

Report to/Rapport au :

**Finance and Economic Development Committee
Comité des finances et du développement économique**

and Council / et au Conseil

**June 22, 2012
22 juin 2012**

**Submitted by/Soumis par : Steve Kanellakos, Deputy City Manager/Directeur
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BAY / BAIE (7)

Ref N°: ACS2012-COS-PRC-0009

SUBJECT: NEPEAN NATIONAL EQUESTRIAN PARK

OBJET : PARC ÉQUESTRE NATIONAL DE NEPEAN

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend Council approve:

1. The termination of City operations and programming at the Nepean National Equestrian Park (NNEP), including the termination of leasing arrangements with the National Capital Commission (NCC) for the NNEP site at 401 Corkstown Road, resulting in 2013 budget savings of \$320,658 as outlined in this report; and
2. That \$50,000 of the Nepean National Equestrian Park operating budget be retained to foster continued availability of affordable options for the therapeutic riding program.

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil d'approuver ce qui suit :

1. L'interruption des opérations et de la programmation municipales au Parc équestre national de Nepean (PÉNN), notamment la fin des ententes de

location avec la Commission de la capitale nationale (CCN) visant le site du PÉNN situé au 401, chemin Corkstown, une mesure permettant des économies de 320 658 \$ dans le budget de 2013, tel que décrit dans le présent rapport; et

- 2. Qu'une somme de 50 000 \$ provenant du budget de fonctionnement du Parc équestre national de Nepean serve à encourager la mise à disposition permanente d'options abordables de participation au programme d'équitation thérapeutique.**

EXECUTIVE SUMMARY

The Nepean National Equestrian Park (NNEP) was established in 1986 by the former City of Nepean on 270 acres of NCC land leased for \$20,200 per year. The lease expired on December 31, 2011.

As part of the 2004 budget process, Council directed staff to develop service delivery options that would and bring NNEP to full cost recovery. In September 2005, Council approved service delivery options, including increased programming revenues and operational efficiencies resulting in reduced operating costs to achieve 100 per cent cost recovery. Revenue increases were to be realized over a four year horizon, while expenditure efficiencies were to be realized over two years.

In 2009, the City's Auditor General undertook an audit of specific contracts at the NNEP and, in addition to several recommendations on improving administrative and financial procedures and processes, recommended that "the City confirm its intention to continue the operation of the NNEP prior to the expiration of the NCC lease and before injecting further investment dollars."

Notwithstanding efforts to increase revenues and reduce costs, the NNEP has experienced deficits averaging \$140,000 per year in the six years since the cost recovery model has been implemented.

Escalating operating costs (veterinarian, feeding, stabling, and transportation) coupled with a lack of success in generating sufficient rental or registration revenues have left the NNEP unable to achieve cost recovery.

In addition to its ongoing operating challenges, the NNEP is also facing impending capital investments in the estimated amount of \$1,250,000.

Given the foregoing, staff is proposing to wind down the operations of the NNEP throughout 2012. The closure of the Nepean National Equestrian Park will result in a 2013 budget savings of \$320,658 with \$50,000 to be set aside within the Parks, Recreation and Cultural Services 2013 budget to foster continued availability of affordable options for the therapeutic riding program.

Impacted staff and external stakeholders have been notified of the contents of this report.

SOMMAIRE

Le Parc équestre national de Nepean (PÉNN) a été créé en 1986 par l'ancienne Ville de Nepean et aménagé sur un terrain de 270 acres loué à la CCN pour une somme annuelle de 20 200 \$. Le bail a expiré le 31 décembre 2011.

Dans le cadre du processus budgétaire de 2004, le Conseil a chargé le personnel d'élaborer des options de prestation de services qui permettent au PÉNN de récupérer tous ses coûts. En septembre 2005, le Conseil approuvait les options de prestation de services proposées, y compris une hausse des recettes de programmation ainsi que des économies opérationnelles donnant lieu à une réduction des coûts d'exploitation, nécessaire pour atteindre une pleine récupération des coûts. Les hausses de recettes devaient être réalisées en quatre ans, tandis que les économies opérationnelles étaient attendues dans les deux années.

En 2009, le Vérificateur général de la Ville a entrepris une vérification des contrats propres au PÉNN et, outre plusieurs recommandations portant sur l'amélioration des procédures et des méthodes administratives et financières, recommandait que « la Ville confirme son intention de poursuivre l'exploitation du PÉNN avant l'expiration du contrat de bail avec la CCN et avant de procéder à d'autres investissements ».

Malgré les efforts déployés en vue d'accroître les recettes et de réduire les coûts, le PÉNN a connu des déficits moyens de 140 000 \$ par année au cours des six ans de mise en place du modèle de récupération des coûts.

Les coûts de fonctionnement croissants (vétérinaire, alimentation, stabulation et transport) conjugués au manque de recettes de location ou d'inscription ont empêché le PÉNN de parvenir à une récupération des coûts.

En plus des défis permanents de fonctionnement, le PÉNN sera bientôt confronté à des dépenses d'investissement estimées à 1 250 000 \$.

D'après ce qui précède, le personnel propose de réduire progressivement les opérations du PÉNN au cours de l'année 2012. La fermeture du Parc équestre national de Nepean donnera lieu à des économies sur le budget de 2013 de 320 658 \$, une somme de 50 000 \$ devant être mise de côté dans le budget de 2013 du Service des parcs, des loisirs et de la culture, afin d'encourager la mise à disposition permanente d'options abordables de participation au programme d'équitation thérapeutique.

Les employés concernés et les intervenants externes ont été avisés du contenu du présent rapport.

BACKGROUND

The NNEP was established in 1986 by the former City of Nepean. The facility is located on 270 acres of NCC land leased for \$20,200 per year. The lease expired on December 31, 2011.

As part of the 2004 budget process, Council directed staff to develop service delivery options that would address the annual operating deficit for the park and bring its operations to full cost recovery. In September 2005, Council approved service delivery options to achieve 100 per cent cost recovery for NNEP, including increased programming revenues and operational efficiencies resulting in reduced operating costs. Revenue increases were to be realized over a four year horizon, while expenditure efficiencies were to be realized over two years.

In 2009, the City's Auditor General undertook an audit of specific contracts at the NNEP and, in addition to several recommendations on improving administrative and financial procedures and processes, recommended that "the City confirm its intention to continue the operation of the NNEP prior to the expiration of the NCC lease and before injecting further investment dollars." (Rec. 20)

DISCUSSION

Cost Recovery Model – Assessment

The cost recovery model approved in 2005 was implemented for the 2006 operating season and has therefore been in place for six operating seasons. As noted in the 2005 report to Council, the intent was to increase revenue and reduce expenditures in order to offset the \$142,000 operating deficit that existed at the end of 2004.

Operating results for the intervening years are as follows:

2006	2007	2008	2009	2010	2011
-\$77,549	-\$98,559	-\$156,296	-\$206,930	-\$171,685	-\$131,063

Despite concerted revenue generation and expenditure reduction attempts, the deficit has averaged \$140,000 per year over this timeframe. Contributing factors to the continued deficit include the rapid escalation of costs associated with an equestrian operation, including ferrier costs, veterinarian costs, feed, shavings and site repairs. At the same time, staff have not been successful in generating sufficient rental or registration revenues to achieve cost recovery. Registrations for riding programs have not increased significantly despite marketing efforts, and site rental revenues have remained below budgeted projections. The loss of the major equestrian show at the NNEP for 2012 (the show has relocated to Orangeville) will further impact the ability to achieve projected rental revenues.

In addition to issues with annual operating deficits, the operation of the park also requires that the City invest significant capital dollars for lifecycle renewal and basic improvements to the site. In terms of lifecycle requirements, the 2012 to 2020 forecast

indicates a need to invest approximately \$1 million to maintain the facility. As well, the Department is aware that significant improvements beyond lifecycle replacement are required at NNEP to continue to attract clients. Specifically, working with past clients, staff have identified that a show site stabling area is required to properly and safely accommodate horses brought to the site as part of special events. This requires significant re-grading of stabling areas and the addition of granular material. There are also outstanding needs to improve the footing in the sand ring, to improve and modernize the main building and to invest in up-to-date farming, fencing and riding equipment. A reasonable cost estimate for these improvements is estimated at \$250,000.

Closure of the NNEP

With the expiration of the lease for the site, and several years of unsuccessful efforts at achieving cost recovery for the facility, the Department recommends that City operations at the NNEP cease permanently.

The operation of an equestrian park is not considered a core municipal recreation service. As part of the 2005 Competitive Review of NNEP, staff looked across the country for other municipalities who operated similar facilities. With the exception of Blainville, Quebec, staff could not find another municipality that owned or operated an equestrian park as part of municipal service delivery. The Blainville facility is primarily a rental facility for special events, with no programming or boarding facilities similar to what exists at NNEP.

The NNEP has three core business lines: riding lessons, boarding services and the hosting of equestrian events. With respect to riding lessons, City programs compete in a market that is also served by the private sector with similar offerings.

The one exception that warrants continued City involvement during a transition period is the therapeutic riding program. Though other providers do exist, options are limited and the loss of the City program may have an impact on participants. The Department recommends the retention of \$50,000 from the NNEP budget to allow staff to work with other equestrian operations in the area to foster the continued availability of affordable options.

Boarding for horses is a service available from private farms in the area, and though the loss of NNEP services may have an immediate impact of displacing clients, this service is not a core municipal service and it is not recommended that services be maintained in the future. The Department will work with existing boarders to find suitable alternate accommodation for their horses.

Lastly, the NNEP hosts special events each year where outside parties rent the facility to put on shows, competitions and activities. Fourteen such events are booked from April to November 2012. Despite attempts to build up this component of the business, and to significantly increase revenues towards the cost-recovery goal, experience shows that there is a soft market for such services which left the City unable to achieve revenue targets for this third business line.

The following timelines are recommended for the wind up of operations at NNEP:

1. Working notice to all full and part-time staff immediately upon approval by Council, with employment end dates set to coincide with the end of each business line.
2. Immediately upon approval by Council, notice to all clients who board horses at NNEP that this service will no longer be available after December 2012.
3. Cancellation of all instructional riding programs after September 1, 2012 and removal of all Fall 2012 program information from the departmental marketing material. A September end to programs is required to allow City-owned horses to be sold.
4. Immediate initiation of a sale strategy to dispose of the 33 City-owned horses at NNEP by December 2012.
5. Immediate notification to NCC upon approval by Council that the City will not be renewing its lease for 401 Corkstown Road.
6. Immediate notification upon Council approval to all event organizers that the City will be honoring event bookings for the remainder of 2012, but not accepting bookings into 2013.

Staffing

There are seven full time staff and approximately 25 part-time staff (varies by season) working at NNEP. The Department will work with Labour Relations to ensure that the City respects all relevant collective agreement requirements. Staff and the Unions representing them have been provided with a copy of this report and will be updated following its consideration by the Committee and Council.

Boarding

There are currently 17 horses boarding at NNEP on annual contracts running January to December. Immediately following Council approval, each horse owner will be notified in writing that the NNEP will no longer be in a position to offer boarding services after December 2012, and that they should be making alternate arrangements. Staff will work with owners to facilitate a transition for each horse to alternate boarding facilities.

Fall Programming and Sale of City-owned Horses

In order to facilitate the sale of City-owned horses used in programming, cancellation of Fall programming is required. The City's 33 horses will be sold or donated to interested parties. Because this process will take some time, and in order to achieve an end-of-year closure of the facility, it is recommended that programs cease at the end of August and that staff undertake to sell the horses immediately upon approval of this report by Council. Should staff not be able to dispose of all horses by year-end, there may be a requirement to put in place short term measures for the care and sheltering of the animals.

National Capital Commission

The NCC owns the property at 401 Corkstown Road where the NNEP is located. The City's lease for the property expired in December 2011 and the City is currently occupying the property on a hold-over month to month basis.

Preliminary discussions have been held with the NCC on the City's intention to cease operations of the Equestrian Park and vacate the property. Discussions have also touched on the subject of the infrastructure installed on the property by the City and an approach to dealing with these assets. Further discussions will be required to finalize an exit strategy that meets both organization's needs.

The NCC has indicated that it would like to see the property used for a similar purpose in the future and that it would move promptly to find a new tenant compatible with this type of use. Accordingly, there may be an opportunity to put some of the City's infrastructure and equipment to good use as part of a future use of the site.

RURAL IMPLICATIONS

The NNEP is located in the urban area but is an operation primarily associated with rural areas. The alternatives to the services offered at the park will likely be found in rural areas that are the more traditional setting for equestrian training, boarding and special events. NNEP clients displaced by the end of City operations there are likely to seek out alternatives in rural areas presenting new opportunities for boarding and training facilities

CONSULTATION

There has been no public consultation in the preparation of this report.

COMMENTS BY THE WARD COUNCILLOR

Bay Ward Councillor Mark Taylor is aware that this report is coming forward.

LEGAL IMPLICATIONS

There are no legal impediments to implementing the recommendations in the report.

RISK MANAGEMENT IMPLICATIONS

There are risk implications. These risks have been identified and explained in the report and are being managed by the appropriate staff.

FINANCIAL IMPLICATIONS

The closure of the Nepean National Equestrian Park will result in a 2013 budget savings of \$320,658. This allows for \$50,000 to be set aside within the PRCS 2013 budget to foster continued availability of affordable options for the therapeutic riding program.

ACCESSIBILITY IMPACTS

A small component of the riding program at the NNEP is geared towards persons with disabilities. The City is proposing to retain some funding to allow it to facilitate access to similar programs in the community, or to foster the development of new programs to replace those offered by the City.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

TERM OF COUNCIL PRIORITIES

SE2	Improve operational performance	Improve the effectiveness and efficiency of service delivery to reach targets that have been approved by Council and communicated to residents and staff.
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DISPOSITION

The Parks, Recreation and Cultural Services Department will implement the directions established in this report, working in consultation with Public Works, Real Estate, Labour Relations and Legal Services.