



City of
Peterborough

To: Members of Committee of the Whole

From: Ken Doherty, Director of Community Services

Meeting Date: February 6, 2017

**Subject: Report CSD17-001
Petes' Funding Request Agreement**

Purpose

A report to seek Council approval of a negotiated agreement responding to the Petes' Funding Request.

Recommendations

That Council approve the recommendations outlined in Report CSD17-001 dated February 6, 2017 of the Director of Community Services, as follows:

- a) That the Petes' annual operating expenses to the City be reduced by: waiving the rental fee on the Petes' Suite, at an approximate annual cost of \$18,500 (excluding HST); and the rental fee on the Alumni Room, at an annual cost of \$9,142 (excluding HST), for an estimated annual operating savings of \$27,642 to the Petes, effective the 2016-2017 season, starting September 1, 2016;
- b) That the Petes annual operating revenues from ticket sales be increased by: receiving 50% of the Club Seat, Restaurant, Skybox, and Birthday Box Seat Premiums relating to Petes' games at an estimated value of \$76,146; effective the 2016-2017 season, starting September 1, 2016;
- c) That 50% of the City's share of Gross Revenues from Food and Beverage Sales at Petes Games be provided to the Petes at an estimated value of \$49,250, effective the 2016-17 season, starting September 1, 2016;

- d) That 20% of the City's revenue from Suite Licence Fees be shared with the Petes, at an estimated value of \$48,800, effective the 2016-17 season, starting September 1, 2016; and further that the amount be increased to 25%, at an estimated value of \$61,000 beginning in the 2017/18 season, starting September 1, 2017;
- e) That the City's funding support for a Petes' Marketing position in the approximate amount of \$47,400 (based on 2014/2015 season) be continued and that the current advertising share be changed from 50/50 to 40% City and 60% Petes, at an estimated value of \$49,116 effective the 2016/17 season starting September 1, 2016 and \$45,100 in subsequent seasons;
- f) That the game complimentary ticket cap be increased from 250 to 325, with no Capital Refurbishment Fund (CRF) charges or 10% commission, at an estimated value of \$5,600, effective the 2016/17 season, starting September 1, 2016;
- g) That Game Day Expenses be waived as an expense charge to the Petes for a five year period, effective the 2016-17 season, starting September 1, 2016 and be re-instated at the beginning of the 2021/22 season at an estimated cost of \$51,000 to the Petes based on \$1,500 per game, starting September 1, 2021; and increasing to \$54,400 for the 2022/23 season, based on \$1,600 per game;
- h) That the City agree to cover the full cost of capital improvements to update the Scoreclock at an estimated cost of \$80,000, which represents a \$40,000 value to the Petes, since they would typically contribute 50% of the cost, effective the 2016/17 season;
- i) That the City provide a one-time capital contribution of \$20,000 to cover the cost of a new skate sharpener for the Petes, effective the 2016/2017 season;
- j) That the creation of a project capital budget for the Clock upgrade and the skate sharpener acquisition, totalling \$100,000 as outlined in recommendations h) and i) be created by re-allocating funds from the following approved Arena Division Capital Budgets for the Peterborough Memorial Centre: \$35,000 from 2016-6-6.02; \$55,000 from 2015-6-6.01; and \$10,000 from 2014-6-6.01;
- k) That, the Petes retain 100% of the advertising revenues from all hard surface/ stationary ad sales annually and 100% of the advertising revenues from the moving or soft sale advertising from Petes games only at an estimated value of \$17,000 in 2016/17 and \$48,400 in subsequent seasons;
- l) That the City retain 100% of the moving or soft advertising revenues for its bookings/ special events; and that the Lakers retain 100% of the moving or soft advertising revenues for their games;

- m) That the City waive its 10% commission on ticket sales on an on-going basis for all of the Family Zone, all group sales, and all children and all student tickets at an estimated value of \$20,000 per year effective the 2016/2017 season; starting September 1, 2016;
- n) That the Peterborough Memorial Centre's 2017 operating budget be increased by \$293,554 from 2017 General Contingency to cover the lost revenues/ transfer of funds to the Petes as a result of implementing this agreement;
- o) That a capital contribution of \$20,000 be provided by the City to improve in-arena technology in 2017 for the start of the 2017/2018 season, and that the \$20,000 be transferred from the 2017 General Contingency; and a further \$30,000 to support office and player area improvements effective in the second half of the 2017/2018 season which is a pre-commitment to the 2018 Capital Budget;
- p) That \$25,000 of program sponsorship value be provided by the City to profile the Petes in other City facilities, programs, and services on an on-going basis, effective the 2017/18 season, starting September 1, 2017;
- q) That the City proceed with the OHL Study as a 2017/2018 priority;
- r) That the Trial Period for the Letter of Agreement, dated February 14, 2014, relating to the definition of Gross Advertising Revenues, the Sharing of Net Advertising Profits, and the formation of a Marketing Committee be amended to reflect the advertising share revision as noted in recommendation e) and extended beyond the termination date of August 31, 2017, to the end of the current agreement;
- s) That the Mayor and Clerk be authorized to sign Letters of Agreement to reflect the above noted changes, and any other related documents necessary to execute the Agreements; and,
- t) That Staff be directed to report annually to Council on the effectiveness of the funding changes, financial incentives, joint sponsorship/ marketing/ advertising initiatives, and annual attendance.

Budget and Financial Implications

The financial values used in the production of this report are taken from the 2014/15 season final reconciliations. Numbers for the 2016/17 will have changed slightly and final amounts each year moving forward will be adjusted accordingly.

The recommended 2016/2017 capital improvements will be funded by reallocating existing Arena Division Capital projects previously approved for Memorial Centre projects as identified in recommendation j).

Increasing the Peterborough Memorial Centre's 2017 operating budget by \$293,554 to cover the lost revenues/ transfer of funds to the Petes as a result of implementing this agreement and increasing the 2017 capital budget by \$20,000 for the in-arena improvements to technology needed for the start of the 2017/18 season as per recommendation o) requires a transfer of \$313,554 from General Contingency. This will result in a revised balance of \$282,708 in the contingency account.

In order to implement recommendation o) and complete the office and player area improvements project by in the second half of the 2017/18 season, it will require a pre commitment of \$30,000 in the City's 2018 Capital budget.

Background

Council Direction

In response to Report CSD16-023, presented to Budget Committee for consideration at its meeting, November 28, 2016, City Council passed the following resolution at its meeting December 12, 2016:

That the recommendations detailed in Report CSD16-023 Pete's Funding Request be deferred until City Finance staff have had an opportunity to review the Pete's annual financial statements for the last five years, and to provide a report for Council's consideration.

Subsequent Developments

In response to Council concerns, Budget Chair, Councillor Clarke, and the Directors of Corporate Services and Community Services met with representatives of the Petes and their auditor on December 2nd, 2016 to review various financial statements prepared to illustrate financial challenges facing the organization. The information provided and the discussion that ensued reinforced the Petes' need for serious consideration of their \$350,000 request for on-going financial support through either cost reductions or a greater share of the revenues resulting from Petes' games.

Following Council direction, City staff met with Petes representatives several times to negotiate an agreement. Throughout this process, City staff encouraged consideration of capital investments early in the term to help reduce the impact on the Memorial Centre's operating 2017 budget, since no funds were specifically allocated to address the Petes' request. Staff also tried to identify changes to the contract that would create

financial incentives to increase attendance and thereby increase shared revenues for both parties down the road.

On December 20th, 2016 representatives of both parties agreed to the following financial information in Chart 1. The Petes Board approved the Facility Agreement Re-negotiation Summary (Appendix 1) and the spreadsheet on December 21st.

Chart 1
Changes proposed to be included in Letter of Agreement with Pete's

	#	DETAILS	16/17	17/18	18/19	19/20	20/21	21/22	22/23
RETAINED	1	Waive Petes Suite Lease Annual Fee	\$18,500.00	\$18,500.00	\$18,500.00	\$18,500.00	\$18,500.00	\$18,500.00	\$18,500.00
	2	Waive Alumni Room Lease	\$9,142.00	\$9,142.00	\$9,142.00	\$9,142.00	\$9,142.00	\$9,142.00	\$9,142.00
	3	20% (16/17) to 25% (17/18 and beyond) of Suite Licence Fees	\$48,800.00	\$61,000.00	\$61,000.00	\$61,000.00	\$61,000.00	\$61,000.00	\$61,000.00
	4	Restaurant, Skybox, Birthday Box & Club Premiums, Petes get 50% of City Share	\$76,146.00	\$76,146.00	\$76,146.00	\$76,146.00	\$76,146.00	\$76,146.00	\$76,146.00
	5	Food & Bev commission; 50% of City's 10% gross share	\$49,250.00	\$49,250.00	\$49,250.00	\$49,250.00	\$49,250.00	\$49,250.00	\$49,250.00
REVISED	6	Advertising Share 60-40 (plus \$47,200 ad position support) (year 2, videoboard agreement changes)	\$49,116.00	\$45,100.00	\$45,100.00	\$45,100.00	\$45,100.00	\$45,100.00	\$45,100.00
	7	Increase game comp limit to 325 (no CRF or 10% commission)	\$5,600.00	\$5,600.00	\$5,600.00	\$5,600.00	\$5,600.00	\$5,600.00	\$5,600.00
	8	Game-Day Expenses (hold for 5 years)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-\$51,000.00	-\$54,400.00
NEW	9	Naming Rights (will be presented to Council as an option)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	10	External illuminated player signs (will be presented to Council as an option)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	11	Scoreclock ad revenue (100%)	\$17,000.00	\$48,400.00	\$48,400.00	\$48,400.00	\$48,400.00	\$48,400.00	\$48,400.00
	12	Waive City 10% commission (All Family Zone, children, group & student tickets)	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00
		HARD REVENUE TOTAL	\$293,554.00	\$333,138.00	\$333,138.00	\$333,138.00	\$333,138.00	\$282,138.00	\$278,738.00

	#	DETAILS	16/17	17/18	18/19	19/20	20/21	21/22	22/23
ONE-TIME CAP ENHANCEMENTS	13	Video board enhancement	\$40,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	14	Video board credit	-\$40,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	15	Skate Sharpener	\$20,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	16	Improve in-arena technology	\$0.00	\$20,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	17	Office & player area improvements	\$0.00	\$30,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
IN-KIND INCREASED REVENUE	18	Program Sponsorship Value	\$0.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
		<i>IN-KIND & CAPITAL TOTAL</i>	\$20,000.00	\$75,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
		<i>TOTAL</i>	\$313,554.00	\$408,138.00	\$358,138.00	\$358,138.00	\$358,138.00	\$307,138.00	\$303,738.00

Naming Rights

During the December 12th Council meeting and subsequent media coverage, several Councillors expressed interest and support in potential Naming Rights for the Peterborough Memorial Centre. While this can be a lucrative undertaking, especially for a new facility, staff is also aware of the strong community sentiments attached to the facility's name and role in commemorating veterans from World War II. A staff report assessing the opportunities and challenges of this path could help reach an informed decision.

If Council wishes to pursue this further, then they should amend the recommendations by adding recommendation u) as follows:

That staff be directed to prepare a report in 2017 on the sponsorship opportunities and anticipated challenges of re-naming the Peterborough Memorial Centre to recognize a corporate sponsor.

Advertising Inventory

During the negotiation process, there were also several ideas generated to create new advertising inventory in the Memorial Centre. They will be shared with the Marketing Committee for future consideration.

OHL Study

The OHL Facility Study, originally scheduled for 2018, was moved up to 2016 as a result of Report CSD15-004, dated April 20, 2015. In light of the recent release from the Mayor's office of high level concept plan of what a new OHL facility and convention centre might look like at the current Public Works and subsequent community interest, there are merits in launching the study in 2017. Furthermore the study which should include: a needs assessment, review of comparable OHL/ Entertainment facilities, identification of preferred location, and options regarding re-purposing or decommissioning the Memorial Centre, will help provide direction to the City's relations with the Agricultural Society and future development of Morrow Park.

Summary

In keeping with Council direction, City staff and representatives from the Petes have negotiated a draft agreement that will meet the financial target identified by the Petes and thereby resolve some of the financial challenges they face. It will also create some financial incentives that both parties should benefit from in the years to come.

Submitted by,

Ken Doherty
Director of Community Services

Contact Name:

Phone: 705-742-7777 Ext. 1823

Toll Free: 1-855-738-3755

Fax: 705-748-8824

E-Mail: kdoherly@peterborough.ca

Attachments:

Appendix A: Facility Agreement: Re-Negotiation Summary, December 20, 2016