REPORTS

Minute No. 482 East Winnipeg Sport Association Inc. Business Plan and Annual Operating Grant
File PR-2(33)

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the administrative recommendation and recommends to Council:

1. That the request for a start up operating grant of $60,000.00 in early 2008 in favour of the East Winnipeg Sports Association Inc. be approved and that an expenditure in that amount be authorized prior to adoption of the City's 2008 Operating Budget as a first charge against the 2008 Public Works Department Operating Budget.

2. That the request for annual operating grants up to $60,000.00 pending completion of Phase 2 of the project be approved for a total of five years (2009 - 2013) as part of the Public Works Department Operating Budget.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

DECISION MAKING HISTORY:

Moved by Councillor Steeves,

That the administrative recommendation be concurred in and forwarded to Council.

Carried

RE: East Winnipeg Sports Association Inc. - Business Plan and Request for Annual Operating Grant
Transcona Ward
East Kildonan/Transcona Community

FOR SUBMISSION TO: **Executive Policy Committee**

ORIGINAL REPORT SIGNED BY: **A/Director of Planning, Property and Development**

REPORT DATE: **July 17, 2007**

RECOMMENDATION:

1. That the request for a start up operating grant of $60,000 in early 2008 in favour of the East Winnipeg Sports Association Inc. be approved and that Council authorize an expenditure in that amount prior to adoption of the City's 2008 operating budget as a first charge against the 2008 Public Works Department Current Budget.

2. That the request for annual operating grants up to $60,000 pending completion of Phase 2 of the project be approved for a total of five years (2009 -2013) as part of the Public Works Department Current Budget.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report Summary

Key Issues:

- At its meeting held on July 27, 2005, Council delegated its authority to the Chief Administrative Officer to approve the East Winnipeg Sports Association Inc. (hereinafter referred to as EWSA) Business Plan.

- During the period between July 2005 and January 2007, the EWSA, and its Consultant finalized the Business Plan, which included site concept plans, construction cost estimates, funding and projected revenues and expenses.

- The Business Plan has been updated by including the final site concept plans, construction cost estimates, funding sources and revised projected revenues and expenses and the addition of a start up component and deletion of park rationalization.

- The Business Plan Revenue and Expense Medium Case projection is for break-even with revenues and expenses totaling $413,020. It should be noted that the cost of constructing the Park has increased from $5.62M to $6.55M and that the completion of Phase 2 now requires an additional $400,000 to complete.

- On July 13, 2007, the Chief Administrative Officer considered a Departmental Report dated July 12, 2007 regarding the EWSA Business Plan.

- The Business Plan is based on the receipt of a $60,000 start up operating grant in 2008 and annual operating grants up to $60,000 pending the completion of Phase 2 of the project

- The Public Service is supportive of the request for annual operating grants, on an "as required" basis, until Phase 2 is completed or the expiry of a five year period (2009-2013).

Implications of the Recommendation(s):

General Implications

( ) None

(x) For the organization overall and/or for other departments

(x) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s): The development of Buhler Recreation Park is an example of utilizing external providers for the development, funding and operation of City-owned recreation facilities.

Policy Implications

(x) No

( ) Yes

Regulatory Implications

(x) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Environmental Implications

(x) No

( ) Yes

Human Resources Implications

(x) No

( ) Yes

Financial Implications

( ) Within approved current and/or capital budget

(x) Current and/or capital budget adjustment required

Comment(s):The EWSA Business Plan includes a request for a City contribution of a start up grant of $60,000 in 2008 and annual operating grants up to $60,000 until Phase 2 of the project is completed (estimated in five years). It is recommended that the start-up grant request be approved by Council and added to the Public Works Department Operating Budget in 2008 and that the annual operating grants up to $60,000 pending completion of Phase 2 of the project be approved as part of the 2009-2013 Public Works Department Current Budget.

Report

REASON FOR THE REPORT:

In accordance with the sections 288(1) and 288(2) of the Charter, Council approval is required to add the request for an initial operating grant of $60,000 in early 2008 and annual operating grants up to $60,000 to the East Winnipeg Sports Association Inc.

HISTORY:

On July 25, 2005, Council considered an Administrative Report regarding the Buhler Recreation Park including a segment dealing with the Business Plan and a request for annual operating grants from the City. In part, the Administration stated:

> *"Representatives of the Planning, Property and Development Department, the Project Consultant, and the East Winnipeg Sports Association Inc. met to discuss the various business plan issues. The Department is awaiting a revised Business Plan, which addresses the proposed operating budget issues and a basis upon which to determine the need for an annual subsidy. The Departments are of the initial position that the East Winnipeg Sports Association Inc. can operate the facility within the potential revenue streams available for this site without an operating subsidy. Special attention will be required within the start up period to ensure that sufficient cash flow is available to offset start up costs. The Department has now received an updated operating budget. However, it requires additional time to review the proposed budget and to discuss same with the East Winnipeg Sports Association Inc"; and,.*

Council approved recommendations contained in a Report regarding the Buhler Recreation Park which contained the following:

> *"That the Business Plan dated April 2004 be received as information and that the Chief Administrative Officer be delegated authority to approve the Business Plan subject to obtaining the necessary amendments to the Business Plan to satisfy the concerns of the Public Service contained herein. "*

At its meeting held on April 26, 2006, Council approved a request for a City $1.5 M capital contribution and funding Buhler Recreation Park.

At it meeting held on July 13, 2007, the Chief Administrative Officer approved the revised EWSA Business Plan in accordance with the recommendations in a Report dated July 12, 2007.

DISCUSSION:

Representatives of the Planning, Property and Development Department, Community Services Department and EWSA and their Consultant met in the spring of 2006 to discuss

the Business Plan for Buhler Recreation Park. The Public Service identified a number of concerns regarding the first draft of the Business Plan in 2006.

Through a series of reviews and meetings with the Public Service, the final site concepts and designs were completed. Upon completing this Phase, the EWSA and the Project Consultant continued finalizing cost estimates and project tendering for works in Phase 1, all of which are identified in the final Business Plan.

Representatives from the Planning, Property and Development Department and Community Services Department reviewed the initial Business Plan projections of revenue and expenses and observed the following:

- A start-up component for the park was not included;
- The revenue and expense projections did not include low, medium and high scenarios or a contingency;
- The food and beverage revenue projections appeared very low relative to the estimate of potential site visitors each year;
- The estimates did not include any interim financing charges; and,
- Advertising revenue appeared low.

On January 25, 2007, the EWSA provided a copy of the final Business Plan to the Planning, Property and Development Department. The details of the projected start-up costs and annual operating budgets are attached as Appendix “A” hereto.

Departmental Comments:

The EWSA has demonstrated the capacity to create and implement a plan to construct a recreational facility and also to fundraise, obtain donations from within the community, and to solicit federal, provincial and municipal funding to bring this project to fruition. In response, the City has provided land, realty tax exemption status to the site, and agreed to make a contribution of $1.5M towards the cost of constructing Phase 2 of the facility.

The EWSA has provided a forecast of revenue and expenses during the start up Phase. It has also undertaken certain fundraising initiatives to assist in financing same. The Department has reviewed these estimates and has continued to discuss the following matters related to the start-up forecast as follows:

- Dispersal of wages;
- Loan expenses;
- Utility costs;
- Interim cost for maintaining the playing fields
- Marketing and promotion costs;

- Plan to address the potential project shortfall;

As of this date the EWSA has not provided a response to the above. Notwithstanding the above, the Department understands that the EWSA is projecting a shortfall of $123,140.00 in funding during the start up Phase and supports the request for a start-up grant of $60,000 in early 2008.

With respect to the request for annual operating grants of $60,000, the Public Service feels that the revenue estimates are conservative and potentially lower than what may be experienced after a full year of operations. The balance of the Business Plan has been determined to be acceptable to the Public Service, which includes a request for a start up operating grant of $60,000 beginning in 2008 and annual operating grants up to $60,000 pending completion of Phase 2.

The Public Service is supportive of the request for annual operating grants, on an "as required" basis, until Phase 2 is completed or the expiry of a five year period. It is proposed that the start up grant of $60,000 be the first charge against the 2008 Public Works Current Budget and be made available to the EWSA in early 2008 and that an annual amount of $60,000 be placed into the Public Works Department Budget for five years (2009-2013) to be made available to the EWSA on an as required basis until Phase 2 is completed.

Project Name: **First Year of Program** **2007**

East Winnipeg Sports Association Inc.

	2008	2009	2010	2011	2012
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
External	-	-	-	-	-
Grants (Identify)	60,000	60,000	60,000	60,000	60,000
Reserves, Equity, Surplus, Other	-	-	-	-	-
Total Funding	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000

Additional Comments:

The payment of start up operating grant of $60,000 in 2007 to the EWSA and annual operating grants up to $60,000 per year until Phase 2 is completed will require a budget amendment to the Public Works Department Budget in 2009 through 2013

"Original signed by"
Mike McGinn, CA
Manager of Finance

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

Public Works

External Consultation With:

N/A

THIS REPORT SUBMITTED BY:

Department:	Planning, Property and Development
Division	Real Estate
Prepared by:	D. Armstrong/W. Bollman
PPD File No.	7342

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Appendix "A"

a) Start up Phase 2006 through May 2008

	Budget	Actual
Wages & Source Deductions	$140,000.00	$ 66,256.32
Computers/Printers/Fax/Copier	$ 10,000.00	$ 3,654.69
Phone/Internet	$ 6,000.00	$ 3,144.00
Insurance	$ 16,000.00	$ 8,200.00
Fuel/Parking	$ 4,000.00	$ 2,100.00
Postage/Post Office Box Rental	$ 1,000.00	$ 650.00
Copies/Office Supplies	$ 3,000.00	$ 1,300.00
Annual Return	$ 40.00	$ 20.00
Advertising	$ 8,000.00	$ 2,700.00
Bank Charges	$ 100.00	$ 50.00
Loan Interest	$ 40,000.00	$ 21,073.60
Travel	$ 4,000.00	$ 1,400.00
Meals	$ 3,000.00	$ 1,200.00
Utilities	$ 18,000.00	$ 600.00
Site Maintenance	$ 40,000.00	$ 0.00
Total	$293,140.00	$112,348.61
Funding Sources		
Community Social and Grants	$ 30,000.00	$ 17,000.00
Raffles (Grey Cup, Texas Holdem Tourney)	$ 50,000.00	$ 24,000.00
Community Donations (Buy A Brick)	$ 30,000.00	$ 16,000.00
Cash on Hand (Contingency)	$ 60,000.00	
Total	$170,000.00	$ 57,000.00
Shortfall	$123,140.00	$114,000.00

Notes: 1. Loan expense has been incurred for financing of donations spread out over 5 years 2. Some site maintenance is to be covered by construction contracts 3. Utility Costs are based on building being operational by July 2007 and are estimated 4. Marketing and promotion costs are included in budget with donations pending for site grand opening party 5. All accounting records are kept by EWSA Treasurer 6.Fundraising is ongoing and the EWSA has always exceeded its goals and has demonstrated that in the past.

b) Annual Operating Budget Administrative Estimate

Projected Annual Income	Phase 1	Phase 2
User Fees	$ 96,310.00	$154,610.00
Special Events	$ 27,860.00	$ 27,860.00
Exhibition Space Rental	$ 4,000.00	$ 4,000.00
Concession and Beverage Sales	$147,325.00	$211,175.00
Sponsorship and Advertising	$ 62,525.00	$ 77,190.00
Donations	$ 15,000.00	$ 15,000.00
Operating Grants	$ 60,000.00	$ 0.00
Interest/Misc.	$ 0.00	$ 0.00
Total Income	$413,020.00	$489,835.00
Projected Annual Expenses		
Staffing Costs	$119,900.00	$ 119,900.00
Board	$ 1,000.00	$ 1,000.00
Administration	$ 10,690.00	$ 10,690.00
Insurance and License	$ 5,200.00	$ 5,200.00
Utilities	$ 28,600.00	$ 36,000.00
Facility Repairs and Maintenance	$ 17,300.00	$ 17,300.00
Site Maintenance	$105,500.00	$ 122,500.00
Maintenance Truck (Lease/Gas/Insurance)	$ 5,100.00	$ 5,100.00
Food and Beverages	$ 76,110.00	$ 108,250.00
Advertising	$ 3,000.00	$ 3,000.00
Amortization	$ 0.00	$ 0.00
National Tournament	$ 10,000.00	$ 12,000.00
Tournament and League	$ 3,000.00	$ 4,000.00
Sponsorship Signage	$ 0.00	$ 0.00
Contribution to Life Cycle Maintenance/ Contingency	$ 27,620.00	$ 44,895.00
Total Expense	$ 413,020.00	$ 489,835.00