005b - Budget Allocation and Confederation Park Interim Operating Agreement Update*)
- Operating funding is included within the Policy & Programs section Budget
- From 2013 – 2015 Capital Maintenance funding has been provided out of the Parks Development Capital Budget (within LAS, Strategic Planning). This model is unsustainable and a sustainable source of funding is required.

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Situational Analysis: Overview

- Financials for the two business units have historically been combined (i.e. one audited statement)
 - Annual surpluses realized by the revenue-generating waterpark have been used to off-set City-wide park operating costs (*only exception was in 2013, when the waterpark realized an annual deficit*)
 - The result is that there is no reinvestment into the waterpark to keep it fresh and revitalized
- Model is unsustainable & will eventually lead to a decrease in visitors, deteriorating attractions (slides, Lazy River, etc.) and could lead to increasing safety concerns
- CoH Parks' Mandate: Operating a City-wide park is a cost to taxpayers
- Reasonable value is not being provided to operate the park

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Situational Analysis: Deficit

Combined Business Units

History of Deficits

Combined financial record of business units (City-wide park & waterpark) demonstrates a history of accumulated deficit

	Annual Surplus / (Deficit)	Prior Year Operating Fund Balance	Accumulated Operating Surplus / (Deficit)
2005	282,097	12,476	294,573
2006	(574,625)	294,573	(280,052)
2007	(234,389)	(280,052)	(514,441)
2008	416,797	(514,441)	(97,644)
2009	(216,161)	(97,644)	(313,805)
2010	234,610	(313,805)	(79,195)
2011	8,168	(79,195)	(71,027)
2012	(148,796)	(71,027)	(219,823)
2013	(109,997)	(219,823)	(329,820)
2014	(366,397)	(329,820)	(696,217)

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Situational Analysis: Deficit

History of Deficits

The consistency in running a continuous accumulated deficit could indicate any one or more of the following:

- Operating costs are increasing over time with no corresponding increase to operating funds
- Revenues are wildly unpredictable
- Management
- Reasonable value is not being provided to operate the park

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Recommendations: Deficit

- (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 operating deficit to 2013 of \$329,820 (previously approved by Council through Report FCS14047b);

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Situational Analysis: Operating Budgets

Financials indicate that the HCA is controlling costs; with a trend of decreasing combined operating costs over time

Combined Expenses (City-wide Park + Waterpark)

2005	5,115,524
2006	5,119,975
2007	3,526,406
2008	5,043,235
2009	3,362,939
2010	3,309,790
2011	3,334,053
2012	3,601,476
2013	3,129,899

City-wide Park Expenses

2010	810,651
2011	739,938
2012	753,540
2013	760,696
2014	770,908

Waterpark Expenses

2010	2,003,084
2011	1,916,336
2012	2,240,622
2013	2,132,503
2014	2,068,576



Situational Analysis: Operating Budgets

Weather & Short Season

- Revenues are dependant on entrance fees generated by visitors to Wild Waterworks (waterpark)
- The number of visitors is primarily influenced by:
 - **weather**
 - **very short, 2-month operating season (July and August)**

Waterpark Attendance

YEAR	ATTENDANCE
2005	140,545
2006	124,729
2007	97,186
2008	118,981
2009	101,146
2010	108,506
2011	105,541
2012	116,149
2013	96,736
2014	87,925
2015	130,103

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Situational Analysis: Operating Budgets

Commercial Operations Surpluses / Deficits

- Revenues are wildly unpredictable (as is weather!)
- Over a 5-year period from 2010 to 2014, the balance (surplus / deficit) has ranged from +\$700K to -\$110K
- **2015 is an unaudited calendar year estimate surplus*

Waterpark Annual Balance (*Surplus*) / (*Deficit*)

2010	733,725
2011	436,478
2012	50,650
2013	(82,372)
2014	(110,377)
2015	300,000*

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Situational Analysis: Operating Budgets

City-wide Park Historical Operating Costs (annual balance incl. revenue)

2010	603,300
2011	556,481
2012	608,904
2013	615,393
2014	647,753

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Recommendation: Operating Budgets

- (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;

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Situational Analysis: Investment

Little / No Capital Investment

- Capital investment in recent years has been limited to Sportsfield development in the east-end of the park
- Little capital investment into leased buildings & waterpark
- Last major capital reinvestment was the installation of the West Slides in 2007

Result of insufficient capital investment is a deteriorating infrastructure that is not retaining or increasing visitor attendance at the waterpark.

“A proven strategy that both public and private waterparks alike rely on to keep their attendance up is adding new rides and attractions. Some add something new every few years, while others make large investments every 5-7 years.” (*Sierra, Operational Review*)

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Recommendations: Investment

- (e) That a Waterpark Reserve be established;
 - (i) That the estimate 2015 operating surplus from the Waterpark operations, be transferred to the Waterpark Reserve;
 - (ii) That any future annual Waterpark operating surpluses be transferred to the Waterpark Reserve and that the reserve be used to offset future annual operating deficits (if realized);
 - (iii) That any Waterpark Reserve balance above \$300,000 be available for use for capital improvements at the Waterpark as one component of a comprehensive 10-year capital plan;

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Situational Analysis: Loan

Consolidated Loan:

Initiated in 2007, the consolidated loan was provided by the City of Hamilton with a rate of 5.18% over 15 years (matures in 2023).

Payable annually on December 8.

Included costs to cover:

- Additional slides at the Waterpark in 2007
- Lakeland Centre construction costs
- Existing Accumulated Deficit to the end of 2007

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Recommendations: Loan

- (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; and
- (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.

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Situational Analysis: Operational Review

Direction (Report PW11005/CS11004/PED11015 *Confederation Park Master Plan*) “to review and report back on operating alternatives beyond the interim agreements identified in recommendations (c) [Confederation Park]”

Sierra Planning and Management hired in 2014 to consider the recent changing dynamics of Confederation Park, including the Master Plan, and make recommendations for alternatives beyond the interim management agreement with HCA.

After reviewing the current management model under the HCA, and analyzing alternatives including public management (City), third-party management, and private sector concession management, Sierra **concluded that the most cost-effective operating model is to continue with HCA management of Confederation Park, including Wild Waterworks**

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Recommendations: Operational Review

- (a) That the *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 GM of Public Works be authorized and directed to negotiate a long-term operating agreement with the HCA;
 - (ii) That the Mayor and City Clerk be authorized and directed to execute the agreement (once completed);

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Next Steps

- If approved, begin internal and external consultation required to develop a new operating agreement to take effect on January 1st, 2017.
- Further assess the recommendations made in the consultant's operational review, determine what to implement, and then develop an implementation plan.

Assessment to include a review of:

- management fees
- best method(s) of applying performance bonuses
- revenue generation opportunities (with the Revenue Generation Section)
- discussions with the Parks Section and the Confed Park operator to determine maintenance responsibilities with the new sportsfield development

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Next Steps

- Continue to provide support to Landscape Architectural Services (LAS) on the development of the Feasibility of Implementing the Confed Master Plan 2010 report (planned for early 2016).
 - Support LAS in the development of conceptual plan for the waterpark and associated detailed plans for Little Squirtworks and one new attraction.
 - Work with the park operator to develop a 10-year capital plan for the City-wide park amenities; including leased buildings.

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QUESTIONS?