



**STAFF REPORT
ACTION REQUIRED**

Proposed Renewal of the Agreement for the Operation of Concession Services with Ephiley Foodservices Inc. and Eastwood/Le Jardin Food Services Inc. in the Parks, Forestry and Recreation Division

Date:	March 5, 2007
To:	Government Management Committee
From:	General Manager, Parks, Forestry and Recreation
Wards:	Various Wards
Reference Number:	

SUMMARY

The purpose of this report is to authorize the approval for the City to exercise the renewal option and enter into an agreement with Ephiley Foodservices Inc., and Eastwood/Le Jardin Food Services Inc., for the right to operate concession services in the Parks, Forestry and Recreation Division for a further five-year period commencing May 1, 2007 and expiring on April 30, 2012.

This report requests authority to enter into an agreement with Ephiley Foodservices Inc., and Eastwood/Le Jardin Food Services Inc., for a further five-year period. Staff are confident that the renewal of these contracts with these small entrepreneurs which have a track record of expertise to improve customer service, make capital investments, and operate a financially viable operation will provide the City and the public with a continued high level of service at the facilities.

RECOMMENDATIONS

The General Manager of Parks, Forestry and Recreation recommends that:

1. the City of Toronto exercise its option for the renewal of the concession services with Ephiley Foodservices Inc. and Eastwood/Le Jardin Food Services Inc., for the operation of concessions services in the Parks, Forestry and Recreation Division for a further five years on the same terms and conditions, save and except a further right of renewal; and
2. staff be authorized to enter into an agreement with Ephiley Foodservice Inc. and Eastwood/Le Jardin Food Services Inc. for a further five year period ending April 30, 2012, in a form satisfactory to the City Solicitor.

Financial Impact

The City has received a combined annual total of \$70,000.00 in net revenues for 2006 of the existing term from Ephiley Food Service Inc., and Eastwood/Le Jardin Food Services Inc. The projected net revenues over the next five-year period from May 1, 2007 to April 30, 2012 will continue to be \$70,000.00 annually with marginal increases to the revenue based on anticipated increases to activities in the facilities. Even with modest increases through the term of this agreement, these concessions are not likely to be able to meet the 2002 forecasted revenue expectations of approximately double the current revenue, which did not take service interruptions due to capital projects and changes of facility usage into account. The estimated net revenue to the City for the five-year renewal period is \$350,000.00. In addition, the operators have agreed to commit further capital investments of approximately \$500,000.00 over the next five-year period to the concession facilities.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On February 13, 14, and 15, 2002, Council adopted Clause 3 of Report No. 1 of the Economic Development and Parks Committee entitled, "Request for Proposal No. 0613-01-0203 for the Operation of Concession Services for the Parks and Recreation Division (Various Wards)" agreed to accept proposals submitted by Ephiley Foodservice Inc., the highest scoring proponent, and Eastwood/Le Jardin Food Services Inc., the second highest scoring proponent for the five year period ending April 30, 2007 with the City's option for renewal for a further five-year term.

ISSUE BACKGROUND

Prior to amalgamation, the six local municipalities and the former Metro had different models of operation for the snack bar concessions in the Parks, Forestry and Recreation Division. At that time, the snack bar concessions were City-operated in the former municipalities of Scarborough, York, and Etobicoke. The snack bar concessions in the

former municipality of North York and Metro were operated by concessionaires selected by a Request for Proposal process.

In compliance with the Council direction received as a part of the 2001 budget process, the snack bar concessions in the former municipalities of Scarborough, York and Etobicoke were to be considered for a Request for Proposal (RFP) like other concessions, and had been offered to the private sector to operate under the general conditions of Request for Proposal No.0613001-0203. There were eight proposals received in response to the RFP and after a formal selection process, staff recommended that the two highest scoring proponents be awarded the rights to undertake a business enterprise at the locations that were included in the RFP with certain conditions and terms. In exchange for granting these rights, the Division received from the successful proponents both a capital investment and remuneration in the form of base rent and percentage rent.

On February 13, 14, and 15, 2002, Council adopted Clause 3 of Report No. 1 of the Economic Development and Parks Committee entitled, "Request for Proposal No. 0613-01-0203 for the Operation of Concession Services for the Parks and Recreation Division (Various Wards)." On May 1, 2002, the City entered into a contract with Ephiley Foodservices Inc. and Eastwood/Le Jardin Food Services Inc. for the operation of Concession Services for the Parks and Recreation Division for the five (5) year period, commencing on the 1st day of May 2002, and expiring on the 30th day of April 2007 under terms and conditions that were acceptable to the City. The City of Toronto also has an option to renew the agreement for a further five (5)-year period on the same terms and conditions to be negotiated by the parties, acting reasonably.

Ephiley Food Service Inc., will pay the City a total basic fee of \$35,340.00 for the following locations: Agincourt RC, Birchmount CC, Scarborough Centennial RC, Heron Park CRC, Malvern RC, Mid-Scarborough CRC, McGregor Park RC and Scarborough Village RC. A percentage Fee of 5% will be applied to any revenue incurred above sales of \$689,000.00. Ephiley Food Service Inc. will pay the City as an annual fee 11% of the annual gross sales generated by the following locations: Commander Park RC and L'Amoreaux Sports Complex which is estimated at \$4,700.00 annually. The projected net revenue over the five-year renewal period is estimated at \$200,000.00.

Eastwood/Le Jardin Food Services Inc., will pay the City as a basic fee an annual fee of 11% of annual gross sales generated by the Concession Facilities for the following locations: Centennial Park Arena, Centennial Park Ski Chalet, Centennial Park Stadium, Central Arena, Chris Tonks Arena, Lambton Arena and Pine Point Arena. The projected net revenue over the five-year renewal period is estimated at \$150,000.00.

COMMENTS

The current small business operators have performed their services to a high standard and staff are confident that both Ephiley Foodservices Inc. and Eastwood/Le Jardin Food Services Inc. will continue to provide the City, and the public, with a continued high level of service for a renewed five-year term. These concessionaires have successfully

operated for the past five years and have developed a proven track record. They have provided experience, vision and quality of service.

Along with improved service levels, more diverse and healthy food choices, affiliated branded concepts and significant capital investment are considerations for the renewal of this contract for a further five-year term. Further improvements can be expected for the renewal period.

During the first five-years of the term, approximately \$1 million in capital has already been invested by both Operators for leasehold improvements, food service equipment, merchandising and display equipment, inventory management and furnishings and other infrastructure upgrades to the concession facilities. These investments were timely and important as the concessions formerly operated by the City of Toronto had become “stale” and required significant capital investment for a major upgrade in “look” and “décor” in order to drive sales.

Lower than anticipated activities in the recreational facilities during the first-five years of the term had impacted the revenues from these operators. Contributing factors which affected the concession operators were the construction and renovations made to the facilities by the City and community fundraising.

These operators have also provided significant support to our community groups with product and funding to help in fundraising events.

The operators are asking that the existing renewal option provisions of this contract be now exercised by the City to enable them to recover their initial investment and have financial stability.

CONTACTS

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SIGNATURE

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