SUBJECT: Rosedale Tennis Club Loan Request (FCS06093 / CS06028) (Ward 4)

RECOMMENDATION:

(a) That the City of Hamilton provide a 10-year loan of up to $100,000 to the Rosedale Tennis Club for capital expenditures, at an interest rate of 5.06%, compounded and payable annually; and,

(b) That the City Solicitor and the General Manager, Finance and Corporate Services be authorized to draft the loan agreement for execution by the Mayor and City Clerk.
EXECUTIVE SUMMARY:

The Rosedale Tennis Club is a not-for-profit community based public tennis club that has been located in Gage Park since 1917. The Rosedale Tennis Club has requested a $100,000 interest-free loan to address some capital expenditures for its tennis facilities.

Staff have reviewed this request and have determined that the organization is eligible for a one-time, capital loan under the City's External Loan Guidelines. Staff recommend that a 10-year loan of up to $100,000 be provided to the Rosedale Tennis Club at a rate of 5.06%, compounded annually.

BACKGROUND:

In May 2006, the Rosedale Tennis Club sent a letter to the Corporate Administrative Committee via Mr. Tony Tollis. The letter, which is attached as Appendix A to Report FCS06093/CS06028, requests that the City of Hamilton provide a 10-year, interest-free loan to the Rosedale Tennis Club for urgent, safety-related capital expenditures.

On September 13, 2006, City Council approved Report FCS06078, External Loan Guidelines. As discussed in more detail below, the request from the Rosedale Tennis Club was evaluated by staff in accordance to the Council approved Loan Guidelines.

ANALYSIS/RATIONALE:

The Rosedale Tennis Club is a not-for-profit community based public tennis club that has been located in Gage Park since 1917. The current membership of the club is approximately 400 for both the summer and winter seasons. It has about 12 employees and operates seven days a week. The building used by the tennis association is owned by the City of Hamilton, which is responsible for all capital repairs to the building. The rest of the tennis facilities are the responsibility of the Rosedale Tennis Club.

Within recent years, the Rosedale Tennis Club has worked towards streamlining their costs and has been raising their fees to address increases in expenditures, such as heat, hydro and water. Their efforts to date have resulted in a surplus of $75,000 which has been earmarked for the replacement of their tennis bubble. The bubble is crucial to the club’s ability to offer a year round tennis program and requires replacement by 2008.

Within the last year, the club has learned that further capital expenditures are required for both the tennis bubble’s furnace, which has been deemed unsafe, and for repairs to the outdoor, all-weather courts. The club has requested the $100,000 loan to address these additional capital expenditures. Although the May 2006 letter provides a range of costs, further discussions with the club have estimated the capital costs to be:
Project Budget

Tennis Bubble Furnace (September 2006) $75,000
Court Resurfacing (Spring 2007) $25,000
Total Estimated Capital Costs $100,000

The loan request from the Rosedale Tennis Club is considered to be eligible as it meets the following requirements from the Council approved External Loan Guidelines (Report FCS06078):

Table 1: Loan Eligibility Criteria

<table>
<thead>
<tr>
<th>Eligibility Criteria</th>
<th>Conditions Met?</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Registered Not-For-Profit</td>
<td>Yes</td>
</tr>
<tr>
<td>b) Board of Directors</td>
<td>Yes</td>
</tr>
<tr>
<td>c) One-time Capital Expenditure</td>
<td>Yes</td>
</tr>
<tr>
<td>d) Provides Benefits Within City Boundaries</td>
<td>Yes</td>
</tr>
<tr>
<td>e) Good Financial Standing With the City</td>
<td>Yes</td>
</tr>
<tr>
<td>f) Equal Access to Programs</td>
<td>Yes</td>
</tr>
<tr>
<td>g) Clear Boundaries Between Religious Activities and Program</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The organization has provided staff with all requested information to satisfy Part 3 – Responsibilities of the Loan Applicant as per the External Loan Guidelines.

ALTERNATIVES FOR CONSIDERATION:

City Council has the option to not approve the loan. In order to pay for the capital expenditures, the Rosedale Tennis Club would either have to increase their fees or discontinue offering tennis year round. Currently, the Rosedale Tennis Club is the only provider of year round, affordable clay-court tennis in the City of Hamilton.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

As mentioned, in order to fund urgent capital expenditures, the Rosedale Tennis Club has requested a $100,000, interest-free loan to be paid back over a period of 10 years.

In accordance to the Council approved External Loan Guidelines (Report FCS06078), the recommended interest rate is based upon a 10-year serial debenture rate (City’s cost to borrow) plus a 0.25% administration fee. Staff are recommending that a 10-year capital loan of up to $100,000 be provided to the Rosedale Tennis Club at an interest rate of 5.06%, payable and compounded annually.

A payment schedule for the above loan recommendation is attached as Appendix B to Report FCS06093/CS06028. At an interest rate of 5.06%, the annual repayment is $12,988.
The following table provides a summarized, forecasted cash flow for the Rosedale Tennis Club. This cash flow demonstrates that the tennis club can repay the loan over the next 10 years from 2007 to 2016. The projections include both the restaurant and the tennis program.

Table 2: Rosedale Tennis Projected Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010 to 2016</th>
<th>10-year Total</th>
<th>Annual Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>240,000</td>
<td>252,000</td>
<td>267,000</td>
<td>2,169,000</td>
<td>2,928,000</td>
<td>292,800</td>
</tr>
<tr>
<td>Expenses</td>
<td>211,000</td>
<td>217,000</td>
<td>223,000</td>
<td>1,771,000</td>
<td>2,422,000</td>
<td>242,200</td>
</tr>
<tr>
<td>Net Income</td>
<td>29,000</td>
<td>35,000</td>
<td>44,000</td>
<td>398,000</td>
<td>506,000</td>
<td>50,600</td>
</tr>
</tbody>
</table>

As per the External Loan Guidelines, collateral on the loan will be required. Staff also recommend that the loan agreement include a schedule of draws against the loan that would coincide with the timing of the capital expenditures.

There are no staffing implications.

If the loan is approved, the City Solicitor would prepare the necessary loan agreements. The City Solicitor should include adequate security, such as the mentioned equipment, as collateral on the loan.

**POLICIES AFFECTING PROPOSAL:**

On September 13, 2006, City Council approved the loan policy report. The recommendation of Report FCS06093/CS06028 was prepared in accordance to the Council approved guidelines.

**RELEVANT CONSULTATION:**

Report FCS06093/CS06028 was prepared with consultation from the Community Services Department and Budgets and Finance staff.
CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No
Opportunities for physical activity are supported and enhanced.

Environmental Well-Being is enhanced. ☑ Yes ☐ No
Consumption of energy is reduced; alternative energy and co-generation are supported.
New heater will be much more energy efficient than the current system.

Economic Well-Being is enhanced. ☐ Yes ☑ No

Does the option you are recommending create value across all three bottom lines?
☐ Yes ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants?
☐ Yes ☑ No
Attention: Tony Tollis  
Finance Committee  
C/o Corporate Administration Committee  

Dear Mr. Tollis:

Background  

Please accept this request for financial assistance on behalf of Rosedale Tennis club, a not-for-profit community based public tennis club based in Gage Park since its founding in 1917. Rosedale began offering indoor tennis in 1981, when we erected a heated bubble for winter play. Since that time Rosedale has continued to be the sole provider of year-round affordable clay-court tennis for Hamilton residents. We are run by a volunteer Board of Directors, and finance our operations solely from revenue generated through memberships and court fees.

Issue  

Within the last few years we have managed to streamline costs and raise fees to address rising expenditures, such as utilities. Our efforts have resulted in a surplus of $75,000.00 to date. To maintain our ability to offer tennis programming year round, our bubble requires replacement by 2008 and our surplus funds had been designated for this purpose.

Unfortunately, we discovered a critical expenditure in October 2005 that threatens our plans. The original furnace which heats the bubble has been deemed unsafe and requires immediate replacement for the upcoming season. Our contract with the City of Hamilton generated discussion with the City regarding responsibility for the maintenance of the mechanical systems, such as the heating and ventilation system. Through meetings with Peter Paweska, Gary Makins, Julie Matson and Bob Fenwick, which continued up until May 9, 2006 we finalized the position that the Club must bear the burden of the new unit.

Additionally, spring inspection of our outdoor all-weather courts reveal a dire need for repairs, as they have developed major cracks and an uneven surface which could cause injury.

The club is now facing the need to immediately address these three safety-related matters without sufficient funding.
Financial Impact

Purchase of a new 'used' bubble: $60,000
Furnace replacement: $47,000 - $92,000
Court repair $39,000 (patch) - $151,000 (reconstruct)

Assistance Requested

We are requesting and interest-free loan for $100,000 to be repaid over 10 years to allow us to make the safety-related critical purchases for Rosedale Tennis Club. It is our understanding that the city has made similar arrangements with other organizations, such as Gage Park baseball.

Rationale

- Our record of financial management is solid, supported by the fact we successfully received a Trillium Grant in 2003 for a gently used bubble and new lighting for the clay courts.

- Our membership-driven financial status is solid as our membership averages 400 members (approximately 100 seniors, 75 juniors, 225 adults) during both the winter and summer months.

- The club provides important community service to the City of Hamilton. We operate 7 days a week, offering tennis and instruction a minimum of 90 hours weekly.

- The club employs: 1 General Manager, 1 Tennis Professional, 5 Part-time Receptionists, 2 Assistant Professionals, 2 Groundskeepers and 1 Cleaner (hired through subsidized programs)

- The club presents a positive image of Hamilton to visitors annually through:
  
  o Partnership with the Regional Senior Games
  o Hosting the Rosedale Open Jr Tournament and Canusa (biannually).
  o In 2006, hosting the Ontario Senior Games
  o In 2006, working in conjunction with Hamilton Tennis Club to co-host the Canadian Wheelchair Championships
  o Listed with the Ontario Tennis Association as a Pathways Welcome Centre, a grassroots initiative to introduce beginners to the sport
  o Hosting the Hamilton Wentworth high school championships for the past 12 years
  o In 2007 and beyond, hosting the Hamilton Wentworth Separate School Board high school championships
• The Club works jointly with the administration of many local area high schools to offer lessons for beginners and professional instruction to students. Rosedale is pleased to provide discounted tennis programs and court time for the youth and senior citizens in our community.

• We are especially proud of our juniors who have been awarded University scholarships based on their tennis achievements. Currently the third ranked junior in Canada, Taylor Ormond, just recently won the women’s singles Saskatoon Open title, as well as the ITF under 18 girls singles and doubles in April of this year. These accomplishments require extensive affordable practice time, which Rosedale has been able to offer.

Mr. Tollis, your approval of our loan request will allow Rosedale to maintain support for accessible and affordable physical recreation for seniors, children, and adults in the City of Hamilton. Furthermore, it will enable us to support top-level juniors from our community.

We appreciate greatly your consideration. If you have any questions, please feel free to contact us at (905) 545-5205. Otherwise, we will follow up with your office in the next two weeks to discuss further our request.

Sincerely,

Amber Morrison (President)  Peter Giacofelli (Rosedale Tennis Club Manager)
Rosedale Tennis Club Loan Request

Repayment Schedule

Principal: $100,000
Interest Rate: 5.06%
Repayment Terms: 10

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PAYMENT</th>
<th>INTEREST</th>
<th>PRINCIPAL</th>
<th>OUTSTANDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$12,988</td>
<td>$5,060</td>
<td>$7,928</td>
<td>$92,072</td>
</tr>
<tr>
<td>2</td>
<td>$12,988</td>
<td>$4,659</td>
<td>$8,329</td>
<td>$83,742</td>
</tr>
<tr>
<td>3</td>
<td>$12,988</td>
<td>$4,237</td>
<td>$8,751</td>
<td>$74,992</td>
</tr>
<tr>
<td>4</td>
<td>$12,988</td>
<td>$3,795</td>
<td>$9,194</td>
<td>$65,798</td>
</tr>
<tr>
<td>5</td>
<td>$12,988</td>
<td>$3,329</td>
<td>$9,659</td>
<td>$56,139</td>
</tr>
<tr>
<td>6</td>
<td>$12,988</td>
<td>$2,841</td>
<td>$10,148</td>
<td>$45,991</td>
</tr>
<tr>
<td>7</td>
<td>$12,988</td>
<td>$2,327</td>
<td>$10,661</td>
<td>$35,330</td>
</tr>
<tr>
<td>8</td>
<td>$12,988</td>
<td>$1,788</td>
<td>$11,201</td>
<td>$24,130</td>
</tr>
<tr>
<td>9</td>
<td>$12,988</td>
<td>$1,221</td>
<td>$11,767</td>
<td>$12,363</td>
</tr>
<tr>
<td>10</td>
<td>$12,988</td>
<td>$626</td>
<td>$12,363</td>
<td>($)</td>
</tr>
</tbody>
</table>

TOTAL $129,882 $29,882 $100,000

Assumptions: Loan payable at the end of the year
Interest is amortized and compounded annually.