



Hamilton

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***H.E.C.F.I. REVIEW  
PRESENTATION***

September 25, 2012  
General Issues Committee



## *Project Team and Advisors*

- **The Staff Advisory Team assigned to the review is as follows:**
- **Don Fisher, Acting City Solicitor**
- **Lora Fontana, Director, Labour Relations**
- **Geoff Lupton, Director, Energy, Fleet, Facilities and Traffic**
- **Rob Sabo, Acting City Solicitor**
- **Tony Tollis, City Treasurer - Lead**
  
- **KPMG was retained for proposal costing and continuity of process.**
- **John Rockx, Partner KPMG LLP**
- **Vince Raso, Senior Manager KPMG LLP**
  
- **Gary Graham, Gowling Lafleur Henderson LLP**
- **John Hertel CEO HECFI and the HECFI Management Team**



## *BACKGROUND*

- **July 18<sup>th</sup> 2012, the proponents were asked to make presentations to Council.**
- **Proponents outlined their proposals at a high level and keyed in on the qualitative aspects of their proposals as it relates to their experience and ability to operate the HECFI facilities.**
- **Based on the presentation and all the submissions, there is no doubt that all proponents have the expertise to effectively manage all of the HECFI facilities.**



*BACKGROUND Cont'd*

- **Councils main objective is to “substantially reduce or completely eliminate the subsidization of the HECFI Facilities while ideally delivering on the original objectives”**
- **The report that Council is dealing with today outlines the quantitative aspects of the proposals and makes recommendations based on Councils main objective of reducing and/or eliminating the subsidization of the HECFI Facilities.**
- **As indicated in Councils objectives all proponents are maintaining the current core use of each of the facilities.**



*PROJECT COSTS TO DATE*

<b>DESCRIPTION</b>	<b>REPORT #</b>	<b>AMOUNT</b>
Operational Review	CM11002	91,584
Expressions of Interest – Stage One – Pre-Marketing	CM11013a	132,288
- Stage Two – Evaluation of Offers	CM11013a	54,684
Negotiations to Date -Paid	CM11013a	108,900
- estimate remaining	CM11013a	20,000
<b>TOTAL</b>		<b>407,456</b>



## *OPTIONS*

	<b>COPPS COLISEUM</b>	<b>HAMILTON PLACE</b>	<b>CONVENTION CENTER</b>
<b>OPTION 1 -Status Quo (Baseline)</b>	City	City	City
<b>OPTION 2 - City Managed Solution</b>	City	City	City
<b>OPTION 3 - One Private</b>	SMG / Forum Equity	SMG / Forum Equity	SMG / Forum Equity
<b>OPTION 4 - Multiple Private</b>	Global Spectrum / Live Nation	Global Spectrum / Live Nation	Carmens Group
<b>OPTION 5 - City / Private</b>	City	City	Carmens Group



*TOTAL FIVE YEAR COSTS*

<b>Description</b>	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>	<b>Option 4</b>	<b>Option 5</b>
	<b>Baseline</b>	<b>City</b>	<b>SMG/FE</b>	<b>GS/LN/CAR</b>	<b>City/CAR</b>
Net City Operating Levy	29,610	26,690	27,620	22,768	22,777
Capital Costs - City	14,570	14,570	14,570	14,070	14,570
<b>Total Five Year Costs</b>	<b>44,180</b>	<b>41,260</b>	<b>42,190</b>	<b>36,838</b>	<b>37,347</b>
Estimated Transition Costs	-	50	1,435	1,825	1,212



*TOTAL FIVE YEAR SAVINGS FROM BASELINE*

<b>Description</b>	<b>Option 2 City</b>	<b>Option 3 SMG/FE</b>	<b>Option 4 GS/LN/CAR</b>	<b>Option 5 City/CAR</b>
Net City Operating Levy	2,920	1,990	6.842	6,832
Capital - City			500	
<b>Total Five Year Savings</b>	<b>2,920</b>	<b>1,990</b>	<b>7,342</b>	<b>6,832</b>
Average Annual Savings	584	398	1,468	1,366
Estimated Transition Cost payback (in years)	-	3.6	1.2	0.9





*SUMMARY RANKINGS*

<b>Criteria</b>	<b>Option 2</b>	<b>Option 3</b>	<b>Option 4</b>	<b>Option 5</b>
	<b>CITY</b>	<b>SMG/FE</b>	<b>GS/LN/CAR</b>	<b>City/CAR</b>
Net City Operating Levy	3	4	1	2
Capital Costs - City	4	4	1	4
Total Five Year Savings	3	4	1	2
Transition Cost Payback	1	4	3	2
Annual Operating Loss Guarantee	4	1	2	3
Allocation of Annual Operating Profits	1	4	3	2
Capital Contributions - Manager	4	4	1	1



## OTHER SIGNIFICANT CONSIDERATIONS

Description	Option 2 CITY	Option 3 SMG/FE	Option 4 GS/LN/CAR	Option 5 City/CAR
Responsibility for Annual Operating Losses	City	Manager	<b>Copps &amp; HP</b> – First \$500K - Manager; Losses Beyond \$500K-City <b>HCC</b> - Manager	<b>Copps &amp; HP</b> – City  <b>HCC</b> - Manager
Allocation of Annual Operating Profits	City	First \$750K Manager; Beyond \$750K- 50% City, 50% Manager	<b>Copps &amp; HP</b> – First \$450K Manager; Beyond \$450K- 70% City, 30% Manager <b>HCC</b> - Manager	<b>Copps &amp; HP</b> – City  <b>HCC</b> - Manager
Responsibility for Capital Costs	City	City	City – after one- time Proponent contribution in first year of \$500K	City
Venue Naming Rights	Not included in analysis	Not included in analysis	Not Included in analysis	Not included in analysis
Utilities	No Direct Reduction	No Direct Reduction	Annual contribution (\$685K over 5 years)	Annual contribution (\$685K over 5 years)



*FIVE YEAR ANNUALIZED BUDGET IMPACTS*

<b>Description</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
Initial Levy	5,921	4,736	4,632	4,572	4,487	4,342
Less Profit Sharing		(449)	(529)	(605)	(645)	(687)
Potential Levy	5,921	4,287	4,103	3,967	3,842	3,655
Est. Annual Savings		1,634	1,818	1,954	2,079	2,266



**YEAR ONE ANNUALIZED BUDGET IMPACT**

DESCRIPTION	HAMILTON CONVENTION CENTER			COPPS AND HP			TOTAL COMBINED CONTRACT		
	2012 BUDGET	CARMENS	VARIANCE	2012 BUDGET	GS/LN	VARIANCE	2012 BUDGET	REVISED	VARIANCE
2012 Net Levy	1,344,454	344,454	<b>1,000,000</b>	1,902,686	1,402,686	<b>500,000</b>	3,247,140	1,747,140	<b>1,500,000</b>
Utility Costs	583,497	468,497	<b>115,000</b>	1,870,503	1,870,503	-	2,454,000	2,339,000	<b>115,000</b>
Other (Bulldogs Subsidy)	<b>0</b>	<b>0</b>	<b>0</b>	220,000	<b>0</b>	<b>220,000</b>	220,000	-	<b>220,000</b>
<b>TOTAL 2012 LEVY IMPACT</b>	<b>1,927,951</b>	<b>812,951</b>	<b>1,115,000</b>	<b>3,993,189</b>	<b>3,273,189</b>	<b>720,000</b>	5,921,140	4,086,140	<b>1,835,000</b>
City Chargebacks (IT, Legal, Finance)								450,000	<b>(450,000)</b>
Insurance Recovery								100,000	(100,000)
Governance								100,000	(100,000)
							<b>5,921,140</b>	<b>4,736,140</b>	<b>1,185,000</b>
Estimated Profit Sharing									<b>449,000</b>
<b>TOTAL ESTIMATED SAVINGS</b>									<b>1,634,000</b>



## *Basic Operating Agreement Terms*

- **Terms to include the honouring of Collective Bargaining agreements in their entirety.**
- **Negotiate terms to minimize impacts on non union staff as best as possible.**
- **Proponent will respect the use of the facilities by the current Arts and Culture Groups.**
- **The City is free to attract an NHL team to hamilton without any consequence from the operator, including, and if required, the temporary or permanent use of Copps Coliseum. As well, the operator will support any efforts to secure a NHL team.**



## *Basic Operating Agreement Terms*

- **Term of the Agreement to be negotiated. (City prefers 5 Years plus 1 additional 5 Year extension subject to City approval.**
- **All parking rights to current City Parking facilities remain with the City.**
- **Clearly outline costs that can be attributable to the operation of the facilities for profit sharing purposes.**
- **Clear delineation between operating costs (responsibility of Proponent) and capital costs (responsibility of the City).**



## *ESTIMATED TIMELINES*

- **September 25<sup>th</sup> 2012 – GIC Approval**
- **October 10<sup>th</sup> 2012 – Council Approval**
- **October – December 2012 – Negotiation of Operating Agreements**
- **January 2013 – Council Approval of Operating Agreements**
- **January to April 2013 – Transition Period**
- **April 1<sup>st</sup> 2013 – Facility turnover date.**



## *RECOMMENDATIONS*

- (a) That the City Manager be directed to negotiate an Operating Agreement with Global Spectrum / Live Nation for the operation of Copps Coliseum and Hamilton Place;**
- (b) That the City Manager be directed to negotiate an Operating Agreement with The Carmen's Group for the operation of the Hamilton Convention Centre;**
- (c) That the Operating agreements negotiated in Recommendation a) and b) of Report CM11013d be in a form acceptable to the City Solicitor and be subject to Council approval;**
- (d) That all transitional costs incurred for the transfer of management of the HECFI facilities be charged to the Corporate Contingency Account to be funded from future Operating Surpluses or Tax Stabilization Reserve;**
- (e) That the City Manager prepares a HECFI Facilities transition plan for Council approval;**
- (f) That the budget reductions outlined in Report CM11013d be forwarded to the 2013 Budget process for consideration.**