

**CITY OF HAMILTON**

**CITY MANAGERS'S OFFICE**  
**City Manager**

<b>TO:</b> Mayor and Members General Issues Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> February 15, 2012	
<b>SUBJECT/REPORT NO:</b> Independent External Review of HECFI Operations - Phase II (RFP) (CM11013b) (City Wide)	
<b>SUBMITTED BY:</b> Chris Murray City Manager	<b>PREPARED BY:</b> Peter Barkwell Ext 4636 Ann Pekaruk Ext 4469
<b>SIGNATURE:</b>	Tony Tollis Ext 4549 Art Zuidema Ext 5639

**RECOMMENDATION**

That the City Manager (through KPMG) be authorized to meet with all proponents as outlined in report CM11013b to further explore the proposals and report back to GIC on March 21<sup>st</sup> with recommendations to proceed to the negotiations stage with one or more of the proponents.

**EXECUTIVE SUMMARY**

On December 14<sup>th</sup>, Council directed the City Manager to report back on the Results of the Request for Proposals for the Operation / Lease / Purchase of the HECFI facilities. The following report outlines the Costs of the process to date, as well as the methodology, objectives and results of the process.

As reported by KPMG through the attached presentation (Appendix "A"), they have received 6 responses for the operation of the facilities. Three of the respondents are

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North American / Global firms who are interested in managing all facilities and three are local firms who are interested in managing one facility only. Two local firms are interested in managing the Convention Centre and one is interested in the operation of Hamilton Place.

The terms of the proposals are varied and complicated. More time is required to meet with each of the proponents to ensure we understand their proposals completely. Also we want to allow time for the HECFI board to review their 5 year Business plan as this will form the basis of the Status Quo option and/or establish baselines for negotiations with proponents

Once the consultants have had the opportunity to speak to each of the proponents to clarify each bid, a detailed recommendation will be forthcoming to Council with respect to the external proponents. Council will then have the opportunity to debate the merits of the recommendations as well as the 5 Year HECFI Business Plan, in an effort to decide on whether or not to pursue the next stage which is the negotiation of a Memorandum of Understanding.

If it is the direction of Council to pursue a Memorandum of Understanding, KPMG and Staff will present this to Council late May or early June for their consideration.

Finally the last stage would be to negotiate the formal Operating Agreement which could be completed by the end of the summer.

***Alternatives for Consideration – Not Applicable***

<b>FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)</b>
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**Financial:**

N/A

**Staffing:**

N/A

**Legal:**

N/A

**HISTORICAL BACKGROUND** (Chronology of events)

At its meeting of June 29, 2011, Council approved the following recommendations pertaining to the HECFI Review:

- (h) *That the City Manager be authorized and directed to proceed with Phase 2 of the HECFI Review Terms of Reference, utilizing the services of KPMG, as follows:*
  - (i) *Prepare and issue a Request for interest (RFI) or Expression of interest for the purchase, lease, or management, of all or parts of HECFI facilities;*
  - (ii) *Summarize options in a report to GIC;*
- (i) *That the City Manager be authorized and directed to negotiate the scope and cost of the Review with KPMG;*
- (j) *That the City Manager report back to the General Issues Committee with the results of Phase 2 by December 31, 2011;*
- (k) *That the cost of Phase 2 be funded from the HECFI Reserve.*

Further to the above on October 11, 2011, the General Issues Committee received Report CM11013a which outlined the process and costs for Phase II of the review.

On December 14 2011 Council made the following amendment to Item (J) above:

*That sub-section (j) of Item 7 of General Issues Committee Report 11-021, approved by City Council on June 29, 2011, respecting the Independent External Review of HECFI Operations, be amended by deleting the date of December 31, 2011 and replacing it with February 15, 2012, to read as follows:*

- 7(j) That the City Manager report back to the General Issues Committee with the results of Phase 2 by February 15, 2012.*

**POLICY IMPLICATIONS**

N/A

**RELEVANT CONSULTATION**

The Staff Advisory Team assigned to the review is as follows:

Peter Barkwell, City Solicitor  
Anne Pekaruk, Director of Audit Services  
Tony Tollis, City Treasurer  
Art Zuidema, Director, Corporate Initiatives

KPMG LLP was the consultant retained to assist in the review, RFP process and the preparation of Options to GIC.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

**PROJECT COSTS TO DATE:**

DESCRIPTION	REPORT #	AMOUNT
Operational Review	CM11002	90,000
Expressions of Interest – Stage one – Pre-Marketing	CM11013a	130,000
- Stage Two – Evaluation of Offers	CM11013a	53,000
Net HST Tax (13% less Municipal Rebate)		4,800
TOTAL TO DATE (includes cost up to the negotiation stage)		277,800

**PROJECT METHODOLOGY:**

Council approved the use of a consultant for the solicitation of interest in the sale, lease or operation of the HECFI facilities. This was done in order to ensure that the City

received the best possible bids from the private sector by ensuring confidentiality and industry expertise.

**PROJECT OBJECTIVES:**

The objective is to substantially reduce or completely eliminate the subsidization of the Facilities while ideally delivering on the original objectives, which include the following:

- Enhancing the quality of life of Hamiltonians;
- Maintaining the current core use of each Facility; namely, a performing arts venue (Hamilton Place), a convention centre (Hamilton Convention Centre) and a professional sports and entertainment venue (Copps Coliseum). However, the City will entertain changes in use to these Facilities which are shown to be advantageous to other City objectives;
- Attracting a larger mix of high caliber sports and entertainment events
- Fostering “spin-off” private investment in the downtown core of Hamilton.

**RESPONSES TO THE RFP:**

The following were the responses received by KPMG on the RFP that was issued by them in November of 2011:

AEG / Katz Group – Operation of all Facilities (Primarily Copps Coliseum)

Carmens – Operation of Convention Centre only

Global Spectrum / Live Nation – Operation of all facilities

SMG / Forum Equity – Operation of all facilities

Sonic Unyon – Operation of Hamilton Place only

Vrancor – Operation of Convention Centre only

All of the above proponents are offering to manage one or more of the facilities through a management contract. They are not interested in purchasing or leasing the facilities. It is anticipated at this point that there will be some subsidization required at least initially. It has yet to be determined how much subsidy will be required.

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Appendix "A" attached is the KPMG presentation. It will outline in some detail, the proposals received as well as some findings regarding the subsidization of other similar facilities.

In order to ensure all the proponents have an opportunity to discuss their proposals with the consultant (KPMG) and to ensure that they completely understand the proposals in order to be in a position to make a recommendation to Council, additional time is required to meet with each of the proponents.

As well the HECFI board will be presented with the HECFI business plan on February 9<sup>th</sup> for their approval. As the status quo is an option that Council should entertain we will ensure that the details of their business plan are included for Council's consideration.

**NEXT STEPS:**

General Issues Committee Meeting – March 21<sup>st</sup> Report outlining Options and Recommendations

General Issues Committee Meeting – May 16<sup>th</sup> (If required), Approval of Memorandum of Agreement

Finalization of Operating Agreement (if required) – Date to be Determined.

**ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

N/A

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

***Skilled, Innovative & Respectful Organization***

- ◆ A culture of excellence

***Financial Sustainability***

- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner

***Intergovernmental Relationships***

- ◆ N/A

***Growing Our Economy***

- ◆ A visitor and convention destination

***Social Development***

- ◆ N/A

***Environmental Stewardship***

- ◆ N/A

***Healthy Community***

- ◆ N/A

<b>APPENDICES / SCHEDULES</b>
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# HECFI Phase Two: Alternative Service Delivery Options for HECFI Facilities - Search Process

Presentation to City of Hamilton

February 15, 2012







## Agenda

The contacts at KPMG  
in connection with this  
report are:

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**Background**

**RFP Results**

**Proponent Profiles**

**NHL Interest**

**Operating Realities**

**Project Timetable / Next Steps**



# Background



## HECFI Alternative Service Delivery RFP Background

- HECFI manages three City-owned facilities, namely:
  - Hamilton Place (opened in 1973);
  - Hamilton Convention Centre (opened in 1981); and,
  - Cops Coliseum (opened in 1985).
- Between March and June 2011, KPMG LLP and HLT Advisory Inc., (collectively “KPMG”) assisted the City of Hamilton by performing an independent external financial and operational review of HECFI as well as the identification of alternative management / ownership options for HECFI and its three underlying facilities (“Phase One”).
- The impetus for the financial and operational review was a higher-than-expected subsidization of HECFI’s operations in calendar 2010.
- KPMG’s final report was presented to GIC on June 23, 2011.
- Key highlights of the Phase One report are presented in the following slides.



## HECFI Alternative Service Delivery RFP Financial Analysis - Subsidies

### Historical Summary of City Subsidies:

City subsidies of HECFI							
Year ended December 31 (\$000's)	2006	2007	2008	2009	2010	Budget 2011	Total
<b>Operating Subsidies</b>							
<b>Recorded in HECFI financial statements</b>							
Budgeted City subsidy	\$ 2,784	2,867	2,936	2,790	2,790	3,613	<b>17,780</b>
Unbudgeted deficit (surplus)	(38)	(64)	(34)	293	2,008	-	<b>2,165</b>
Bulldogs subsidy	214	214	220	220	220	220	<b>1,308</b>
Special events subsidy	100	165	100	100	100	100	<b>665</b>
	<u>3,060</u>	<u>3,182</u>	<u>3,222</u>	<u>3,403</u>	<u>5,118</u>	<u>3,933</u>	<b>21,918</b>
<b>Not recorded in HECFI financial statements</b>							
Utilities and CUP costs	2,470	2,430	2,240	2,260	2,311	2,623	<b>14,334</b>
Unallocated City administrative costs (*)	400	400	400	400	400	-	<b>2,000</b>
	<u>2,870</u>	<u>2,830</u>	<u>2,640</u>	<u>2,660</u>	<u>2,711</u>	<u>2,623</u>	<b>16,334</b>
<b>Total Operating Subsidies</b>	<b>5,930</b>	<b>6,012</b>	<b>5,862</b>	<b>6,063</b>	<b>7,829</b>	<b>6,556</b>	<b>38,252</b>
<b>Capital Subsidies</b>							
Capital expenditures - building (HECFI)	800	800	800	800	800	800	<b>4,800</b>
Capital expenditures - mechanical	-	-	-	725	3,023	265	<b>4,013</b>
	<u>800</u>	<u>800</u>	<u>800</u>	<u>1,525</u>	<u>3,823</u>	<u>1,065</u>	<b>8,813</b>
<b>Total Subsidies</b>	<b>\$ 6,730</b>	<b>6,812</b>	<b>6,662</b>	<b>7,588</b>	<b>11,652</b>	<b>7,621</b>	<b>47,065</b>

- Over the past six years, the budgeted operating subsidy from the City has averaged \$2.963 million; the 2011 budgeted operating subsidy includes transferred City administrative costs.
- In 2009 and 2010, additional transfers were required from the City in order to fund unbudgeted operating losses of \$293K and \$2.0 million, respectively.



## HECFI Alternative Service Delivery RFP Financial Analysis - Contribution Margin by Venue

### Analysis by Facility:

Corporate Costs and Total Operating Subsidies of HECFI							
Year ended December 31 (\$000's)	2006	2007	2008	2009	2010	Budget 2011	Average
<b>Contribution Margin</b>							
Copps Coliseum	\$ 255	817	661	687	(895)	366	<b>315</b>
Convention Centre	107	(11)	(36)	(313)	(334)	(103)	<b>(115)</b>
Hamilton Place	45	122	461	446	307	111	<b>249</b>
	407	928	1,086	820	(922)	374	<b>449</b>
Less: Corporate costs	(3,153)	(3,731)	(3,983)	(3,903)	(3,876)	(3,987)	<b>(3,772)</b>
<b>Total operating subsidy</b>	<b>\$ 2,746</b>	<b>2,803</b>	<b>2,897</b>	<b>3,083</b>	<b>4,798</b>	<b>3,613</b>	<b>3,323</b>

- Of the three HECFI Facilities, Copps Coliseum experiences the greatest variability in operating results.
- With the exception of 2006, the Convention Centre has continually posted a negative contribution margin.
- Over the past six years, Hamilton Place has continually posted a positive contribution margin.



## HECFI Alternative Service Delivery RFP Financial Analysis – Capital Budgets

### Capital Expenditures:

Budgeted Capital Investment											
Year ended December 31,											
\$'000	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Cops Coliseum	500	1,200	-	-	-	-	-	-	-	-	<b>1,700</b>
Convention Centre	300	-	-	600	-	-	-	-	-	-	<b>900</b>
Hamilton Place	250	200	200	200	200	200	200	200	200	500	<b>2,350</b>
All Facilities	250	300	800	800	800	800	800	800	800	1,000	<b>7,150</b>
<b>Total</b>	<b>1,300</b>	<b>1,700</b>	<b>1,000</b>	<b>1,600</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,500</b>	<b>12,100</b>

- Over the next ten years, HECFI's budgeted capital expenditures for the three facilities total \$12.1 million, an average of \$1.2 million per year.
- Based on our experience with similar facilities, this budget appears to be understated.
- The capital budget above does not include major electrical / mechanical / structural capital expenditures which are paid directly by the City.



## HECFI Alternative Service Delivery RFP Financial Analysis - Observations

- The only subsidies that are largely variable are the annual unbudgeted surplus or deficit generated by HECFI and the City's capital expenditures on HECFI facilities.
- Barring any significant changes to the operations of HECFI, ongoing annual subsidies of between \$6 million and \$8 million (both operating and capital) will be required.
- It is unlikely that any form of operational change, other than an outright sale of the HECFI facilities, would completely eliminate some level of City subsidization.
- It should be noted that HECFI estimates that it generates approximately \$1.0 million of incremental parking revenues for the City, which are not part of this analysis.



## HECFI Alternative Service Delivery RFP

### The Hamilton Entertainment Market - Observations

- The following observations regarding the market positioning of HECFI venues were also noted in the Phase One report:
  1. HECFI operates in an increasingly competitive marketplace.
  2. Hamilton operates in the shadow of Toronto.
  3. There is an increased concentration of entertainment suppliers.
  4. HECFI facilities are inappropriately sized for the market.
  5. High cost base associated with HECFI.
  6. Economics of entertainment programming is becoming riskier.
  
- HECFI operates in a specialized and complex industry that is characterized by increasingly difficult economics.





## HECFI Alternative Service Delivery RFP Background

- As a result of the Phase One review, Council requested that KPMG (inclusive of HLT Advisory Inc. and a second subcontractor, the University of Michigan / Mark Rosentraub) undertake a number of activities to seek out Alternative Service Delivery (“ASD”) options (i.e. private management contracts, long-term leases, sale of facilities) for all or part of the operations and facilities of HECFI in conjunction with a goal of revitalizing downtown Hamilton.
  
- Specifically, Council directed the following:
  - That the City Manager be authorized and directed to proceed with Phase Two of the HECFI Review Terms of Reference, utilizing the services of KPMG, as follows:
    - (i) Prepare and issue a Request for Interest (RFI) or Expression of Interest for the purchase, lease, or management, of all or parts of HECFI facilities; and,
    - (ii) Summarize the options in a report to GIC.



## HECFI Alternative Service Delivery RFP Overview

- Phase Two is comprised of three stages:
  1. **Pre-Marketing Stage (Completed)** – create an awareness of the HECFI facilities and the opportunities in Hamilton.
  2. **Receipt and Evaluation of Preliminary Offers (In-Progress)** – prepare, distribute, receive and evaluate proposals for the operation of the HECFI facilities.
  3. **Negotiation and Completion (To be completed)** – conduct negotiations with one or more parties interested in the HECFI facilities, with Council to approve any final agreement(s).
- An RFP was issued on November 7th, 2011 to 36 interested parties. In addition, ticklers were circulated to parties identified as having a possible NHL interest.
- Site tours were held for interested parties on November 17th and November 30th; presentations were made to these participants followed by a walk-through of HECFI's facilities with operational staff.
- Questions from proponents were accepted and responded to throughout the process.
- The deadline for submissions was extended from December 15, 2011 to January 13, 2012 based on requests from several proponents.



## HECFI Alternative Service Delivery RFP Objectives of the RFP Process

- In seeking proposals from interested parties, the RFI / RFP document listed the following specific objectives of the City:
  1. **Reducing or eliminating the City's subsidization of HECFI's facilities.**
  2. Enhancing the quality of life of Hamiltonians.
  3. Maintaining the core use of each of the three HECFI facilities.
  4. Attracting a larger mix of high calibre sports and entertainment events.
  5. Fostering spin-off private investment in the downtown core of Hamilton.



# RFP Results



## HECFI Alternative Service Delivery RFP RFP Results

### Six submissions were received by the proposal deadline in January 2012:

- **AEG FACILITIES / KATZ GROUP** – Primarily interested in managing Copps Coliseum, with an interest in managing all facilities.
- **CARMEN'S GROUP** – Management of Hamilton Convention Centre.
- **GLOBAL SPECTRUM / LIVE NATION** – Management of all three facilities.
- **SMG / FORUM EQUITY** – Management of all three facilities.
- **SONIC UNYON** – Management of Hamilton Place.
- **VRANCOR GROUP** – Management of Hamilton Convention Centre.



## HECFI Alternative Service Delivery RFP AEG FACILITIES / KATZ GROUP Proposal

- AEG operates over 100 stadiums and arenas worldwide.
- Interest is primarily in the management of Copps Coliseum, but would also manage all three venues.
- AEG has a demonstrated track record of successfully managing similar venues for municipal / public sector clients.
- AEG has improved operating and financial results through the revitalization of management and event programming at current and former NHL/NBA facilities:
  - Key Arena (WNBA, NCAA) in Seattle, WA;
  - XL Centre (AHL, NCAA) in Hartford, CT; and,
  - Target Centre (NBA) in Minneapolis, MN.
- AEG owns the Los Angeles Kings.
- Katz Group owns the Edmonton Oilers and is working with AEG to develop a 16 acre site in downtown Edmonton for a new arena and entertainment district.



## HECFI Alternative Service Delivery RFP CARMEN'S GROUP Proposal

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- The Carmen's Group is a local firm (P.J. Mercanti; Peter Mercanti; Loren Lieberman).
- Carmen's owns and operates three distinct event venues in the City of Hamilton:
  - Carmen's Banquet Centre;
  - Best Western Premier C Hotel – Castelli Ballroom/Dolce Lounge; and,
  - Lakeview Ballroom at the Lakeland Centre (owned by Hamilton Conservation Authority).
- Carmen's has demonstrated success in the operation of its banquet centre and hotel.
- Interest in managing the Hamilton Convention Centre.



## HECFI Alternative Service Delivery RFP GLOBAL SPECTRUM / LIVE NATION Proposal

- Global Spectrum operates 40 arenas, 13 stadiums, 32 convention centres and 6 theatres in North America and internationally.
- Global Spectrum's parent company, Comcast Spectacor, owns the Philadelphia Flyers of the NHL, the Phantoms of the AHL and until recently the Philadelphia 76ers of the NBA.
- Global Spectrum manages a total of 11 facilities for seven Canadian clients: London (John Labatt Centre), Oshawa (GM Centre), Windsor, Abbotsford, Penticton, Dawson Creek and Ryerson University (Maple Leaf Gardens).
- Global Spectrum has partnered with Live Nation Entertainment - the world's leading concert promotion company.
- Canadian head office is located in London, Ontario at the John Labatt Centre.
- Interest in managing all three facilities.





## HECFI Alternative Service Delivery RFP SMG / FORUM EQUITY Proposal

- SMG manages 77 arenas throughout North America and the world, including 2 NHL venues:
  - the Consol Energy Centre in Pittsburgh, PA (Pittsburgh Penguins); and,
  - Nassau Coliseum in Long Island, New York (New York Islanders).
- SMG manages two OHL arenas:
  - Hershey Centre in Mississauga (St. Michael's Majors); and,
  - the K-Rock Centre in Kingston (Kingston Frontenacs).
- SMG also manages the business operations of two minor league hockey teams - the AHL Rockford Ice Hogs & the ECHL Reading Royals.
- SMG manages 54 theatres and performing arts centres throughout North America and the world. It has a Live Entertainment Theatre Division with the experience and knowledge to operate book and market live theatre.
- SMG operates 68 convention centres throughout North America and the world. Its Convention Centre Division manages both large and smaller convention centres of a size comparable to the Hamilton Convention Centre.
- Forum Equity Partners is a Toronto-based real estate development company. Forum Equity currently is partnered with the City of Hamilton on the Hamilton Realty Capital initiative which is committed to serving as a catalyst to the rejuvenation of the downtown core.
- Interest in managing all three facilities.



## HECFI Alternative Service Delivery RFP SONIC UNYON Proposal

- Sonic Unyon is a Hamilton-based business that currently manages 40,000 square feet of commercial space in downtown Hamilton.
- Sonic Unyon has experience in negotiating lease, contracts and settlements through the entertainment events that it promotes on a monthly basis.
- It is the promoter and festival organizer for the Supercrawl festival on James Street.
- Sonic Unyon also brings selective music acts to Hamilton on a year round basis to perform in rented halls and venues in the City.
- Sonic Unyon's interest is in the management of Hamilton Place.



## HECFI Alternative Service Delivery RFP VRANCOR GROUP Proposal

- Vrancor Group Inc. is a Hamilton-based company that has three main divisions / subsidiaries, Vrancor Hotels Group Inc., Vrancor Food Service Group Inc. and Vrancor Development Group Inc.
- Vrancor is wholly-owned by Darko Vranich.
- The Company owns and operates 8 hotels, 4 restaurants and 5 banquet & convention centres throughout Southern and Central Ontario.
- Vrancor currently employs 500 people and is a significant investor in Hamilton's downtown, with several construction projects in progress. Vrancor owns and operates the Sheraton Hotel located across the street from the Hamilton Convention Centre.
- Vrancor's interest is the management and redevelopment of the Hamilton Convention Centre. Vrancor's proposal calls for significant capital improvements to be made to the Convention Centre. These improvements will be funded through the proposed management fees paid to Vrancor.



**NHL Interest**



## HECFI Alternative Service Delivery RFP NHL Interest

- The three large North American proponents (AEG / Katz Group, Global Spectrum / Live Nation, and SMG / Forum Equity) all recognize that the City of Hamilton has previously expressed an interest in attracting an NHL team to Hamilton.
- These firms all have connections to the NHL through direct ownership of NHL teams and/or the management of NHL venues.
- All three firms could work with the City to facilitate potential future efforts to attract an NHL team / investor and would be flexible with regard to the re-negotiation of any management agreements should a bona fide NHL opportunity arise.
- Although the three large proponents noted their capabilities to assist in bringing a potential NHL franchise to the City should such an opportunity arise in the future, no proponent was able to guarantee any success in doing so.



# Operating Realities



## HECFI Alternative Service Delivery RFP Overall Observations from Proposals Received

- Based on the proposals received, the following observations were made:
  - There was significant interest in the HECFI facilities.
  - All proposals represent private management arrangements for HECFI facilities (rather than a lease or purchase of specific facilities) for terms of 8 years +.
  - All proposals maintain the core use of each of the three HECFI facilities.
  - Except for some minor contributions, all proposals leave capital costs as the financial responsibility of the City (see Vrancor capital expansion plan).
  - All proposals require ongoing subsidization of some operating costs (e.g. utilities, operating costs etc.).
  - Proponents will work towards reducing operating subsidies through both cost reductions and revenue enhancements, but without any firm financial guarantees. These “savings” will be shared between the City and the manager.
  - Several proponents have expressed an interest in making additional private investments in the downtown core of Hamilton. These development initiatives are dependent on the future economic merits of such ventures.
  - The three larger proponents have significant facility management experience, financial resources, management operating systems and industry contacts / relationships.



## HECFI Alternative Service Delivery RFP Analysis of Facility Subsidies - Arenas

### Analysis of Arena Subsidies:

Annual Government Subsidies Arenas in Canada						
Arena	Location	CMA Population	Capacity	Management	notes	Annual Subsidy (Income)
K-Rock Centre (Kingston)	Kingston	163,000	5,700	SMG		\$(500)
John Labatt Centre (London)	London	501,000	9,100	Global Spectrum		\$-
Credit Union Centre	Saskatoon	261,000	15,000	City of Saskatoon		\$-
Barrie Molson Centre	Barrie	198,000	4,200	City of Barrie	1	\$-
Moncton Coliseum	Moncton	138,000	6,500	City of Moncton		\$175
General Motors Centre (Oshawa)	Oshawa	370,000	5,113	Global Spectrum		\$500
Kitchener Memorial Arena	Kitchener	509,000	6,200	City of Kitchener		\$500
WFCU Centre (Windsor)	Windsor	339,000	6,500	Global Spectrum		\$700
Credit Union Place	Summerside	16,000	4,200	City of Summerside		\$1,000
Gale Centre	Niagara Falls	410,000	2,000	City of Niagara Falls	1	\$1,200
Encana Events Centre	Dawson Creek	12,000	4,500	Global Spectrum		\$1,400
South Okanagan Events Centre	Penticton	46,000	5,100	Global Spectrum	1	\$2,000
Abbotsford Entertainment & Sports Centre	Abbotsford	180,000	8,500	Global Spectrum		\$3,400

*Source: HLT Advisory Inc. based on publicly available information from City reports and/or operating budgets, except as described in note 1. Population data based on Statistics Canada.*

*note 1: as reported by media but not verified by HLT.*

- Most arenas in Canada are subsidized to some extent by their respective municipal owners.
- The more profitable (less subsidized) arenas tend to be those that are greenfield facilities.





## HECFI Alternative Service Delivery RFP Analysis of Facility Subsidies – Performing Arts Centres / Theatres

### Analysis of Performing Arts Centres / Theatres:

Annual Government Subsidies Performing Arts Theatres in Canada					
Venue	Location	CMA Population	Capacity	Management	Annual Subsidy (Income) \$000
Centennial Hall	London	501,000	1,637	Jones Entertainment Group	\$100
River Run Centre	Guelph	141,000	785	City of Guelph	\$385
The Grand Theatre	Kingston	163,000	776	City of Kingston	\$500
Burlington Performing Arts Theatre	Burlington	753,000	718	City of Burlington	\$500
Vancouver Civic Theatres (note 3)	Vancouver	2,413,546	3500 (note 3)	City of Vancouver	\$1,000
Living Arts Centre	Mississauga	5,834,000	1200 (note 1)	City of Mississauga	\$1,090
Centre in the Square	Kitchener	509,000	2,047	City of Kitchener	\$1,500
National Arts Centre (note 2)	Ottawa	1,248,000	2300 (note 1)	National Arts Centre	\$39,000

Source: HLT Advisory Inc. based on publically available information from City reports and/or operating budgets. Population data based on Statistics Canada.  
 note 1: Seating is for the largest venue in complex.  
 note 2: Not for profit corporation, funding received from federal government.  
 note 3: Operates 4 theatres for City of Vancouver, totaling 3,500 seats

- All theatres in the above sample receive operating subsidies from their respective municipal / public owners.
- The only theatre that is not managed by its respective municipal owner is the one with the lowest annual subsidy.



# **Project Timetable / Next Steps**



## HECFI ALTERNATIVE SERVICE DELIVERY RFP TIMETABLE / NEXT STEPS

Date	Event / Process
February 15, 2012	Council briefed on RFP responses
February/March	Interviews to confirm proposal details and final proposal assessment
March 21, 2012	Report to Council outlining all options (including HECFI strategic plan - status quo option) and recommendations
March to May 2012	Negotiate with proponent(s) approved by Council, work towards Memorandum of Agreement
May 16, 2012 (if required)	Council approval of Memorandum of Agreement
Summer of 2012 (if required)	Finalization of operating agreement(s)

# Questions