



MOTION

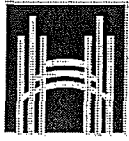
Council Date: January 31, 2013

MOVED BY

SECONDED BY COUNCILLOR


32. Hamilton Entertainment and Convention Facilities Inc. (HECFI) Request for Proposals (RFP) Negotiations Update

- (a) That staff be directed to include a transition period (the year 2013) in the Management Agreements with The Carmen's Group and Global Spectrum for the Management of the HECFI facilities;
- (b) That the Term of the Management Agreements for the HECFI facilities be extended to include the transition period;
- (c) That Global Spectrum be allowed to apply for up to \$110,000 in additional funding for any losses experience in the transition year upon providing proof of the loss through an Audited Financial Statement;
- (d) That The Carmen's Group Inc. be allowed to apply for up to \$663,000 in additional funding for any losses in the transition year upon providing proof of the loss through an Audited Financial Statement;
- (e) That the total costs associated with the HECFI transition year of 2013 not exceed the total 2012 Net Budget Levy.



Hamilton

INFORMATION UPDATE

TO: Mayor and Members of Council	WARD(S) AFFECTED: CITY WIDE
DATE: January 15, 2013	
SUBJECT: HECFI RFP Negotiations Update (City Wide)	
SUBMITTED BY: Antonio D. Tollis Treasurer Corporate Services Department	SIGNATURE: 

Negotiation of the Management Agreements with both Carmen's and Global Spectrum have been progressing positively since the approval of the MOU's in early October.

During the course of their due diligence review, Carmen's indicated that;

1. The actual revenues experienced in 2012 were less than the 2012 Budget which we provided to them during the RFP process and are trending downward as a result of the lengthy period that the transition process has required.
2. Their position is that 75% of 2013 bookings are already booked, (current HCC team's experience is approx. 60%) and they are missing the high revenue 1st quarter events.
3. Sales cycles for small events is up to 6 months and conventions can take a few years to close.
4. The renovations that Carmen's were contemplating in the RFP response in the amount of \$250K will actually be over \$600K.
5. As a result they feel that under the circumstances some relief should be considered during the transition period of the contract.
6. The remaining 5 years of the Contract will be as previously approved.

The following are revenues associated with the Convention Centre since 2007.

	2007	2008	2009	2010	2011	2012 EST.	2012 BUDGET
REVENUES	\$ 3,715	\$3,839	\$3,767	\$3,511	\$3,417	\$3,300	\$3,741

In order to address their concerns, the following is being recommended.

- 1) Treat 2013 as a transitional year.
- 2) The Managers will receive a prorated share of the Subsidy as approved in year one of the MOU based on the number of months in operation.
- 3) The Managers can apply for up to \$773K (\$663K for Carmen's, \$110K for Global Spectrum) to subsidize any losses they incur over this period.
- 4) The Managers will have to provide Audited Statements indicating the losses.
- 5) The 5 year term as outlined in the MOU's will begin January 1st. 2014 and end December 31st 2018.
- 6) The total costs for the HECFI facilities for 2013 are not to exceed the HECFI 2012 Net Levy Budget.

The table below outlines the expected budget impact of the agreements as presented in September on Report CM11013d. The numbers for 2013 represented the annualized impact and did not take into account transition costs associated with actual turn over dates.

MOU ANNUALIZED BUDGET IMPACTS (\$000's)

Description	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	2017 Budget
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
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The following table represents the budget implications with respect to the recommended transition period.

REVISED BUDGET IMPACTS (\$000's)

Description	2012	2013	2014	2015	2016	2017	2018
	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Initial Levy	5,921	5,921	4,736	4,632	4,572	4,487	4,342
Less Profit Sharing			(449)	(529)	(605)	(645)	(687)
Potential Levy	5,921	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

The table below outlines the estimated surplus available for distribution in 2013 for any losses incurred by the Managers for the transition period. The amounts available to the managers will not exceed these amounts, specifically \$663K for the Convention Centre Manager and \$110K for the Manager of Copps and Hamilton Place.

	TOTAL	CONVENTION CENTER	COPPS AND HAMILTON PLACE
2012 Net Budget	3,247,140		
Bulldog Subsidy	220,000		
TOTAL 2012 HECFI BUDGET	3,467,140		
Internal Overhead	449,190		
Net Budget	3,017,950	1,194,724	1,823,226
Overhead / Governance	200,000	66,600	133,400
Net Available Budget	2,817,950	1,128,124	1,689,826
Proposed Contracts	1,631,640	228,954	1,402,686
2013 Annualized Savings (Per Report CM11013d)	1,186,310	899,170	287,140
2013 ESTIMATED COSTS			
Jan/Feb HECFI Net Cost (Based on 2012 Actual)	685,000	274,229	410,771
Overhead Costs	200,000	66,600	133,400
March to December Contract	1,359,700	190,795	1,168,905
TOTAL 2013 EST COST	2,244,700	531,624	1,713,076
TOTAL 2013 EST SAVINGS	773,250	663,100	110,150

The recommendation is to leave the Budget at the same level as 2012 to fund any possible shortfall as outlined in the report. Should Council wish to reduce the 2012 subsidy to recognize all or a portion of the overall savings resulting from the new Management of the Facilities, the funding for the possible shortfall could be funded from the 2013 Operating surpluses or the Tax Stabilization reserves.

Convention Centre Cost (Carmen's Operation)								
	2012 HECFI BUDGET	Carmen's Contract Fee	Additional Request	Carmens Utility Contr.	Total Gross Costs / (Revenue)	Gross Savings	Internal Overhead HECFI Governance*	Total Annualized Net Savings
2013	\$ 1,344,454.00	\$ 344,454.00	\$ 450,546.00	\$ (115,000.00)	\$ 680,000.00	\$ 664,454.00	\$ 216,330.00	\$ 448,124.00
2014	\$ 1,344,454.00	\$ 344,454.00		\$ (115,000.00)	\$ 229,454.00	\$ 1,115,000.00	\$ 216,330.00	\$ 898,670.00
2015	\$ 1,344,454.00	\$ 250,000.00		\$ (125,000.00)	\$ 125,000.00	\$ 1,219,454.00	\$ 216,330.00	\$ 1,003,124.00
2016	\$ 1,344,454.00	\$ 200,000.00		\$ (135,000.00)	\$ 65,000.00	\$ 1,279,454.00	\$ 216,330.00	\$ 1,063,124.00
2017	\$ 1,344,454.00	\$ 125,000.00		\$ (145,000.00)	\$ (20,000.00)	\$ 1,364,454.00	\$ 216,330.00	\$ 1,148,124.00
2018	\$ 1,344,454.00	\$ -		\$ (165,000.00)	\$ (165,000.00)	\$ 1,509,454.00	\$ 216,331.00	\$ 1,293,123.00
Totals	\$ 8,066,724.00	\$ 1,263,908.00	\$ 450,546.00	\$ (800,000.00)	\$ 914,454.00	\$ 7,152,270.00	\$ 1,297,981.00	\$ 5,854,289.00

Carmen's is requesting an increase in the "transition year" subsidy up to \$795,000 (up from the original \$344,454) in order to account for the lower projected sales than outlined in the RFP.

* Internal Overhead, HECFI Governance - These are the overhead costs (IT, payroll services, admin) that the City will continue to absorb for the operation of the the Convention Centre.

During the transition year Carmen's will save the city \$664,454 in Gross Savings and \$448,124 in Net Savings (which will then be pro-rated on a monthly basis)

Over the life of the first term Carmen's (including the transition year) will provide \$7,152,270 in Gross Savings and \$5,854,289 in Net Savings.

Carmen's Facility Enhancements	
2013	\$600,000.00
2014	\$100,000.00
2015	\$100,000.00
2016	\$100,000.00
2107	\$100,000.00
2018	\$100,000.00
Totals	\$1,100,000.00

Carmen's will also be contributing \$600,000 in Facility Enhancements during the transition year

Over the life of the first term Carmen's will provide \$1,100,000 in facility enhancements.

Total Carmen's Savings and Carmen's Direct Cash Contributions				
	Total HECFI Savings	Carmen's Facility Enhancements		Total Carmen's Impact
2013	\$ 448,124.00	\$600,000.00		\$ 1,048,124.00
2014	\$ 898,670.00	\$100,000.00		\$ 998,670.00
2015	\$ 1,003,124.00	\$100,000.00		\$ 1,103,124.00
2016	\$ 1,063,124.00	\$100,000.00		\$ 1,163,124.00
2107	\$ 1,148,124.00	\$100,000.00		\$ 1,248,124.00
2018	\$ 1,293,123.00	\$100,000.00		\$ 1,393,123.00
Totals	\$ 5,854,289.00	\$1,100,000.00		\$ 6,954,289.00

The Total Positive Impact by Carmen's will be \$1,048,124 in the Transition Year and \$6,954,289 throughout the course of the contract.