RECOMMENDATION

(a) That the City of Hamilton renew the Operational and Maintenance Agreement with Hamilton Arena Partners (HAP) to operate the Mohawk 4Ice Centre from March 6, 2014 to March 5, 2019 based on the terms of the existing agreement, with updates to the terms where required; and,

(b) That the General Manager, Community and Emergency Services Department, be authorized and directed to execute a Renewal Agreement between the City of Hamilton and Hamilton Arena Partners, in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

The Mohawk 4Ice Centre is a four pad arena whose land, buildings and equipment are owned by the City of Hamilton. The facility opened for public use in January of 2005. The facility was constructed through an agreement between the City of Hamilton and Hamilton Arena Partners (HAP). HAP is comprised of Ellis Don Ltd, Cochrane Group Inc. and Nustadia Recreation Inc.

Development agreements were made for both the construction and ongoing operational management of the facility. The City entered into a ten-year agreement with HAP to operate and maintain the Centre from March 5, 2004 to March 5, 2014 with an option to renew the agreements for a further five years (March 6, 2014 to March 5, 2019). Upon completion of that five-year renewal term an additional five-year option may be exercised by HAP.

It is recommended that Council approve the renewal of the Agreement by exercising its five-year option to renew. This will allow HAP to continue with the effective and successful management of the quad pad facility on behalf of the City.
The intent of the operation agreement is to safeguard the long term sustainability of the facility. The agreement ensures that the City is collecting sufficient revenues from the operation of the quad pad facility to offset the capital costs that the City provided upfront for the construction of the facility. Nustadia Recreation Inc. operates the quad pad facility on a day to day basis for HAP.

The quad pad facility has generated net surpluses since 2009. This has enabled HAP to comply with the repayment schedule, cover all operating costs and comply with other financial provisions of the agreement. HAP has managed to generate surpluses by successfully selling its ice time throughout the year and by controlling and closely monitoring operating costs.

HAP has formally expressed to the City that they would like to continue operating the quad pad facility as per the terms of the existing Agreement. Hamilton Arena Partners (HAP) letter to City of Hamilton is attached as Appendix A to Report CES14002.

Alternatives for Consideration – See Page 5

FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)

Financial:
The financial arrangements stipulated in the existing operating agreement will remain if the five-year renewal option is approved.

There are provisions that operating deficits are to be shared 50/50 between the City and HAP. The Agreement stipulates that in the event of a surplus, the first $30,000 of the operating surplus per year is applied to the “Four Pad Stabilization Reserve” (#110049) until the reserve reaches a threshold of $250,000. Subsequent surpluses are then distributed to the City (70%) and HAP (30%).

The quad pad facility operated at a net deficit in 2005 and 2006. These deficits were offset with subsequent surpluses. It is anticipated that HAP will continue to generate surpluses from the operation of the Mohawk 4Ice Centre in future years. The Four Pad Stabilization Reserve is currently funded to the threshold $250,000.

The City provided upfront capital of $12 million for the construction of the Mohawk 4Ice Centre facility, repayable to the Four Pad Stabilization Reserve over 20 years with a 5.45% rate. The principle remaining as of December 1, 2013 is $8,229,070.

The audited financial statement for 2013 will be provided to Council in March 2014 as part of the 2013 Operating Report.

Staffing:
There are no staffing implications associated with Report CES14002.
Legal:
Legal Counsel, City Manager’s Office, will prepare an extension agreement to be signed by the City and Hamilton Arena Partners.

HISTORICAL BACKGROUND
The construction of the Mohawk 4Ice Centre started in April, 2004 and two ice pads were opened for public use in January 2005. In February, 2005 another two ice pads were made available for public use. A restaurant was opened in the facility in March, 2005. The facility was constructed through an agreement between the City of Hamilton and Hamilton Arena Partners. The facility was completed at a cost of $16,800,000.

As per the agreement, a Facility Management Review Team (FMRT) was formed to oversee the operation of the facility. FMRT consists of representatives from the City of Hamilton and Nustadia Recreation Inc. (Nustadia operates the facility for HAP). The FMRT meets on a regular basis to deal with issues related to the ongoing management of the quad pad facility.

The quad pad facility is currently operating at approximately 90% capacity for the use of prime time hours. HAP (through Nustadia Recreation Inc.) has also been a good community partner in the support of various sport initiatives. These include partnering in the Skate the Dream Program and being a key fundraiser for minor hockey initiatives in Hamilton.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS
There are no policy implications associated with Report CES14002.

RELEVANT CONSULTATION
Finance and Administration & Special Projects, Corporate Services, were consulted on the contents of the Report. Their comments related to the financial terms of the existing Operational and Maintenance Agreement and were incorporated into the Report.

The City’s Legal Services reviewed the report and assisted with the drafting of the recommendation.

ANALYSIS AND RATIONAL FOR RECOMMENDATION
HAP has been successful in managing and operating the Mohawk 4Ice Centre which resulted in the achievement of financial objectives and high usage of the facility. HAP, through Nustadia Recreation Inc. developed an excellent working relationship with the City which has ensured that the facility is being managed in the best interest of Hamilton’s taxpayers.
HAP has also been an excellent community partner and has supported major community initiatives aimed at providing children and youth with additional opportunities to participate in sport.

Renewal of the Operational and Maintenance Agreement with HAP for an additional five years will provide for the continuance of sound operational and financial management of the Mohawk 4Ice Centre.

ALTERNATIVES FOR CONSIDERATION

The alternative to the recommended option is to not renew the option for the five-year renewal and to issue a Request for Proposal (RFP) to identify a new company to operate the Mohawk 4Ice Centre facility on the City’s behalf.

Pros
• RFP will ensure a transparent process for selecting a company to operate and maintain the Mohawk 4Ice Centre facility.

Cons
• Could forgo the benefit of having an experienced and successful partner (HAP) operating and maintaining the Mohawk 4Ice Centre.
• Lost opportunity to build on an already successful partnership.

Financial:
It is not possible to predict the financial implications resulting from selecting a new facility operator for the Quad pad. These implications would depend on the financial arrangements negotiated with the proponent selected from the RFP process.

Staffing:
There are no staffing implications associated with this option to Report CES14002.

Legal:
Legal Services, City Manager’s Office, would be required to negotiate legal and financial aspects of new agreement and draft the legal agreement with the new facility operator.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1
A Prosperous & Healthy Community

*WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

Strategic Objective
1.6 Enhance Overall Sustainability (financial, economic, social and environmental).
Strategic Priority #2
Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

**Strategic Objective**

2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

2.2 Improve the City's approach to engaging and informing citizens and stakeholders.

2.3 Enhance customer service satisfaction.

Strategic Priority #3
Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

**Strategic Objective**

3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES AND SCHEDULES ATTACHED

Appendix A to Report CES14002: Letter from Hamilton Arena Partners requesting a five-year renewal of the Operational and Maintenance Agreement
September 27, 2013

City of Hamilton
City Hall
71 Main Street West
Hamilton, ON
L8P 4Y5

Re: Renewal of the Operating and Maintenance Agreement for the Mohawk 4Ice Centre

Dear City of Hamilton,

In accordance with our agreement, please take this letter as formal notice of Hamilton Arena Partners’ wish to continue as facility operator of the Mohawk 4Ice Centre after the conclusion of the initial term of the operating and maintenance agreement. HAP’s desire is to renew the agreement using the same terms as the original agreement continuing on an ongoing basis.

We appreciate the great partnership that we have with the City of Hamilton, and look forward to continuing our mutual success throughout the next term.

Regards,

Ben Sproule, President
Nustadia Recreation Inc.