



SPECIAL COMMUNITY SERVICES COMMITTEE
Monday, November 21, 2011
SCRD Board Room, 1975 Field Road, Sechelt, BC
AGENDA

CALL TO ORDER 10:30 am

AGENDA

1. Adoption of the Agenda

PETITIONS AND DELEGATIONS

MINUTES

COMMUNICATIONS

REPORTS

2. Parks Planner – Dakota Ridge Business Plan Staff Report
3. Michael McLaughlin
Dakota Ridge Business Plan Executive Summary
Note: Please bring the DR Business Plan that was attached to the Oct. 20th Community Services Agenda

ANNEX A
pp 1-2
ANNEX B
pp 3-5

NEW BUSINESS

IN CAMERA

ADJOURNMENT

SCRD STAFF REPORT

DATE: November 13, 2011
TO: The Dakota Ridge Business Plan Special Meeting – November 21, 2011
FROM: Sam Adams – Parks Planning Coordinator
RE: **DAKOTA RIDGE BUSINESS PLAN STAFF REPORT**

RECOMMENDATION(S)

THAT the Dakota Ridge Business Plan Staff Report be received as information.

BACKGROUND

Recommendation No. 11 *Dakota Ridge Meeting*

The Community Services Committee recommended that the Dakota Ridge Business Plan be referred to a special meeting with the consultant as soon as possible with proposed dates to be provided by October 27, 2011;

AND THAT a staff report commenting on the business plan be provided for the meeting;

AND FURTHER THAT this recommendation be acted upon prior to Board adoption.

DISCUSSION

The Draft "Business Plan Dakota Ridge Winter Recreation Area 2011-2016" was developed over a period of four months from May to September 2011. The draft plan was prepared by Michael McLaughlin of Best Coast Initiatives. The draft plan is guided by the following objectives for Dakota Ridge:

- Decrease the operating loss as much as possible in order to reduce the amount of taxation based support, while;
- offering an affordable outdoor recreation experience to Sunshine Coast residents and visitors, and;
- stimulating private sector economic benefits from the operation of Dakota Ridge.

During the development of the draft plan, SCRD staff provided the consultancy team with background information and gave feedback on the ideas and developments which the business plan proposes. At the same time, the consultancy team worked closely with Dakota Ridge volunteers, user groups, professional organizations and other members of our community to incorporate their ideas into the draft plan. Local groups that consulted in the development of the draft business plan included:

- Dakota Ridge Trail Host Volunteers
- Dakota Ridge Grooming Volunteers
- Sunshine Coast Tourism
- Sunshine Coast Snow Seekers
- Dakota Ridge Advisory Committee
- Local Business
- Tetrahedron Club / Dakota Ridge Jackrabbits
- Individual Interested Dakota Ridge Users

There was a well attended public meeting held on July 27, 2011 and the Dakota Ridge Advisory Committee held two meetings devoted to this draft plan, both of which garnered valuable input.

The 'Draft Plan' was also peer reviewed by a manager from Sovereign Lake Nordic Center who has 20 years experience in all aspects of the Nordic Industry. This review helped give the plan industry perspective from someone who helps operate a successful Nordic Center.

Staff will present a more in depth report at the December Community Services meeting once the consultant has had a chance to present the plan to elected representatives.

1.0 EXECUTIVE SUMMARY

Dakota Ridge Winter Recreation Area (Dakota Ridge) is operated by the Sunshine Coast Regional District under a Section 56 Agreement issued by the Ministry of Tourism, Culture and the Arts, South Coast Recreation District, under Section 118 of the Forest and Range Practices Act. The first season of commercial operation was 2009-2010. Operations are managed by SCRD Parks Division.



The three primary business objectives over the five-year business planning period are:

1. Decrease the operating loss as much as possible in order to reduce the amount of taxation based support, while
2. offering an improved, affordable outdoor recreation experience to Sunshine Coast residents and visitors, and
3. stimulating private sector economic benefits from the operation of Dakota Ridge.

Dakota Ridge is located on the Sunshine Coast and is accessed from Hwy 101 at Wilson Creek by 13 kilometres of Forest Service Road (see map Appendix C). The recreation area offers Nordic skiing and snowshoeing on 15 km of Nordic skiing trails, 8 kilometres of snowshoe trails, plus a sliding area for toboggans and sleighs (see detail map Appendix D).

The SCRD is responsible for maintaining access, facility operations, capital improvements and marketing. Road maintenance and snowploughing are performed under contracts. Volunteers provide grooming, fees collection and hospitality services. The operation of Dakota Ridge depends on volunteers. The private sector provides user services such as equipment rentals and sales, lessons and transportation. Successful business management of Dakota Ridge requires that the three operational components—SCRD, volunteers and private sector—be managed as a system.

Growth in revenue from the first season of operation (2009-2010) to the second season was 280%. Total revenue in 2010-2011 was \$25,734. Total operating expenses were \$149,715, yielding an operating loss of \$123,981. In order to reduce that loss, Dakota Ridge must attract more Sunshine Coast residents and capture a portion of the Greater Vancouver Area winter recreation market.

Dakota Ridge competes against four established winter recreation resorts in southwestern British Columbia: Manning Park Lodge, Cypress Mountain, Lost Lake Park and

Callaghan Country/Winter Olympic Park.¹ Dakota Ridge has some competitive advantages and strong selling features (see Section 5.3). Dakota Ridge is slightly disadvantaged with respect to travel time and costs and significantly disadvantaged with respect to the length and variety of Nordic skiing and snowshoeing trails. Given those disadvantages, the number one product development priority is to expand the trails systems.

Two revenue scenarios are examined. In Scenario One, trails are not expanded, with the exception of marking a back country (ungroomed) snowshoe trail. In Scenario Two, 8-10 kilometres of new Nordic skiing trail and 3-5 kilometres of snowshoe trail are added in year two of the business planning period.

Under Scenario One, the operating loss is reduced by roughly 4% annually until it is \$100,758 in year five (2015-2016). Total operating loss over the five-year period is \$548,623. During the five-year period, revenue increases from \$25,734 (2010/11) to \$70,378 (173%). Expenses increase from \$149,715 to \$171,136 (14%)

Under Scenario Two, the operating loss is reduced by approximately 4% in years one and two. In years three to five the operating loss decreases by approximately 15% annually, until it is \$67,901 in year five (2015-2016). Total operating loss over the five-year period is \$483,240.

During the five-year period, revenue increases from \$25,734 (2010/11) to \$111,235 (332%). Expenses increase from \$149,715 to \$179,136 (23%)

In the last year of the period, the operating loss is \$67,901. That amount is likely to remain steady in subsequent years. Over the initial five-year business planning period, the operating loss under Scenario Two is \$65,383 less than in Scenario One. Capital expenditures made in Scenario Two are recovered by year five of the business planning period. Each subsequent year (next planning period), the operating loss under Scenario Two is approximately \$32,857 less than in Scenario One.

Trail use fees and season's passes are not increased in Scenario One (no new trails). Fees are increased by 20% in Scenario Two in the year the new trails open, scheduled for year two (2012-2013).

Dakota Ridge is highly competitive with respect to price point in the market (see Table 5.3.2). An immediate fee increase of 20% and a second increase of 20% following the addition of new trails would establish an appropriately competitive price point. The operating loss under both scenarios would be significantly reduced. However, raising fees might conflict with the second business objective, providing an affordable winter recreation experience to residents of the Sunshine Coast. The Board of Directors of the SCRD may wish to consider the more aggressive fee increase schedule.

¹ At time of writing, Callaghan Country and the Olympic Winter Park were one operation. In September 2011, the became separate operations.

The primary markets for Dakota Ridge are the Sunshine Coast, Powell River Regional District and the Greater Vancouver Area. Attaining revenue targets depends most on capturing a share of the GVA market. The addition of trails is a crucial factor in attracting GVA customers. Without addition of trails, the GVA capture rate is estimated at 1% of market share. With additional trails, the estimate is 2%.

The 2010-2011 marketing plan was successful. The 280% increase in revenue is largely a result of a successful local campaign. The 2011-2012 marketing plan retains the previous plan and adds initiatives that will reach the GVA and extended markets. A key addition to marketing is forming season's pass partnerships with the four competing resorts.

To date, capital investments of \$794,416 have been made in the development of Dakota Ridge. The capital investment plan for the five-year period calls for \$345,000 for access improvements, new trails, expansion of the sliding area and replacement of grooming equipment. Only the sliding area improvements, new trails and a small portion of the access improvement plan are discretionary. The forest service road that access Dakota Ridge must be improved, the upper parking lot requires expansion and environmental safeguards and the grooming equipment in use requires replacement by year three. The two discretionary capital investments—sliding area and new trails—have return on investment periods of three years and four years respectively. Additional trails greatly improve the long term financial picture, as described above.