

CITY OF HAMILTON MOTION

Council: September 11, 2019

MOVED BY MAYOR F. EISENBERGER.....

SECONDED BY COUNCILLOR

Amendment to Item 5 of the General Issues Committee Report 19-011, respecting Report CM18013(a) - Downtown Entertainment Assets Operating Agreements

(a) That Appendix “A” to Item 5 of the General Issues Committee Report 19-011, respecting Report CM18013(a) - Downtown Entertainment Assets Operating Agreements, which was approved by Council on June 12, 2019, be amended by:

- (i) deleting the dollar amount of \$500,000 and replacing it with the dollar amount of \$550,000; and, by deleting the words “Year 3 - \$50,000”, to read as follows:

One Time Capital Contributions:

From Global Spectrum:	\$500,000 contribution made to the City of Hamilton upon signing an extension.
From Compass Group Canada	A \$550,000 investment in an upgrade to the FirstOntario Centre and FirstOntario Concert Hall’s concession infrastructure on the following schedule: Guaranteed Term: Year 1 - \$500,000 \$550,000 Year 3 - \$50,000

- (ii) deleting the words “continue to”; by deleting both references to the dollar amount of “\$1.4M” and replacing them with the dollar amount of “**1.75M**”; and, by deleting the dollar amount of “\$200,000” and replacing it with “**\$100,000**”, to read as follows:

Financial Terms:

Net Contribution from City	1)–The City will continue to subsidize the first \$1.75M in operating losses; 2) Global Spectrum will receive a Guaranteed Management Fee of \$350,000;
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	<p>In the event that the annual net operating losses are less than \$4.4 1.75M, the benefits would be realized as follows:</p> <ol style="list-style-type: none"> 1) The City receives the initial \$350,000; 2) The next \$400,000 would be split 50% to the City, 50% to Global Spectrum as “incentive income”; 3) Global Spectrum contributes half of any “incentive income”, up to an annual maximum of \$200,000 \$100,000 per year, into a reserve account that would be drawn on in the event of future losses. This would include losses that may arise as a result of LRT construction, and/or the critical failure of major capital components in the facilities that they manage (such as the FirstOntario Centre’s brine line). 4) Any further subsidy reduction/profit would be split 60% to the City, 40% to Global Spectrum. <p>Note: based on the average of 2016, ’17, and ’18 performance results, the City would have received an incremental \$156K per year in additional revenues (subsidy reduction)</p>
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(b) That sub-section (a) to Report CM18013(a) - Downtown Entertainment Assets Operating Agreements, be amended by adding the words “as amended”, to read as follows:

5. Downtown Entertainment Assets Operating Agreements (CM18013(a)) (City Wide) (Item 9.2)

- (a) That an extension of the existing Management Agreement between the City of Hamilton and Global Spectrum Facility Management, L.P. (Global Spectrum), which is consistent with the terms set out in Appendix “A”, **as amended**, to Report 19-011, be approved;
- (b) That an extension of the existing Facility Operating Agreement between the City of Hamilton, the Hospitality Centre Corporation and Mercanti Banquet & Convention Centre Ltd. (Carmen’s Group), which is consistent with the terms set out in set out in Appendix “B” to Report 19-011, be approved;
- (c) That the Mayor and the City Clerk be authorized and directed to execute any documents, with content acceptable to the City Manager and in a form acceptable to the City Solicitor, required to give effect to an extension to the Management Agreement between the City of Hamilton and Global Spectrum Facility Management, L.P. (Global Spectrum);

- (d) That the Mayor and the City Clerk be authorized and directed to execute any documents, with content acceptable to the City Manager and in a form acceptable to the City Solicitor, required to give effect to an extension to the Facility Operating Agreement between the City of Hamilton, the Hospitality Centre Corporation and Mercanti Banquet & Convention Centre Ltd. (Carmen's Group); and,
- (e) That staff be directed to include specific language regarding termination of the five-year extension, to the Downtown Entertainment Assets Operating Agreements, to address the potential redevelopment possibilities and not impede that process to the satisfaction of the City Solicitor.

Overview of Proposed Global Spectrum Agreement

Facilities Managed:

FirstOntario Centre (formerly Copps Coliseum),
FirstOntario Concert Hall and Studio (Formerly Hamilton Place).

Term:

Proposed Guaranteed Term:	5 years + a 6-month transition period commencing July 1, 2019 and expiring December 31, 2025. Note: the 6-month transition period would be under the financial terms of the existing deal and the new terms outlined within would come into effect in January 1, 2020.
Additional Renewal Options:	None

One Time Capital Contributions:

From Global Spectrum:	\$500,000 contribution made to the City of Hamilton upon signing an extension.
From Compass Group Canada	A \$550,000 investment in an upgrade to the FirstOntario Centre and FirstOntario Concert Hall's concession infrastructure on the following schedule: Guaranteed Term: Year 1 - \$500,000 \$550,000 Year 3 - \$50,000

Financial Terms:

Net Contribution from City	1) The City will continue to subsidize the first \$1.4M in operating losses; The City will subsidize the first \$1.75M in operating losses. 2) Global Spectrum will receive a Guaranteed Management Fee of \$350,000;
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	<p>In the event that the annual net operating losses are less than \$1.4 1.75M, the benefits would be realized as follows:</p> <ol style="list-style-type: none"> 1) The City receives the initial \$350,000; 2) The next \$400,000 would be split 50% to the City, 50% to Global Spectrum as “incentive income”; 3) Global Spectrum contributes half of any “incentive income”, up to an annual maximum of \$200,000 \$100,000 per year, into a reserve account that would be drawn on in the event of future losses. This would include losses that may arise as a result of LRT construction, and/or the critical failure of major capital components in the facilities that they manage (such as the FirstOntario Centre’s brine line). 4) Any further subsidy reduction/profit would be split 60% to the City, 40% to Global Spectrum. <p>Note: based on the average of 2016, '17, and '18 performance results, the City would have received an incremental \$156K per year in additional revenues (subsidy reduction)</p>
<p>Capital vs. Operating Costs</p>	<p>The City is responsible for all Capital costs while Global Spectrum is responsible for all Operating Costs.</p>
<p>Utilities</p>	<p>Any utility costs above the 2011 Actual utility cost of \$1.2M will continue to be paid by Global Spectrum.</p>