



Date: March 3, 2005

TO: Board Members - Parks and Recreation

FROM: General Manager - Parks and Recreation

SUBJECT: Food Strategy Plan

RECOMMENDATION

- | |
|--|
| <p><i>A. That the Board retain a consultant to assist in the development of a food plan strategy for an amount not to exceed \$30,000.</i></p> <p><i>B. That the Board partner with the Aquarium in the operation of the "Trailer Concession" for the next 13 months as a pilot project.</i></p> |
|--|

BACKGROUND

The Board has been in the business of direct provision of food in parks for over half a century. Most of the current fifteen concession facilities date from the fifties and sixties and are spread among ten parks and beaches.

The basic operation entails the Board providing and maintaining the premises, setting the menu, setting the prices and supplying approximately half the products from a central warehouse. The operators are independent contractors who hire their own staff and in large measure set their own operating hours. They are retained annually and receive varying percentages of gross sales depending on location. These range from 15 to 30 percent. Eight of the fifteen operators also occupy residences attached to the concessions. One concession has covered, heated seating, six have outdoor seating areas and the remainder are pure "take away" operations. The majority are seasonal operations – 9 are fully closed in the off season and 6 open sporadically in the off season depending on weather and holidays.

The Board has spent \$855,000 in upgrades to 6 of these facilities since 1997.

The whole operation returned \$992,000 (2003) after food and commission costs were deducted. However, it also incurred \$617,000 in operating costs which reduced profit to \$375,000 or approximately 12% on operating investment. This level of return does not support major public capital investment in this form of operation.

Overall, the system has been shrinking and returning less revenue over the last 15 years; going from 18 units grossing \$3,831,000 to 15 units grossing \$2,702,000. As these funds are used to subsidize parks and recreation programs in the operating budget, it is important to maximize revenues and ensure that food operations are returning a good profit.

In summary the issues facing the Board are as follows:

1. The majority of facilities are seasonal operations.
2. The menus offer traditional take out snacks with few healthy alternative options.
3. The facilities are worn, dated, cramped and not set up to prepare food that the public is now interested in purchasing.
4. When all costs are factored in, our return of 11.7% is insufficient to justify major capital infusion based on the existing system, however the facilities are old and need upgrading.
5. The public is not satisfied with our product as shown by sales volume trends.

DISCUSSION

There is no single approach or concept that is applicable to refresh the facilities and reverse the downward sales trend.

Although we have treated the system as a homogeneous unit, there are significant differences among the 15 outlets which must be recognized. Most of the seawall related outlets are capable of year round operations and the financially weakest outlets might be more effectively served by vending or mobile units. (The range of revenues among the 15 is \$190,000 to \$12,000 per annum).

By reviewing operations, a new food services plan will develop a series of strategies which envision different fates for different outlets, different delivery models and different entrepreneurial models of operation.

Issues to be determined in the study include the minimum operating scale for a centralized warehouse model and a range of capital investment models that have been successfully used with our restaurant, bistro and gift shop operations.

By utilizing a consultant, we will develop and critique varying business models to achieve:

1. A more satisfactory provision of food in both quality, variety and form of service;
2. A financial turnaround to stop the continuing decline of revenue to the Board from the concession system.

As well as retaining outside advice on new food strategies, staff would like to pilot a new service test case. An immediate opportunity is to partner with the Aquarium to have their food service operate the “trailer” concession on the Aquarium Plaza. This would involve changing menus to test new food products.

The “trailer” is a prime candidate for a new operation as it is one of the poorest physical plants and generally beyond expansion. At the same time this site enjoys the highest sustained traffic of year round passers by. The adjacent Aquarium is interested in expanding its food service and would like to partner with us on a pilot concession.

As part of the proposed 13 month test operation, the Aquarium will take over the operation of the trailer and popcorn wagon and guarantee a return to the Board of not less than \$160,000. The Board in turn will invest up to \$50,000 in capital improvements to the operation. All details of this agreement will be to the satisfaction of the General Manager.

Findings will be shared and will form a significant part of future decisions on a new joint service facility. The resultant study would be brought to the Board in the summer of 2006.

CONCLUSION

The food service strategy involves moving forward on a number of fronts involving outside advice and live testing of the market. The product of these efforts will be a multi prong strategy to provide both a better product to our clients and a better return to the Board.

Prepared by:

JDL
Stanley District
Board of Parks & Recreation
Vancouver, B.C.