



CITY OF HAMILTON
HEALTHY AND SAFE COMMUNITIES DEPARTMENT
Recreation Division

TO:	Chair and Members Emergency and Community Services Committee
COMMITTEE DATE:	August 17, 2020
SUBJECT/REPORT NO:	Hamilton Arena Partners (HAP) Operating Agreement Renewal (CES14002(a)) (Ward 6)
WARD(S) AFFECTED:	Ward 6
PREPARED BY:	Steve Sevor (905) 546-2424 Ext. 4645
SUBMITTED BY:	Chris Herstek Director, Recreation Division Healthy and Safe Communities Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the City of Hamilton renew the Operating and Maintenance Agreement with Hamilton Arena Partners (HAP) for a further five year term effective March 6, 2019 which permits HAP to continue to maintain and operate the Mohawk 4 Ice Centre; and,
- (b) That the General Manager of Healthy and Safe Communities Department or his designate be authorized to execute, on behalf of the City of Hamilton, this Renewal Agreement, as well as any ancillary agreements, in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

The City of Hamilton owns the Mohawk 4 Ice Facility that has been operated and maintained by Hamilton Arena Partners (HAP) since 2004. The Operating and Maintenance Agreement that has been in force since 2004 (the "Original Agreement") permitted two renewals, each for a period of five years. In 2014, Council approved the first five year renewal, which expired on March 5, 2019 (the "First Renewal Agreement"). The Original Agreement permits a second renewal of the Agreement for an additional five year term and HAP has expressed interest in continuing the operation of the facility as per the recently expired First Renewal Agreement. While the

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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.

relationship with HAP has been successful and staff support the request to enter into the second renewal of the Original Agreement, staff do not have authority to enter into the Second Renewal Agreement without Council approval.

Alternatives for Consideration – See Page 4

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The financial arrangements stipulated in the Original Agreement will continue as a result of the proposed renewal. The principle debt remaining as of July 1, 2020 is \$4,007,241.

The 2017, 2018 and 2019 Audited Financial Reports (attached as Appendix “A”, Appendix “B” and Appendix “C” respectively to Report CES14002(a)) outline the financial operations of the facility over the 2017, 2018, and 2019 calendar years.

As per the Original Agreement, deficits are to be shared 50/50 between the City and HAP. 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 per the Original Agreement, the Four Pad Stabilization Reserve is funded to \$250,000 which is the current threshold.

The remaining operating surplus is distributed to the City of Hamilton (70%) and Hamilton Arena Partners (HAP) (30%). The operating surplus figures from 2017, 2018 and 2019 were split as follows:

	2019	2018	2017
City of Hamilton	\$26,480	\$11,719	\$3,177
Hamilton Arena Partners	\$11,349	\$5,022	\$1,362
Total	\$37,829	\$16,741	\$4,539

Staffing: N/A

Legal: Staff within Legal Services will prepare the appropriate agreement as reflected in the recommendation.

HISTORICAL BACKGROUND

The Mohawk 4 Ice Facility is owned by the City and contains four ice pads, a restaurant space, several meeting rooms and office space. In 2003, HAP worked with Corporate Finance staff to develop designs, financing options and agreements for the Mohawk Sports Park Four Pad Arena Development project.

The construction of the Mohawk 4 Ice Centre was funded by an internal long-term loan amortized over a period of 20 years at an interest rate of 5.245%. Since March 2004, the City has engaged in a multi-year agreement with HAP to operate and maintain the Mohawk 4 Ice Centre. The term of the Original Agreement and the term of the First Renewal Agreement have now expired. HAP had previously expressed to the City their intention to continue to operate the Mohawk 4 Ice Centre as per the terms of the Original Agreement pursuant to a second renewal as contemplated in the Original Agreement (the “Second Renewal Agreement”).

At the time of the expression of continued interest by HAP, Recreation staff believed that the extension of the agreement could be completed through correspondence as done with other procurement agreements. While Report CES14002 spoke of the desire to allow a renewal of the agreement, it was not specifically mentioned in the formal recommendations of the Report. Legal Services staff recommended in late 2019 that in order to mitigate risk to the City, formal direction should be sought from Council. Staffing changes and the pandemic played an additional role in delaying CES14002(a)).

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None

RELEVANT CONSULTATION

Finance staff within the Financial Planning, Administration, and Policy Division of Corporate Services provided input on all financial aspects of Report CES14002(a) and are supportive of the recommendations.

Recreation staff have consulted with Legal Services as it relates to the renewal of the agreement. Upon approval of the recommendations, Legal Services staff are prepared to draft the Second Renewal Agreement.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

HAP continues to be a great partner with the City and has had multiple successive years of profit since the Original Agreement commenced. The debt repayment stemming from construction of the facility was originally calculated to be completed March 2025. As the relationship has been mutually beneficial, it is logical to remain in partnership with HAP through the end of the debt repayment. A continuance of this 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.

While the operating surpluses are relatively low, HAP has managed the facility well in connection with City of Hamilton operating facilities considering the decreasing

enrolment by ice users, competition with other private providers and the global adjustment fees for hydro that continue to fluctuate with little predictability.

ALTERNATIVES FOR CONSIDERATION

Option #1: Request for Proposal (RFP) to identify a new company to operate and maintain the facility.

Pros

- An RFP allows the City to entertain opportunities for a new partnership in a transparent manner.

Cons

- HAP has been an extremely vital partner in ensuring that ice needs are met for all ice stakeholders. HAP has built a strong relationship with the sport community not only as it relates to ice, but for the provision of commercial space as well; and,
- HAP has proved that they are good stewards of the facility by producing 13 consecutive years of operational surplus.

Financial: The current global economic climate as a result of the COVID-19 pandemic does not lend well to companies that would be interested in participating in an RFP. The negotiation of an RFP at this point may not result in favourable economic gain for the City.

Staffing: N/A

Legal: The City's legal staff would need to work in concert with staff from Procurement and Recreation to complete the required terms and conditions as well as agreements related to an RFP.

Option #2: That the City explores resuming operation and maintenance of the Mohawk 4Ice centre.

Pros

- All City owned arenas would be operated by City staff.

Cons

- The operations and maintenance of the facility is not currently budgeted;
- The efficiencies associated with having a third- party operator would be lost;
- There would be significant staffing requirements; and,

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- There would be a high demand for all bookings to be subsidized which is far different from the current business model that allows for an even split between subsidized rentals and full cost rentals.

Financial: The significant amount of funds required from human and material resources is currently not budgeted and has not been contemplated in multi-year budgets.

Staffing: Additional staffing compliment will be required to be able to run a facility of this size.

Legal: N/A

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Healthy and Safe Communities

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report CES14002(a): 2017 Mohawk 4 Ice Centre Audited Financial Report

Appendix “B” to Report CES14002(a): 2018 Mohawk 4 Ice Centre Audited Financial Report

Appendix “C” to Report CES14002(a): 2019 Mohawk 4 Ice Centre Audited Financial Report