

### REPORT OF THE CAO FOR THE CONSIDERATION OF COUNCIL

#### OBJECTIVE

To provide Council with updated information re. the annual Drag Races at the Elliot Lake Airport.

#### RECOMMENDATION

**Whereas** the annual drag races require significant amount of staff time and resources to host and

**Whereas** the Recreation Committee agreed in December 2022 that a different model was necessary to host the annual drag races to minimize the net cost and opportunity cost to the taxpayer and

**Whereas** efforts to secure a 3<sup>rd</sup> party to manage the races using a model have proven unsuccessful to date,

**Therefore** be it resolved that the 2023 Drag Races in Elliot Lake be cancelled and that the 2023 municipal budget item for the races be removed

**and that** administration be directed to remain open to options from 3<sup>rd</sup> parties and non-profit groups to host drag race events in the future using the new model for use of the airport

**and that** administration be directed to research options for another summer event that would represent positive economic impact to the local business community while requiring a more appropriate amount of staff time and support for the summer of 2024 and beyond and report accordingly at a future meeting of a standing committee

## BACKGROUND

Motion passed at the December 5, 2022 Recreation and Culture Standing Committee meeting:

**Res#: 16/22**

Moved By: A. Wannan

Seconded By: C. Flintoff

That the report from the Director of Recreation and Culture re. The 2022 drag races be received;

And that staff bring back a report recommending option B as amended to a future meeting of Council.

Elliot Lake has hosted 21 annual drag races at the Elliot Lake Airport.

2000-2019: Operated on a model that generally featured the North Shore Cruisers mobilizing considerable volunteer resources for sponsorship drives and driver registration in exchange for a (typically) \$8,500 donation. Additional operational support and human resources came from several clubs and non-profits offering dozens of volunteers in exchange for a donation to their club. Donations to these groups varied but amounted to another \$12,000-\$13,000 in addition to the \$8,500 for the Cruisers. These years featured a net loss to the taxpayer and a generally unaccounted for “in-kind” contribution of significant amount of staff time both in PWs, Treasury, Rec/Ec Dev depts.

For 7 years ELRL / Nor Dev group ran the races with similar support from the City and the Cruisers (2000-2008).

2020-21: Pandemic hiatus. During this time, it became clear that the model of making donations to service clubs in exchange for “volunteer” labour was not a practice that could continue. It put both the city and the clubs in a precarious legal position acting outside their scope without adequate insurance. Only clubs who could enter into an MOU with the municipality and provide adequate insurance to cover their activities could participate in a “fee for service” model. That has proven challenging for most groups. At the same time, the pandemic has hurt several clubs and volunteers are becoming scarce.

2022: In March 2022, Council directed staff to host the races using groups who could enter into MOUs and provide insurance and use them in lieu of city staff. Between March and July, little to no groups were able to enter into MOUs which left staff with the option to either cancel the event or run it in house with city staff. The event proceeded and that only exacerbated the trend throughout all years of significant staff time devoted to this event.

Another option staff pursued was allowing service clubs to attend the event and “sell their wares” or provide a service like food and generate their own revenue from the spectators and drivers. That also proved unsuccessful. In 2022, we struggled to even secure private sector vendors and had only 1 or 2 food vendors.



## ANALYSIS

Another concern that staff has raised is the disconnect with the considerable level of effort needed to host the races, the considerable risk involved compared against the modest impact felt locally in area businesses. The concern with the nature of the event is that the driving community remain on site at the airport and the vast majority come equipped for the weekend and camp on site and have little need to frequent Elliot Lake businesses.

From a pure cash perspective, the races generate an average of \$140K in revenue yet still drive a net loss in the \$35K range. These expenses do not including a considerable amount of “distributed wages” or “in kind” support in the form of staff time and equipment use/fuel. The table below is extracted from Appendix A, summarizing revenue and expenses. That is a considerable number (that varies slightly year over year but should not to be discounted lightly).

	2017 Actual	2018 Actual	2019 Actual	2022 Actual
Total Revenue	(\$173,836)	(\$143,079)	(\$198,787)	(\$156,888)
Total Expenses	\$215,638	\$185,696	\$241,843	\$193,538
<b>Net Loss</b>	<b>\$41,802</b>	<b>\$42,617</b>	<b>\$43,055</b>	<b>\$36,650</b>
TRANSFER FROM RESERVE	\$0	\$0	(\$37,400)	\$0
<b>Adjusted Net Loss</b>	<b>\$41,802</b>	<b>\$42,617</b>	<b>\$5,655</b>	<b>\$36,650</b>

*\*2022 provides unaudited actuals*

Every Council term and successive treasurers would be directed to either “ignore” or book the staff time as an event expense. Losses in those years range from the \$35k cash loss to the \$60-\$70k loss when the hours included; an analysis of hours tracked for the 2022 event is included in Appendix B. Regardless of the methodology used, the races require significant staff time and the impact locally to businesses does not seem to justify the level of effort.

From Appendix A, the below Distributed Wages are included in the Net Loss on a year-by-year basis.

	2017 Actual	2018 Actual	2019 Actual	2022 Actual
DISTRIBUTED WAGES	\$30,407	\$0	\$8,081	\$5,951

*\*2022 provides unaudited actuals*

Especially true for Public Works, pulling resources away from traditional infrastructure and work priorities in the middle of an already short summer construction season is not wise and represents a real opportunity cost to the local ratepayers, delaying and interrupting capital project and workload to focus on prepping a drag strip.

For these reasons, staff believe (and the Recreation Committee agreed in December 2022) that a different model is necessary and only with a different model can drag races continue to occur in Elliot Lake. If a 3<sup>rd</sup> party, likely a non-profit could rent the airport for \$1 (with some appropriate level of



support from the city to protect the asset and support the event) the races could continue. The 3<sup>rd</sup> party may also be able to make donations more freely to service clubs in exchange for “volunteer” labour than the city can.

Unfortunately, efforts to secure such a 3<sup>rd</sup> party to date have been unsuccessful and the calendar is working against us. The Kirkland Lake non-profit corp. could offer timing and AV equipment to the races for a fee that may be attractive to the race’s bottom-line but are not comfortable with a role that sees them taking the event over from the City or the Cruisers.

In February, growing impatient with the city’s deliberations, the typical race vendor Luskville Dragway from Aylmer Quebec booked a date in Chapleau on the 3<sup>rd</sup> weekend in July.

## **FINANCIAL IMPACT**

\$35,000 is notionally included in the 2023 municipal operating budget. Confirming the reality that drag races in Elliot Lake in the summer of 2023 will not likely happen could represent \$35,000 in savings to the municipal levy. If cancelled, a significant amount of staff time and resources would be directed to traditional municipal priorities this summer.

Staff are researching options for an event that would represent a more appropriate level of effort and economic impact to the community to replace the drag races. Whether that can be accomplished in 2023 is yet to be determined, and is likely more feasible for 2024 and beyond.

Staff remain open to a 3<sup>rd</sup> party model that would address Council and Administration’s concerns over hosting the races and would return in due time if and when such a model/champion reappears in the future (again for 2024 and beyond, 2023 is likely lost).

## **LINKS TO STRATEGIC PLAN**

Developing Strong Partnerships - Support the local business community.

Continued Investment into Infrastructure

## **SUMMARY**

Given the current realities, Council should cancel the 2023 drag races and book the savings in the 2023 municipal draft budget accordingly.



## APPENDIX A

### HISTORICAL ACTUALS

The table below provides a detailed historical account of actual expenses related to the drag races. In 2019, council transferred \$37,400 from the Working Funds Reserve in honour of the 20<sup>th</sup> anniversary of the races. Please note that 2022 is based on unaudited actuals.

City of Elliot Lake	2017	2018	2019	2022
<b>Drag Races</b>				
ADMISSION FEES	(\$65,349)	(\$54,331)	(\$57,847)	(\$67,592)
REGISTRATIONS	(\$62,000)	(\$60,310)	(\$88,850)	(\$62,455)
ADVERTISING REVENUE	(\$28,750)	(\$14,000)	(\$35,599)	(\$14,450)
CANTEEN	(\$10,467)	(\$8,394)	(\$9,034)	(\$8,911)
VENDORS	(\$4,950)	(\$3,350)	(\$3,350)	(\$2,000)
MISCELLANEOUS REVENUE	(\$2,320)	(\$2,694)	(\$4,108)	(\$1,480)
DISTRIBUTED WAGES	\$30,407		\$8,081	\$5,951
EQUIPMENT SUPPLIES	\$3,146	\$4,116	\$7,946	\$0
CANTEEN SUPPLIES	\$5,547	\$5,884	\$8,829	\$16,498
SUNDRY & RECREATIONAL	\$2,520	\$5,880	\$12,480	\$15,528
ON TRACK ENTERTAINMENT	\$6,651	\$3,900	\$9,219	\$0
OFF TRACK ENTERTAINMENT	\$6,140	\$6,948	\$11,240	\$6,514
ADVERTISING & PROMOTIONS	\$22,759	\$21,671	\$23,713	\$12,273
CONTRACTED SERVICES	\$58,386	\$67,900	\$71,413	\$71,838
SECURITY & ANCILLARY	\$17,821	\$7,247	\$17,423	\$9,889
VEHICLE & MACHINERY	\$2,731	\$4,226	\$1,696	\$0
VOLUNTEER EXPENSES	\$4,345	\$2,703	\$1,412	\$504
EVENT INSURANCE	\$5,961	\$5,961	\$5,953	\$2,111
GRANTS & DONATIONS	\$12,250	\$13,500	\$14,750	\$11,600
TROPHIES	\$1,774	\$1,435	\$1,243	\$957
CASH PRIZES	\$35,200	\$34,325	\$46,445	\$39,875
<b>Total Drag Races</b>	<b>\$41,802</b>	<b>\$42,617</b>	<b>\$43,055</b>	<b>\$36,650</b>
TRANSFER FROM RESERVE			(37,400)	\$0
<b>ADJUSTED TOTAL</b>			<b>\$5,655</b>	<b>\$36,650</b>

### 2022 REVENUE

Aside from general admission to the races, the table below provides a detailed look at revenue generated in 2022. Please note that 2022 is based on unaudited actuals.

REGISTRATION REVENUE		ADVERTISING REVENUE	
Super Pro	(\$21,731)	BHP Billiton Canada	(\$3,500)
Semi Pro	(\$18,766)	Beamish Construction	(\$2,500)
Street	(\$10,941)	ELNOS	(\$2,500)
Bike/Sled	(\$8,697)	Bruno's Auto Repair	(\$2,500)
Junior Pro	(\$1,576)	Tulloch Engineering	(\$1,950)
Car Show	(\$743)	Canadian Tire	(\$1,000)
<b>Total</b>	<b>(\$62,455)</b>	Brokerlink	(\$500)
		<b>Total</b>	<b>(\$14,450)</b>



## 2022 EXPENSES

Further detail related to the expenses at the 2022 races are provided below. Please note that 2022 is based on unaudited actuals.

CANTEEN SUPPLIES		
	Ice	\$4,064
	Food	\$7,947
	Beverage	\$4,486
<b>Total</b>		<b>\$16,498</b>

SUNDRY & RECREATIONAL		
Event Supplies		
	Building Materials	\$10,060
	Signage and Safety	\$1,538
	Garbage Bags	\$347
	Propane and Fuel	\$126
Guest Accommodations		
	Hampton Inn	\$1,725
Kids Entertainment		
	Water Guns & Face Painting	\$1,732
<b>Total</b>		<b>\$15,528</b>

OFF TRACK ENTERTAINMENT		
	Nascar Bob	\$3,194
	Royal Canadian Dragoons	\$2,440
	Tents	\$880
<b>Total</b>		<b>\$6,514</b>

ADVERTISING & PROMOTIONS		
	Radio	\$8,427
	Registration Swag Bag	\$1,419
	Facebook	\$1,276
	Printed Material	\$825
	Signs	\$326
<b>Total</b>		<b>\$12,273</b>

CONTRACTED SERVICES		
Event Support		
	Luskville Dragway	\$33,326
	Echo Sound Technology	\$16,522
Registration Forms		
	Printed Material	\$494
Event Rentals		
	Sanitation and Toilet	\$12,237
	Shuttle Buses	\$6,258
	Fencing	\$3,002
<b>Total</b>		<b>\$71,838</b>

SECURITY & ANCILLARY		
Security		
	OPP and Private Firms	\$9,476
Accommodations		
	Hampton Inn	\$413
<b>Total</b>		<b>\$9,889</b>

GRANTS & DONATIONS		
	North Shore Cruisers	\$8,500
	Club 90	\$2,500
	Elliot Lake ATV Club	\$600
<b>Total</b>		<b>\$11,600</b>

CASH PRIZES		
	Super Pro	\$26,650
	Semi Pro	\$7,875
	Sled/Bike	\$3,175
	Street	\$1,675
	Junior Pro	\$500
<b>Total</b>		<b>\$39,875</b>



## APPENDIX B

Excluded from the financial detail provided in the 2022 unaudited actuals in Appendix A is the use of staff time, and resources related to the races.

Based on hours tracked by City Staff on Thursday July 14, Friday July 15, Saturday July 16, and Sunday July 17, 48 staff members were onsite over the course of the weekend; working an estimated 1,061 hours.

Extracted from software that manages the Public Works department, the estimated valuation of labour for the event is \$30,990. This same software provides an estimated cost of fuel, supplies and vehicle/equipment use with an estimated cost of \$12,748.

Drag Races	Hours Worked	\$ Est. Value of Hours	Number of Staff
Cupe Staff - During Event*	309	\$12,686	12
Management	470	\$23,634	12
Part Time Staff	282	\$4,476	24
Public Works - Prior to Event*		\$30,990	
<b>Total 2022 Drag Races</b>	<b>1,061</b>	<b>\$71,786</b>	<b>48</b>

*Note: CUPE employees have the option to have banked hours paid in full at a later date. At the time of the event, the majority of hours were banked.*

<b>In kind from the City's Public Works Department</b> including fuel, supplies, vehicle and equipment use	
<b>VEHICLE &amp; MACHINERY</b>	<b>\$12,748</b>

\*The December 5, 2022 - REPORT FROM THE DIRECTOR OF RECREATION AND CULTURE  
Re: 2022 Drag Races Summary Report / Direction contained an error in presentation. Hours related to Public Works staff were in error excluded, and the costs related to Public Works were included in the presentation of the estimated value of hours.

