




**CITY OF HAMILTON**  
**HEALTHY AND SAFE COMMUNITIES DEPARTMENT**  
**Recreation Division**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	March 21, 2024
<b>SUBJECT/REPORT NO:</b>	Mohawk 4Ice Centre Operating Agreement (HSC24010) (Ward 6)
<b>WARD(S) AFFECTED:</b>	Ward 6
<b>PREPARED BY:</b>	Romas Keliacius (905) 546-2424 Ext. 4722
<b>SUBMITTED BY:</b>	Steve Sevor Director (Acting), Recreation Division Healthy and Safe Communities Department
<b>SIGNATURE:</b>	

### RECOMMENDATION

- (a) That the City of Hamilton enter a new Operating and Maintenance Agreement with Hamilton Arena Partners Inc. for a ten-year initial term, effective March 6, 2024, with the option for two consecutive renewals, each of five years to permit Hamilton Arena Partners Inc. to continue to maintain and operate the Mohawk 4Ice Centre; and,
- (b) That the General Manager, Healthy and Safe Communities, or delegate, be authorized and directed to negotiate, enter, and execute the Operating and Maintenance Agreement with Hamilton Arena Partners Inc., together with any amendments and renewals to the Operating and Maintenance Agreement, and any ancillary documents or agreements to give effect thereto with content acceptable to the Director of Recreation and in a form satisfactory to the City Solicitor.

### EXECUTIVE SUMMARY

The City of Hamilton owned Mohawk 4Ice Centre has been successfully operated and maintained by Hamilton Arena Partners Inc. for the last 20 years since 2004. Upon expiry, the Operating and Maintenance Agreement (the "Original Agreement") allows for continuation monthly until a new agreement is executed and it has been communicated

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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.

to Hamilton Arena Partners Inc. that the operation will continue with the same terms until that point. Should the recommendations be approved, the new agreement will be backdated to March 6, 2024, to align with the expiration of the renewal.

Based on this demonstrated partnership, staff are recommending that the City enter into a new agreement with Hamilton Arena Partners Inc. to continue to deliver this cost-effective service to the community. Continuing will also allow Hamilton Arena Partners Inc. to complete the debt service of the Original Agreement and continue operations through the major capital roof repair project. Having a stable and familiar operator during this time is paramount to continued provision of this service.

### **Alternatives for Consideration – See Page 7**

### **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** The financial arrangements stipulated in the Original Agreement will continue in the proposed new agreement with a few minor changes. These changes include negotiating a more favourable revenue split for the City of Hamilton along with increased funding to the stabilization account and capital reserve account. These increased contributions will be made possible by the reallocation of the current debt payments once the debt is paid fully in March 2025.

The last five years of audited financial reports (attached as Appendix “A”, Appendix “B”, Appendix “C”, Appendix “D” and Appendix “E” respectively to Report HSC24010) outline the financial operations of the facility over the 2018, 2019, 2020, 2021 and 2022 calendar years.

**Staffing:** N/A

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

### **HISTORICAL BACKGROUND**

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

The Operating and Maintenance Agreement contained an initial term of ten years and 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”)

and in 2020, Council approved the second five-year renewal, which expired on March 5, 2024 (the “Second Renewal Agreement”).

The construction of the Mohawk 4Ice 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 contracted with Hamilton Arena Partners Inc. to operate and maintain the Mohawk 4Ice Centre. The term of the Original Agreement, including the term of both renewals, has now expired. A brief timeline and summary of the historical Committee Reports is outlined below:

- **2001 - Arena Development Proposal – Site Selection Process (PD01207) (CS01056C)**
  - Potential Site locations and recommendations reviewed
  - Staff directed to start negotiations with Hamilton Arena Partners for preferred site
  
- **2004 - Mohawk Sports Park - Four Pad Arena Development (HSC04002)**
  - Outlines agreements, financing options and designs
  
- **2004 - Mohawk Sports Park - Four Pad Arena Development (HSC04002a)**
  - Approval to continue with the project including development agreement to outline the preparation and construction work/schedule, guarantee of costs
  - Approval of Operating agreement with Hamilton Arena Partners Inc.
  
- **2007 & 2010 – Amending Agreements to Operating and Maintenance Agreement**
  - Two Amending Agreements to the operational needs
  
- **2014 - Hamilton Arena Partners Operating Agreement Extension - Mohawk 4Ice Centre (CES14002)**
  - Operational and Maintenance Agreement renewal (2014 – 2019)
  
- **2020 - Hamilton Arena Partners Operating Agreement Renewal (CES14002(a))**
  - Operational and Maintenance Agreement renewal (2019 – 2024)
  
- **2021 - Emergency Operating Funding for Hamilton Arena Partners (HSC21023)**
  - Emergency Financial Support for Operating costs to Hamilton Arena Partners due to COVID-19 pandemic up to \$500,000

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

City of Hamilton's Procurement Policy By-Law No. 22-255 requires that the recommendations found in this report be approved by Council. The specific section in the policy is found below:

### **POLICY # 11 - Non-competitive Procurements SECTION 4.11**

(2) Council must approve any requests for negotiations for:

(a) a single source as set out in subsection (1)(b) of this Policy #11, where the cumulative value of the Policy 11 exceeds a multi-year value of the proposed procurement is \$250,000 or greater. For greater clarity, the total cumulative value of a Policy 11 shall not exceed \$250,000 in any given year or multiple consecutive years; or

(b) an extension as set out in subsection (1)(c) of this Policy #11, where the extension exceeds 18 months from the expiry of the Contract with a vendor.

## **RELEVANT CONSULTATION**

Finance staff within the Financial Planning, Administration, and Policy Division of Corporate Services provided input on all financial aspects of Report HSC24010 and are supportive of the recommendations.

Recreation staff have consulted with Legal Services and upon approval of the recommendations, Legal Services staff are prepared to draft the new operating agreement.

Procurement staff advised that this Report be brought to Council for approval as per the City of Hamilton's Procurement Policy By-Law No. 22-255.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

Hamilton Arena Partners continues to be a great partner of the City and has had multiple successive years of profit since the Original Agreement commenced. The section below reviews the key areas that were reviewed, ultimately leading to staff's recommendation to enter a new agreement with Hamilton Arena Partners for continued operation and maintenance of the Mohawk 4Ice Centre.

### **Debt Repayment**

The construction of the Centre was financed through development charges of \$5 M and internal debt of \$12 M. The internal debt charges bear interest at 5.245% and are

repayable in blended monthly instalments of \$80,827. The principal debt remaining as of February 1, 2024, is \$1,019,443 and is scheduled to be fully paid off by March 2025. A continuance of this agreement ensures that the City is completely repaid the debt associated with the construction of the facility.

### **Stabilization Account**

As per the Original Agreement, deficits are to be shared 50/50 between the City and Hamilton Arena Partners. In the event of an operating surplus, the first \$30 K is applied to an operating stabilization account until that account reaches a threshold of \$250 K. As of 2013, this account was fully funded, thus, no amounts were contributed to the operating stabilization account in recent years. Due to the account accruing interest over the years, the balance as of December 31, 2023 was \$327,585. The new agreement will explore increasing the current threshold to be more reflective of covering several months of expenses as originally intended.

### **Operating Surpluses**

The remaining operating surplus is distributed to the City of Hamilton (70%) and Hamilton Arena Partners (30%). The operating surplus amounts from the last five years are listed in the Table below.

**Table 1 – Operating Surplus 2018-2022**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
City of Hamilton	\$11,719	\$26,480	\$0	\$0	\$47,952
Hamilton Arena Partners	\$5,022	\$11,349	\$0	\$0	\$0
<b>Total</b>	<b>\$16,741</b>	<b>\$37,829</b>	<b>\$0</b>	<b>\$0</b>	<b>\$47,952</b>

Hamilton Arena Partners was mandated to limit and, in some cases, suspend operations, in several phases of the Provincial Emergency Order due to the COVID-19 pandemic resulting in a significant operating loss. Pursuant to the Operating Agreement, the COVID-19 pandemic qualified as a force majeure and thus, the City of Hamilton agreed to adjust the operating deficit which is normally borne equally by both parties and bare the deficit entirely for 2020 and 2021. Through discussion with Hamilton Arena Partners, it was agreed that the whole of the surplus for 2022, being \$47,952, would be distributed entirely to the City of Hamilton.

While the operating surpluses are relatively low, Hamilton Arena Partners has managed the facility well 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. The new operating agreement will explore a more favourable revenue split for the City of Hamilton.

### **Capital Reserve**

The City of Hamilton holds a capital fund reserve in relation to the facility, to which Hamilton Arena Partners contributes \$75 K annually. The balance of the fund as of December 31, 2023, was \$330,842. This reserve is to be used primarily to finance major capital repairs to the facility. A Building Cost Assessment was updated for this facility in 2023 and identified that over the next 15 years, \$11.667 M of capital investment will be required.

Once the debt repayment is complete, the monthly payment of \$80,827 (\$969,924 annually) can be reallocated. The new operating agreement will explore increasing funding to the capital reserve to prepare for upcoming capital investments in the facility.

### **City of Hamilton Hours**

Each year, Hamilton receives 3,620 hours of prime ice time at the facility, to be allocated by Hamilton Arena Partners over all four ice surfaces, for users qualifying for Hamilton's subsidized ice rate. The City of Hamilton is responsible for scheduling, invoicing and collecting the revenue for this ice time. In 2022, this was equivalent to \$598,248 of revenue. Due to changing demands for ice, the current allocation to the City will be reviewed to reflect community need of City allocated hours at Mohawk 4Ice to encourage utilization at other City operated arenas and make better use of the available ice times there.

### **Capital Projects**

As identified in the updated Building Cost Assessment, there are significant capital expenditures that are required over the next 15 years. Some of the more extensive investments include roofing (\$3.6 M in 2024), mechanical (\$1.5 M in 2030), and mechanical and rink dasher boards (\$3.4 M in 2035). The total capital investment required over the next 15 years is \$11.667 M.

### **Successful Private-Public Partnership**

The Recreation Master Plan identifies that any contemplated partnership should provide benefits to the general public that outweigh the risks and that make appropriate use of public and private funds. Relationships with outside groups may be considered when:

- the City does not have capacity or budget for direct program delivery or facility management;
- there is an established provider/partner already working with the City;
- the site fills or augments service gaps in communities in lieu of City services;
- there is a need to build capacity to engage communities; and/or
- the potential service provider is the preferred/specialist for program delivery.

The partnership between the City of Hamilton and Hamilton Arena Partners meets much of the above criteria.

- The City does not have the capacity or budget to operate the facility itself;

- Hamilton Arena Partners is an established provider and has demonstrated this with two decades of excellent partnership and expert operation;
- The facility is established and a major part of the Recreation landscape in the City and provides an in-demand service to the community;
- Hamilton Arena Partners is the preferred service provider as the City has benefitted both from an operational and financial lens and not experienced any issues during our extensive partnership with them.

## **ALTERNATIVES FOR CONSIDERATION**

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

### Pros

- A Request for Proposal allows the City to entertain opportunities for a new partnership in a transparent manner.

### Cons

- Hamilton Arena Partners has been an extremely vital partner in ensuring that ice needs are met for all ice stakeholders. Hamilton Arena Partners 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;
- Hamilton Arena Partners has proved that they are good stewards of the facility by regularly producing an operational surplus;
- Would be an extensive undertaking for staff;
- Risk of an operator that has not been as successful as the current operator; and
- While this may be the logical alternative, the points of emphasis in the preferred option give staff greater comfort.

**Financial:** A new operator would come with some financial uncertainty. Navigating the roof construction project and outstanding debt repayment are items that would further complicate the financial picture with this alternative.

**Staffing:** N/A

**Legal:** The City's legal staff would need to work in concert with staff from Procurement and Recreation to complete the Request for Proposal (RFP) as well as agreements arising therefrom.

**Option #2:** That the City explores taking over the 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;
- 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;
- Potential impact to adult programming which City arenas do not currently accommodate.

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

**APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report HSC24010:	2018 Mohawk 4Ice Centre Audited Financial Report
Appendix "B" to Report HSC24010:	2019 Mohawk 4Ice Centre Audited Financial Report
Appendix "C" to Report HSC24010:	2020 Mohawk 4Ice Centre Audited Financial Report
Appendix "D" to Report HSC24010:	2021 Mohawk 4Ice Centre Audited Financial Report
Appendix "E" to Report HSC24010:	2022 Mohawk 4Ice Centre Audited Financial Report