



INFORMATION REPORT

TO:	Chair and Members Emergency and Community Services Committee
COMMITTEE DATE:	June 6, 2016
SUBJECT/REPORT NO:	Recreation Concessions at City Operated Facilities (CES14014(c)) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
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SIGNATURE:	

Council Direction:

At their meeting on June 22, 2015, the Emergency and Community Services (E&CS) Committee considered the Recreation Concessions at City Operated Facilities Report (CES14014(b)). Staff committed to report back to the E&CS Committee upon completion of a pilot project to assess the feasibility of volunteer operated concessions in arenas. The report back was to include an evaluation of the pilot and an update on next steps taken to improve the City's operation of arena concessions.

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. Historically, Recreation's Food Service business has been a pressure on the net levy. In the 2016 Budget, the Recreation Division is forecasting a pressure of \$306,480 for the Food Services section.

In 2013, as a result of the Service Delivery Review, it was recommended that the Recreation Division investigate the feasibility of transferring the operation of concession stands at City-operated facilities to volunteer organizations and associations as a means to generate additional revenue for the associations and reduce the City's operational costs. Subsequent reports to E&CS (Report CES14014 and Report CES14014(a)) led to the action being taken as outlined in Report CES14014(b).

As outlined on June 22, 2015 (Report CES14014(b)), Recreation staff developed a volunteer concession model to be piloted over the 2015/2016 ice season. Nine of the 34

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affiliated youth ice user groups expressed an interest in operating a concession stand using this model. Following further engagement, six of the nine interested groups withdrew interest due to volunteer capacity issues. As discussions with the remaining three groups progressed, two more withdrew their interest for the same reasons, leaving only one site to participate in the pilot program – Inch Park Arena.

Volunteer Pilot Outcome (Oct. 2015 - Mar. 2016)

The Hamilton Girls Hockey Association (HGHA) expressed an interest in operating the concession at Inch Park as part of the proposed pilot project. The HGHA met the eligibility criteria for participating in the pilot and so were granted the opportunity to pilot a volunteer concession for one ice season in Inch Park Arena.

During the pilot the volunteer concession was open approximately 10 hours per week for a total of 187 hours. Using eight volunteers (one lead, one manager, and six clerks) 397 volunteer hours were used to generate \$3,615 in sales with a net profit of approximately \$1,000 dollars. This is a fairly marginal return considering the volunteer time invested. The profit generated will be used to provide five, \$200 dollar subsidies on program registrations.

The volunteer concession would not have been possible without a very committed operational lead. This volunteer was responsible for recruiting volunteers, procuring inventory, bookkeeping and working in the concession when needed. The group indicated that the challenges faced were primarily related to volunteer recruitment and procuring inventory for vendor owned equipment (i.e. having to purchase and pick up coffee from a wholesaler).

Since the Inch Park concession would be considered a low volume space, the volunteer pilot was able to keep up with the demand. If this model was to be scaled-up to a larger arena with demand for more operational hours, it would be very difficult to find enough volunteers to operate it.

Overall, considering that only one of the 34 affiliated arena user groups participated in the volunteer pilot indicates that the volunteer model would be difficult to apply to all 15 arena concessions. It is a tremendous amount of work for an increasingly overstretched volunteer base. The volunteer pilot demonstrated that, although it is possible for a group to generate new revenue for their organization, the solution is not scalable and cannot solve the existing financial pressure on the net levy.

The Recreation Division will continue to offer the opportunity to the HGHA to run the concession in the Inch Park Arena. However, the pilot project has demonstrated that it is not feasible to expand the volunteer model beyond that described above for the following reasons:

- Minimal uptake in the volunteer model primarily because of volunteer capacity issues (one of 34 affiliated youth ice user groups).

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- Pilot results indicate that a volunteer model would be difficult to scale-up and that it is a tremendous effort for volunteer groups to generate marginal returns.
- Since there would be a heavy reliance on a strong and committed operational lead, each volunteer site would need to be re-evaluated annually. These variations in sites would make it difficult for the City to run the remaining concessions effectively as there would be significant impact to the staff recruitment, budgeting, and procurement processes.
- Purchasing agreements are in place with some product vendors. These agreements guarantee rates based on minimum volume commitments that would be impacted if multiple sites were volunteer run, potentially increasing expenses for the remaining City-run sites.
- Some City-run concession sites generate a profit which offsets the losses at other concession sites. If the profitable sites were to be volunteer run, it would increase the pressure to the net levy.

Improved Internal Operating Model

Concurrently to the volunteer concession pilot, the Recreation Division conducted a full internal operating review of its Food Services Business. This review identified four major areas of improvement and provided 102 recommendations. Many enhancements have already been made and with continued effort it is believed that most of the concession sites can be profitable under a new City run operating model. Some of the major changes that would contribute to profitability include:

- Optimizing Operational Hours – Only operate concessions when it makes sense by using historical hourly sales versus staffing cost analysis.
- Utilize Synergies with Arena Staff – Share staff and equipment with arenas to minimize down time, maximize employee utilization and provide efficient customer service.
- Implement Process Efficiencies - There are many processes that can be more efficient. Some of these include: staff recruitment, staffing allocation, inventory management, and staff training.
- Review Product Offering – Boost sales by identifying what products will sell at the right price and work with Public Health to ensure that there are healthy choices.

The Recreation Division will continue to implement operational improvements with a focus on improving customer service and the financial outlook of the concession business.

Improvements to how the City runs arena concessions will improve their relative profitability. However, it should also be noted that there has been a decline in the overall utilization of City operated arenas in the last few years. Since the concession business is critically dependant on arena use this added pressure will no doubt impact the success of the concession business.

The Recreation Division is taking a more detailed look at all indoor recreation facilities, including arenas, through the updating of the “Use, Renovation and Replacement Study

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of Hamilton Recreation and Public-Use Facilities” (Indoor Study). Results from Phase 1 of the Indoor Study update will be presented to Council in September 2016. Direction received from Council from the Phase 1 update will form the basis for completion of Phase 2 of the update. Phase 2 will include recommendations for the development of a new strategy for the management and future provision/utilization of major recreation facilities.