Agenda – Executive Policy Committee – February 19, 2014

REPORTS

Item No. 3 Multi-pad Arena Development – Transcona East End Community Centre "Transcona East End Arena Expansion Project" (Transcona Ward)

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. As a result of due diligence to confirm preliminary project cost estimates; that the project cost of $9.0 million for the Transcona East End Community Centre Arena Expansion project previously approved by Council on February 27, 2013 as a tripartite funding partnership between the Transcona East End Community Centre (TEECC), the City of Winnipeg and the Province of Manitoba in the amount of $3.0 million each; be revised to reflect a total project cost of $11.5 million with the additional $2.5 million to be funded as follows:

    i. an additional $1.5 million grant from the City as approved by Council on December 17, 2013 in the 2014 Capital budget and;
    ii. an additional $1 million contribution from TEECC, as approved by its Board on January 31st 2014.

2. That the amount of the City's loan guarantee of up to $9.0 million in favour of TEECC as approved by Council on February 27, 2013 be increased to up to $11.5 million.

3. That the Chief Administrative Officer be delegated the authority to negotiate and approve the terms and conditions of any agreements required to implement the recommendations set forth in the Council decision of February 27, 2013 and this report.

4. That the Chief Financial Officer be delegated the authority to negotiate and approve the terms and conditions of the TEECC Arena Expansion Project financing documents and loan guarantee in accordance with the recommendations set forth in the Council decision of February 27, 2013 and this report..

ADMINISTRATIVE REPORT

Title: Multi-pad Arena Development – Transcona East End Community Centre
"Transcona East End Arena Expansion Project"

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
K. Knudsen	C. Wightman B. Thorgrimson	M. Ruta, CFO	D. Joshi, A-CAO

RECOMMENDATIONS

1. As a result of due diligence to confirm preliminary project cost estimates; that the project cost of $9.0 million for the Transcona East End Community Centre Arena Expansion project previously approved by Council on February 27, 2013 as a tripartite funding partnership between the Transcona East End Community Centre (TEECC), the City of Winnipeg and the Province of Manitoba in the amount of $3.0 million each; be revised to reflect a total project cost of $11.5 million with the additional $2.5 million to be funded as follows:

    i. an additional $1.5 million grant from the City as approved by Council on December 17, 2013 in the 2014 Capital budget and;
    ii. an additional $1 million contribution from TEECC, as approved by its Board on January 31st 2014.

2. That the amount of the City's loan guarantee of up to $9.0 million in favour of TEECC as approved by Council on February 27, 2013 be increased to up to $11.5 million.

3. That the Chief Administrative Officer be delegated the authority to negotiate and approve the terms and conditions of any agreements required to implement the recommendations set forth in the Council decision of February 27, 2013 and this report.

4. That the Chief Financial Officer be delegated the authority to negotiate and approve the terms and conditions of the TEECC Arena Expansion Project financing documents and loan guarantee in accordance with the recommendations set forth in the Council decision of February 27, 2013 and this report..

REASON FOR THE REPORT

Council must approve any revisions to the project value or cost.

IMPLICATIONS OF THE RECOMMENDATIONS

- On February 22, 2013 Council approved a tripartite funding partnership between the City of Winnipeg, Province of Manitoba and the Transcona East End Community Centre. The 'Transcona East End Arena Expansion Project' will comprise a 52,600 sq ft addition including a new rink, 500 seat bleacher area, additional and renovated locker room and shower facilities, a mezzanine level including a community meeting room / programming space, modernized canteen as well as a new foyer, Pro Shop and additional parking.
- The TEECC Board has secured Construction Management services in order to ensure due diligence and to confirm preliminary project cost estimates. Design services are now complete and the Construction Manager has issued construction documents for sub-trade pricing. Sub-trade bid submissions are required by February 12, 2014.
- The original budget per the Business Plan submission of October 2012 was $9.0 million. However, items such as the necessary relocation of sewer and water services, sprinklering of the existing building and an increased construction contingency have resulted in a revised Budget of $11.5 million.
- On January 31st , 2014, the TEECC Board approved a motion to increase its funding contribution to the project from $3.0 million to up to a maximum of $4.0 million. A revised cashflow statement (Appendix A) reflects TEECC's ability to absorb this additional financing commitment.
- The 2014 Council approved City of Winnipeg Capital Budget includes "a $1.5 million dollar grant conditional upon the Community Centre committing to fund an additional $500,000 towards the arena development proposal. A request to the Province will be made to fund one-half of this grant ($750,000 each) as the East End is a cost-shared project".
- In addition to the aforementioned capital grant approved by Council in the 2014 Capital Budget, the City of Winnipeg would continue to provide a 25 year annual operating grant to TEECC of $190,000 per year required to retire the City of Winnipeg's original funding commitment of $3.0 million.
- Construction will not commence until Council has approved the revised project budget as recommended in this report.
- Project timelines have been adjusted as necessary as a result of time required to perform due diligence to confirm project cost estimates with an anticipated opening date of Fall, 2015.

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

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.

Financial Impact Statement

Date: Janaury 31, 2014

Project Name:

First Year of Program **2014**

	2014	2015	2016	2017	2018
Capital					
Capital Expenditures Required			$ -	$ -	$ -
Less: Existing Budgeted Costs			-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Corporate Non-Specified Capital	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Province of Manitoba		-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs (Munic Accom; UFF; Operating Grant					
Less: Revenue (Arena)			-		-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts (Exp & Rev) (Munic Accom; UFF, Revenue, Operating Grant)					
Net Budget Adjustment Required	$ -		$ -	$ -	$ -

Additional Comments: The total cost of the Transcona East End Community Club project from $9M to $11.5M does not change the 2014 Capital or Operating Budget as adopted by Council on December 17, 2013. The City of Winnipeg approved a $1.5M grant in the 2104 Adopted Capital Budget with a request to the Province to fund one half of the grant ($750,000 each) as the East End is a cost-shared project.

All financial implications to the City of Winnipeg from both an operating and a capital perspective are included in the 2014 Adopted Budget and the Projected budgets of 2015 and 2016. No further adjustments are required to revise the cost of this arena development proposal.

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
Legal Services Department
East End Community Centre Board

SUBMITTED BY

Department: Community Services
Division: Strategic and Business Support Services
Prepared by: K. Knudsen
Date: February 5th, 2014
File No.

Attachments:

Appendix A: Transcona East End Community Centre – Revised Cash Flow



Appendix A -
Revised Cashflow Sta

Appendix B:

Proposed Funding Sources –Transcona East End Community Centre Arena Expansion	
City / Province	$7.5M
TEEC	$4.0M
Total Funding Sources	**$11.5M**