Agenda – Executive Policy Committee – December 13, 2013

2014 BUDGET REVIEW

Item No. 5 Arena Development Proposal – East End Community Centre (Transcona Ward)

COUNCIL DECISION:

On February 27, 2013, Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

9. That additional funding requirements, as outlined in Table A, associated with the decommissioning of the Roland Michener Arena Facility (mothballing, etc.), as well as the estimated incremental Universal Funding Formula amount payable annually to East End Community Centre as a result of additional heated square footage, be referred to the 2014 Operating Budget process.

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 22, 2012, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and recommended to Council:

1. That the City of Winnipeg enter into a tripartite funding partnership with the East End Community Centre (EECC) and the Province of Manitoba in support of the East End Community Centre Arena Expansion Project which upon construction of an additional sheet of ice will result in a triplex arena facility; subject to confirmation satisfactory to the Chief Financial Officer of each partner committing to fund a 1/3 share of the $9.0 million capital cost, and that Council approve the City's funding contribution as follows:
   A. A loan guarantee in favour of EECC of up to $9.0 million.
   B. Beginning in September 2014, a 25 year annual operating grant of $190,000 per year required to retire the City of Winnipeg's 1/3 share ($2.99 million) of the total project capital cost of $ 9.0 million.

2. That the City of Winnipeg enter into a funding agreement with EECC which sets out the terms and conditions pursuant to which the City's funding is to be provided, including without limitation, the following:
   A. that EECC use 50% of the annual surplus cash flow generated by the newly expanded operation, which amount shall be determined pursuant to EECC's annual financial statements, to service the principal and interest payments on debt associated with the East End Arena Expansion Project until such time as EECC's $2.99 million share of such debt is repaid in full.
   B. that EECC maintain such above-noted surplus funds in an trust account until such time as a fixed lump sum payment can be made, at a minimum of once per fixed loan term.
   C. that once the EECC portion of the loan is paid in full, that EECC annually transfer 50% of surplus cash flow to a restricted Capital Fund to be used exclusively for EECC capital improvements.
   D. if EECC's cumulative operational surplus falls below $500,000 in a particular year, the condition on recommendation (2.i) would not be applicable for that year.

DECISION MAKING HISTORY (continued):

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

3. That the Chief Administrative Officer be delegated the authority to negotiate and approve the terms and conditions of the funding agreement and any other agreements required to implement the recommendations set forth in this report.

4. That the Chief Financial Officer be delegated the authority to negotiate and approve the terms and conditions of the EECC financing documents and loan guarantee.

5. That the Roland Michener Arena (Appendix A) be declared surplus property and that Recommendation 1 of this report be subject to such approval.

6. That upon approval of this report, the City of Winnipeg immediately undertake the processes required to rezone and market the land (as per Appendix A) and that until the tender is awarded for the East End Arena Expansion Project, the City will not close on any offers forthcoming on the land.

7. That further to the intent of the Recreation Leisure and Libraries Facilities policy, the net proceeds derived from the property sale of the Roland Michener Arena be reinvested in the Transcona Centennial Waterplay Park and Pool.

8. That the net mill rate savings derived from decommissioning the Roland Michener Arena be utilized to support the annualized operating grant funding contribution from the City of Winnipeg to the East End Arena Expansion Project.

9. That additional funding requirements, as outlined in Table A, associated with the decommissioning of the Roland Michener Arena Facility (mothballing, etc.), as well as the estimated incremental Universal Funding Formula amount payable annually to East End Community Centre as a result of additional heated square footage, be referred to the 2014 Operating Budget process.

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

ADMINISTRATIVE REPORT

Title: Arena Development Proposal – East End Community Centre

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
K. Knudsen D. Prokopchuk	C. Wightman B. Thorgrimson	M Ruta	D Joshi COO

RECOMMENDATIONS

1. That the City of Winnipeg enter into a tripartite funding partnership with the East End Community Centre (EECC) and the Province of Manitoba in support of the East End Community Centre Arena Expansion Project which upon construction of an additional sheet of ice will result in a triplex arena facility; subject to confirmation satisfactory to the Chief Financial Officer of each partner committing to fund a 1/3 share of the $9.0 million capital cost, and that Council approve the City's funding contribution as follows:
   i. A loan guarantee in favour of EECC of up to $9.0 million.
   ii. Beginning in September 2014, a 25 year annual operating grant of $190,000 per year required to retire the City of Winnipeg's 1/3 share ($2.99 million) of the total project capital cost of $ 9.0 million.

2. That the City of Winnipeg enter into a funding agreement with EECC which sets out the terms and conditions pursuant to which the City's funding is to be provided, including without limitation, the following:
   i. that EECC use 50% of the annual surplus cash flow generated by the newly expanded operation, which amount shall be determined pursuant to EECC's annual financial statements, to service the principal and interest payments on debt associated with the East End Arena Expansion Project until such time as EECC's $2.99 million share of such debt is repaid in full.
   ii. that EECC maintain such above-noted surplus funds in an trust account until such time as a fixed lump sum payment can be made, at a minimum of once per fixed loan term.
   iii. that once the EECC portion of the loan is paid in full, that EECC annually transfer 50% of surplus cash flow to a restricted Capital Fund to be used exclusively for EECC capital improvements.
   iv. if EECC's cumulative operational surplus falls below $500,000 in a particular year, the condition on recommendation (2.i) would not be applicable for that year.

3. That the Chief Administrative Officer be delegated the authority to negotiate and approve the terms and conditions of the funding agreement and any other agreements required to implement the recommendations set forth in this report.

4. That the Chief Financial Officer be delegated the authority to negotiate and approve the terms and conditions of the EECC financing documents and loan guarantee.

5. That Council declare the Roland Michener Arena (per Appendix A) to be surplus property and that Recommendation 1 of this report be subject to such approval.

6. That upon approval of this report, the City of Winnipeg immediately undertake the processes required to rezone and market the land (as per Appendix A) and that until the tender is awarded for the East End Arena Expansion Project, the City will not close on any offers forthcoming on the land.

7. Further to the intent of the Recreation Leisure and Libraries Facilities policy, that Council approve the net proceeds derived from the property sale of the Roland Michener Arena be reinvested in the Transcona Centennial Waterplay Park and Pool.

8. That Council approve that the net mill rate savings derived from decommissioning the Roland Michener Arena be utilized to support the annualized operating grant funding contribution from the City of Winnipeg to the East End Arena Expansion Project.

9. That additional funding requirements as outlined in Table A associated with the decommissioning of the Roland Michener Arena Facility (mothballing, etc), as well as the estimated incremental Universal Funding Formula amount payable annually to East End Community Centre as a result of additional heated square footage, be referred to the 2014 Operating Budget process.

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

REASON FOR THE REPORT

Council must approve loan guarantees and operating grants to external agencies as well as the disposition of civic facilities.

IMPLICATIONS OF THE RECOMMENDATIONS

- The East End Community Centre Board has submitted a Business Case for the East End Expansion Project which calls for an $9.0 million arena development which will comprise a 48,000 sq ft addition including a new rink, 500 seat bleacher area, additional and renovated locker room and shower facilities, larger community meeting room /programming space, modernized canteen, new foyer, Pro Shop and additional parking. Construction of the expansion would begin in Spring/Summer 2013 and will result in a Triplex Arena Facility is anticipated to be ready for occupancy in Fall 2014 (Appendix B).

- The Public Service has reviewed the arena development proposal and is satisfied that a sustainable business model has been developed by the East End Community Centre Board based upon EECC financing 33.33% of the total project cost, including interim financing the capital construction.

Loan Guarantee

- This report recommends that the City of Winnipeg provide a loan guarantee to the East End Community Centre of up to $9.0 million.

- The following is the policy and criteria related to requests for loan guarantees as adopted by Council on June 17th, 1992:

    A. Requests for loan guarantees shall be submitted to the City Treasurer for review to determine if the request meets the requirements of the policy.

    This report has been submitted to and reviewed by the City Treasurer.

    B. The organization requesting the loan guarantee must provide a service, which, in whole or in part, falls within the mandate of the City of Winnipeg.

    This recreation facility development of an additional arena to comprise a triplex arena facility falls within the mandate of the City of Winnipeg and is consistent with the Recreation, Leisure and Library Facilities (RLALF) Policy adopted by Council in May of 2005.

    C. The project for which the loan guarantee is being requested must not be in conflict with City policy. For example, if City policy stated that we already had more than enough arenas for our population, the City would not guarantee a loan for the purpose of constructing an arena.

    This project has been reviewed by Community Services and is not in conflict with City policy. The population to ice sheet ratio is projected to remain the same at 15,954 per sheet in the North East quadrant.

    D. The organization's services must be available to the community at large without restrictions based upon ethnicity, religion or race and without unreasonably restrictive membership or user fees.

    The services are available to the community at large, without restrictive membership policies or user fees.

    E. The organization must be non-profit.

    East End Community Centre is a non-profit organization.

    F. The organization must produce financial records and a business plan that demonstrates the organization's long-term viability and capacity to meet the obligations of the loan that they are asking the City to guarantee.

    The Business Plan projects a break-even budget in the fiscal year ending April 30th 2015 and an average annual consolidated surplus exceeding $70,000 thereafter. The assumptions and reasonableness of the projections were reviewed by Community Services.

    G. The organization structure and the principals of the organization must be judged by the City of Winnipeg as competent to independently implement the business plan of the organization.

The East End Community Centre has a demonstrated and proven history in facility operation and management.

H. Unless there are very special circumstances, the maximum amount of outstanding loan guarantees for any one organization will be $1,000,000.00.

The loan guarantee request is for an amount up to $ 9.0 million with the condition of a 1/3 funding contribution from the Province of Manitoba. A loan guarantee of up to $9.0 million is required to meet the cash flow needs of the project during construction and represents the maximum amount required considering Provincial reimbursement of invoices paid. Council has granted loan guarantees in excess of the $1 million maximum amount in the past, where circumstances warrant.

I. The loan that the City is being asked to guarantee should not represent more than 50% of the total funding of the project. The organization requesting the loan guarantee must have raised at least 20% of the total project costs from non-City of Winnipeg sources as a down-payment, i.e. if the organization is receiving a City grant for their project, the grant cannot be counted as part of the 20% down-payment.

This guarantee represents 100% of the project cost; however, East End Community Centre will only be responsible for servicing debt on 33.33% of the project costs. The City will fund the EECC for the City's share (33.33%) of $2.99 million of debt servicing cost through an annual operating grant until the debt is retired. The project has been brought forward as a result of the City's Expression of Interest 430-2011 for the design, construction, development and operation of multi-pad arena complexes in Winnipeg. This project is consistent with the RLALF Policy adopted by Council in May of 2005.

J. The loan that the City is guaranteeing must be related to a capital asset.

The project is related to a city owned capital asset. When the project is complete, the City will have a newly constructed / renovated triplex arena and multi-use facility.

K. The capital asset must be insured to the satisfaction of the City Treasurer both during and after construction.

The facilities operated by East End Community Centre are owned by the City and are currently insured by the City.

<u>Annual Operating Grant</u>

- This report also recommends that a 25 year annual operating grant of $190,000 be provided in order to retire the City of Winnipeg's 33.33% share ($ 2.99 million) of the total project capital cost of $9.0 million. It is further recommended that the City of Winnipeg decommission one sheet of city owned and operated ice and that the savings derived from this decommissioning be utilized to support the annualized operating grant funding contribution to the East End Community Centre.

Universal Funding Formula

- As a result of the additional estimate of 13,871 feet of heated space, the East End Community Centre would be eligible for annual incremental funding of approximately $45,000 under the Universal Funding Formula (UFF) provided to Community Centres, adjusted for inflation per the approved UFF.

Decommissioning of Existing City Owned and Operated Ice Sheets

- The rationale for recommending the decommissioning of one sheet of ice is consistent with the Recreation, Leisure and Library Facilities (RLALF) Policy adopted by Council in May of 2005.

- The RLALF Policy provides direction for the provision and maintenance of recreation, leisure and library facilities owned by the City of Winnipeg. This policy is intended to address two primary objectives:
    - to provide Winnipeggers with more contemporary recreation, leisure and library facilities, and
    - to move toward a more financially sustainable mix of recreation, leisure and library facilities.

- With respect to arenas, the RLLAF Policy indicates that the City's intent is to eliminate or reduce its role as a direct provider over time, while ensuring that the number of arenas remains within the facility to population ratio.

- The current arena inventory serving Winnipeg's estimated population of 691,800 amounts to 44 sheets of ice for an overall ratio of 15,723 per ice sheet. The Public Service has examined the distribution of arenas by quadrant within Winnipeg (Appendix C).

- This quadrant analysis considered the population to ice sheet ratio as well as the facility condition index. As the East End Arena Expansion Project would provide an additional sheet of ice in the northeast quadrant of Winnipeg, the Public Service is recommending that the Roland Michener Arena in the north east quadrant of Winnipeg be decommissioned. Decommissioning of this arena would maintain the population to ice sheet ratio at 15,954 per sheet for the northeast quadrant.

- All City of Winnipeg ice programming now underway at Roland Michener arena would be accommodated in the East End Arena facility.

- The Roland Michener Arena currently:
    - is a Class C arena constructed to operate up to 6 months of the year with the current regular annual operating season being October to mid-March.
    - has a facility condition index of 0.21. This facility condition is identified as in a 'Managed Care' state.
    - has an unfunded liability of $6,048,235 over the next ten years to maintain the current FCI (status quo).
    - has a three year (09-11) average subsidy of $217,381 per year.

- There has been consultation with the Community regarding the Roland Michener / Transcona Centennial Pool site over a two year period which included three public open houses. A final public open house is currently scheduled for March/April to share with the community the plans for the proposed EECC, Roland Michener and Plessis site redevelopments.

- The Roland Michener building, site, and associated parking as per Appendix A to be declared surplus. The City of Winnipeg would then immediately undertake the process for rezoning and marketing this area for potential multi-family housing.

- The net proceeds of the sale of the lands are to be reinvested in the Transcona Centennial Waterplay Park and Pool.

Financial Implications

- The following table provides a summary explanation of the financial implications for the City of Winnipeg as a supplement to the Financial Impact Statement.

Table A:

Net Mill Rate Support Impact

$8,993,501 Project (net of $0.4 GST rebate) - 33% City ($2.99M); 33% Province ($2.99M); 33% EECC ($2.99M)

Loan Guarantee of $9.0M required

	2013	2014	2015	2016	2017
NEW Operating Grant to EECC equivalent to the Annual Principal & Interest on $2.99M Loan Guarantee, 4%, 25 year amortization; effective September 2014	-	63,324	189,972	189,972	189,972
Net Mill Rate Support Savings - Municipal Accommodations expenditure and CmSD revenue	-	(36,257)	(122,326)	(124,772)	(127,268)
Incremental Universal Funding Formula (UFF) for estimated square footage increase	-	18,275	44,737	45,632	46,545
Net Increased Mill Rate Support	**$ -**	**$ 45,342**	**$ 112,384**	**$ 110,832**	**$ 109,249**

Note 1: In Year 1, no interest will be payable. All construction interest from May 1, 2013 through August 31, 2014 will be paid by East End Community Centre. Year 2 assumes that the City's portion of the loan (33% of $8.99M is $2.99M) will begin September 2014, therefore four months of P&I in 2014.

Note 2: In 2014, the assumption is that seven months of municipal accommodation costs plus five months of fixed overhead and mothballing costs will require mill rate support; and three (Oct, Nov, Dec 2014) of six months revenue will not be earned by the City.

Note 3: The financial impact does not include any net proceeds from the property sale, redevelopment, or repurposing of Roland Michener Arena or any demolition costs if required.

Note 4: Before Year 3 a decision regarding the facility will be made that may eliminate the overhead and mothballing costs incurred by Municipal Accommodations. The FIS currently includes these costs at ~$105,00 per year, increasing by inflation, in perpetuity.

Human Resource Implications

- Should Council concur with the recommendation to decommission one city-owned and operated ice sheet, a formal notice will be provided to CUPE of a Change Initiative per the provisions of the Collective Agreement.

- There would be no job losses associated with this initiative. Any employees impacted would be subject to redeployment opportunities as per the CUPE Collective Agreement.

HISTORY

An Expression of Interest 430-2011 for the design, construction, development and operation of multi-pad arena complexes in Winnipeg was issued by the City of Winnipeg on October 17, 2011 and concluded on December 5th, 2011.

On April 28th, 2010 Council concurred in the recommendation of the Standing Policy Committee on Protection and Community Services and adopted the following:

1. That further to the May, 2005 Council adopted Recreation, Leisure and Libraries Facilities Policy, and in order to move towards a more financially sustainable model for arena facilities, as well as to provide Winnipeggers with a more contemporary mix of recreation and leisure facilities, the City of Winnipeg solicit expressions of interest (EOI) from the private sector and community organizations for:

    a. The construction and operation of new multi-pad public use arenas; with prime consideration being given to strategic geographic location(s) so as to maximize accessibility for Winnipeggers.
    b. The management and operation of existing City owned and operated public use arenas.

2. That the City of Winnipeg also give consideration to including principles within the Expression of Interest that may address the opportunity for incentive towards the redevelopment of existing facilities, including, but not limited to, land, building and other financial incentives; as well as a provision for a public access component for any redeveloped and/or new facility, as shown on Appendix C to the report of the Winnipeg Public Service dated February 10, 2010.

3. That based upon the results of the aforementioned expressions of interest (EOI), while ensuring that the number of arenas remains within the facility to population ratio under the Recreation, Leisure and Libraries Facilities Policy, that the City give consideration to the potential conversion of surplus arena facilities wherein analysis of such variables as usage, strategic location /proximity to other arenas, facility condition index, etc may indicate a rationale to reconfigure the facility to provide alternate recreational opportunities such as indoor soccer, gymnasium or court sport complex.

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

Financial Impact Statement

Date: February 8, 2013

Project Name:

First Year of Program 2013

	2013	2014	2015	2016	2017
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs (Munic Accom; UFF; Loan)	$ 439,237	$ 411,091	$ 401,529	$ 405,760	$ 410,076
Less: Revenue (two arenas)	161,319	82,273	-	-	-
Net Cost/(Benefit)	$ 277,918	$ 328,818	$ 401,529	$ 405,760	$ 410,076
Less: Existing Budget Amounts (Exp & Rev) (Munic Accom; UFF, Revenue)	277,918	283,476	289,145	294,928	300,827
Net Budget Adjustment Required	$ -	$ 45,342	$ 112,384	$ 110,832	$ 109,249

Additional Comments: The financial impact assumes that the East End Community Club's new third rink would open August 1, 2014 with a construction start date of May 1, 2013.

The financial impact assumes that all City arena revenue currently derived from the Roland Michener site would transfer to the East End Community Centre effective August 1, 2014.

The decommissioning of one City owned arena would reduce the annual variable costs of operating the facilites (net of annual mothballing costs). Additional mill rate support costs associated with this proposal considers the increased heated square footage at the community centre from an increased Universal Funding Formula (UFF) grant and a new operating grant to East End equivalent to the principal and interest payments on a $2.99M loan, at 4%, amortized over 25 years. The financial impact does not include any net proceeds from the property sale, redevelopment, or repurposing of Roland Michener Arena.

original signed by
Cindy Fernandes, CMA
Department Controller
Community Services Department

CONSULTATION

In preparing this report there was consultation with:

Corporate Finance Department
Planning, Property and Development Department
Public Works Department
Corporate Support Services Department
Legal Services Department
East End Community Centre Board
General Council of Winnipeg Community Centres
Local Area Councillor

SUBMITTED BY

Department: Community Services
Division: Strategic and Business Support Services
Prepared by: K. Knudsen, B. Dyck
Date: February 14th, 2013
File No.

Attachments:

Appendix A **Roland Michener Site Map**



APPENDIX
A_ROLAND MICHENE

Appendix B **East End Arena Expansion Project Business Case Summary**



East End Community
Centre - Appendix B I

Appendix C **Arenas in Winnipeg by Quadrant**



Arenas in Winnipeg
by Quadrant