



# INFORMATION REPORT

<b>TO:</b>	Chair and Members Emergency & Community Services Committee
<b>COMMITTEE DATE:</b>	July 12, 2017
<b>SUBJECT/REPORT NO:</b>	Mohawk 4Ice Centre Annual Report 2016 (CES14029(b)) (Ward 6)
<b>WARD(S) AFFECTED:</b>	Ward 6
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<b>SUBMITTED BY:</b>	Chris Herstek Director, Recreation Community & Emergency Services Department
<b>SIGNATURE:</b>	

## **Council Direction:**

As per the Mohawk 4Ice Centre's Operational Maintenance Agreement ("the Agreement"), staff are required to report to Council on the financial operations of the Mohawk 4Ice Centre. This report contains information pertaining to the 2016 operating year.

## **Information:**

The 2016 Audited Financial Report for the Mohawk 4Ice Centre is attached as Appendix A to Report CES14029(a). It outlines the financial operations of the arena over the 2016 calendar year.

The overall operation of the Mohawk 4Ice Centre finished the 2016 year with an operating surplus of \$451. While small in total, the operating surplus represents the ninth consecutive year that an operating surplus has been generated.

The decrease in the operating surplus has been affected by the rising costs of utilities especially the global adjustment fee for hydro. In previous years, the decrease in memberships within city wide ice users contributed to a decrease in requested ice. The impact of the global adjustment fee has made greater impact on the operating balance than decreasing ice needs.

As per the Agreement, deficits are to be shared 50/50 between the City and the operator. Deficits are funded directly through the parties and not the reserve, as the Capital Reserve Fund is intended for major capital expenditures. In the event of an operating surplus, the first \$30,000 is applied to an operating stabilization account until that account reaches a threshold of \$250,000. As of December 2012, the operating

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*OUR Vision: To be the best place to raise a child and age successfully.*

*OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.*

*OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.*

stabilization account has met that threshold; therefore no further contributions to the operating stabilization account are required unless the account is debited.

The remaining operating surplus is distributed to the City of Hamilton (70%) and Hamilton Arena Partners (HAP) (30%). The operating surplus figures from 2016 were split as follows:

	<b>2016</b>	<b>2015</b>
City of Hamilton	\$316	\$24,688
Hamilton Arena Partners	\$135	\$10,581
<b>Total</b>	<b>\$451</b>	<b>\$35,269</b>

The most impactful contributor to the lowest operating surplus in the last nine years was the cost of utilities. More specifically the global adjustment fees for hydro have been unpredictably high. This has been a common area of concern from a facility operation standpoint, whether in a recreation centre or other city operated arena, the global adjustment fees have negatively impacted the budgets of City facilities. Management at the Mohawk 4Ice Centre have been cognizant of the pressures associated with rising hydro costs. In the last 4 years, Hamilton Arena Partners have taken advantage of energy saving programs by either Horizon Utilities or Union Gas to install LED lights in all pads, install low flow shower heads and entrance door curtains. More specifically for 2016, the following mitigation strategies were applied:

- New compressor control system installed for more efficient compressor operation
- Motion sensor lighting installed in staff rooms, offices and public washrooms
- Staff awareness program instituted
- Installation of LED parking lot lighting (Horizon Utilities credit program)

The Facility Management Review Team (FMRT) continually reviews options to deal with the rising costs.

After the Mohawk 4Ice Centre was built, an Operational Maintenance Agreement was put in place, whereby Nustadia Recreation Inc. assumed responsibility for the ongoing operation of the Mohawk 4Ice Centre on behalf of the City. The Agreement was put in place to safeguard the long term sustainability of the facility. The Agreement ensures that the City is collecting revenue from HAP which will ultimately decrease the balance owing to the City for the construction of the facility. The original loan under the agreement was \$12M, payable over 20 years with a 5.245% rate. The first payment was made in May 2004; the principle remaining after their June 2017 payment is \$6.1M.

As per the Agreement, the FMRT was established to oversee the operation of the facility. The FMRT consists of three representatives from the City of Hamilton, and two representatives from Nustadia Recreation Inc. Both FMRT and the City Auditor have

reviewed the audited reports for 2016. No concerns have been expressed as a result of these reviews.

On February 12, 2014, City Council approved (Report CES14002) an extension of the Operational and Maintenance Agreement with Hamilton Arena Partners (HAP) to operate the Mohawk 4Ice Centre through to March 5, 2019.

#### **APPENDICES AND SCHEDULES ATTACHED**

Appendix A to Report CES14029(b): 2016 Mohawk 4Ice Centre Audited Financial Report