



City of
Peterborough

To: Members of the General Committee

From: Sheldon Laidman, Commissioner of Community Services

Meeting Date: October 19, 2020

Subject: Report CSAD20-010
Peterborough Petes Amending Agreement Update

Purpose

To provide an update to Council on the effectiveness of the amending agreement with the Peterborough Petes as recommended through Report CSD17-001 and to respond to the request by the Petes to enter into negotiations for a revised agreement prior to 2021.

Recommendations

That Council approve the recommendations outlined in Report CSAD20-010, dated October 19, 2020, of the Commissioner of Community Services, as follows:

- a) That Report CSAD20-010 updating Council on the amending agreement be received for information.
- b) That staff be directed to begin negotiations with the Peterborough Petes on a revised Facility Licence Agreement prior to the current agreement's date to be able to begin negotiations as requested by the Petes in their letter of August 21, 2020.

Budget and Financial Implications

There are no direct budgetary or financial implications associated with the recommendations in this report. If Council chooses to amend the agreement to permit an early renegotiation of its terms, it would be expected that a full financial and budgetary evaluation of the implications of any changes would be conducted.

Background

Council Direction

Report CSD17-001 Petes Funding Request Agreement dated February 6, 2017, as approved by Council on February 13, 2017, included the following recommendations:

- 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 License 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, totaling \$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;
- 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 and that city staff have yearly access to the Petes' financial records; and,
- u) 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.

Recommendation u) will be addressed in a separate report to Council later in the fall of 2020 from the Corporate Sponsorship Coordinator.

Staff's initial intention to report back to Council with an update on Recommendation t) following the completion of the Peterborough Petes 2018/19 Season was delayed due to ongoing projects at the Memorial Centre and the decision was made to further delay to include the results of the abbreviated Peterborough Petes 2019/20 Season in this update report.

2017 Amending Agreement

Council authorized staff through Report CSD17-001 to undertake the process to develop an Amending Agreement based upon the recommendations outlined in this report. The Amending Agreement was executed on August 21, 2017 which included twelve significant amendments to the revenues retained by the City and the Peterborough Petes in addition to one-time capital investments and in-kind sponsorship value provided by the City to the Petes. A further recalculation of the previous Peterborough Petes 2016/17 Season was required since the amendments were to be applied retroactive to this completed season. A reconciling payment was made to the Peterborough Petes on September 15, 2017.

Report CSD17-001 provided a projection of costs to the City for each aspect of the revised agreement. The increased revenue to the Petes as a result of the changes implemented through the 2017 Amending Agreement was projected to be approximately \$350,000 annually. The actual benefit exceeded this amount and was over \$400,000 most seasons (2016/17 \$421,750; 2017/18 \$461,660; 2018/19 \$498,060; 2019/20 \$379,269).

The Peterborough Memorial Centre was running at an operating deficit of \$450,000 on average (before annual debt charges) prior to the 2017 Amending Agreement retroactive to the 2016/17 Season. This deficit grew to approximately \$700,000 on average annually post 2016, an increase of approximately \$250,000 in annual operating deficit over and above the pre-2017 Amending Agreement. The City's revenues resulting from Petes games based on individual game reconciliations has fallen by approximately \$200,000 annually since the 2017 Amending Agreement was put in place. The other \$50,000 in annual operating deficit is due mainly to utility and snow plowing increases, offset partially by increased revenues from other events.

The operating budget for the Peterborough Memorial Centre includes annual debenture payments in the amount of \$947,141.68 implemented in 2003 for the facility renovation for a period of twenty years. The term of the current Facility License Agreement with the Peterborough Petes was set to align with the term for the debenture payments to 2023.

The majority of the changes identified in the 2017 Amending Agreement were items that would create financial incentives to increase attendance and thereby increase shared revenues for both parties in future seasons. The sale of Seasons Tickets and other individual tickets has been steadily increasing since the 2016/17 Season. Average regular season attendance increased from 2627 in 2016/17 season to 3190 in 2017/18, 2929 in 2018/19 and 3162 in 2019/20. Collaboration between the City and the Petes on in-house City program sponsorship in City facilities and on transit buses continues to present cost-effective media exposure opportunities for the Petes. It is the opinion of City staff that the original intent of the 2017 Amending Agreement is trending toward achievement since the City's revenues from Petes games has not fallen by the full amount contemplated and the Petes have been able to realize higher revenues.

PMC Space Review

The Peterborough Petes made a request for more space within the Peterborough Memorial Centre in 2019 and have increased their staff for business and game day operations in order to achieve the results expected from the 2017 agreement amendments. As a result of this request from the Peterborough Petes and a requirement to provide input regarding tenant space requirements in the future for the proposed new Major Sport and Event Centre, a working group was created in 2019 including City staff and members from the Peterborough Petes, Hall of Fame and two members from the Arenas, Parks and Recreation Advisory Committee. Space requirements and additional opportunities that may be available to address these requirements for tenants was reviewed by the working group for the short and medium term. Reorganization within the Peterborough Petes' existing locations within the facility (e.g. Alumni Room) was undertaken at their own expense. Some additional space was provided to the Petes from City staff operations but no larger solution within the facility was found to address their request. As a result of having no better solution within the facility itself available, the working group created in 2019 is no longer required to address this issue further and can be dissolved.

Request by Peterborough Petes for New Agreement Negotiations

Under the current agreement dated Sept. 23, 2003, Section 3.2 Renewal states the Peterborough Petes can enter into negotiations with the City to extend or renew the term of the Agreement on an exclusive basis during a one-year period commencing two years prior to the end of the 2023 expiry date. The Peterborough Petes have expressed an interest (Appendix A) to start discussions in 2020, ahead of the assigned September 2021 date for renegotiations to begin. The City has a duly signed agreement that is not set to expire for another three years and City staff would require a mandate from Council to enter into negotiations to amend an agreement that was adopted by full Council earlier than allowed for in the agreement.

The numerous adjustments made to the existing 2003 agreement through the 2017 Amending Agreement have been trending towards meeting the objectives of both the City and the Petes. The OHL is becoming an increasingly competitive environment for the Petes to participate in, the new Major Arena Project has not been fully approved, and the unique challenges posed by Covid-19 which will disrupt at least two OHL seasons all combine to justify a new Facility License Agreement being negotiated. For these reasons, staff are recommending that negotiations begin now and potentially be implemented prior to the end of the current agreement to support the Petes and potentially also be advantageous to the City.

Next Steps

If the recommendation to begin negotiating a new agreement is approved, staff would work with the Petes to undertake developing an overall work plan and timeline for the negotiation. This would involve the review of agreements from other OHL facilities, financial analysis of various agreement models and modifications, and a joint commissioning of a community financial impact analysis with the Petes.

If the recommendation to begin negotiating a new agreement is not approved, the existing agreement would continue where the Petes would have an exclusive one year window to negotiate a new agreement with the City beginning in September 2021.

Summary

As a result of Report CSD17-001 Petes Funding Request Agreement dated February 6, 2017, an Amending Agreement with the Peterborough Petes dated August 21, 2017 was executed to include the recommendations approved by Council. The changes implemented have resulted in increased revenues annually for the Peterborough Petes and less of an impact on the City's revenues than originally anticipated. City staff are recommending to enter into negotiations for a new Facility License Agreement with the Petes.

Submitted by,

Sheldon Laidman
Commissioner of Community Services

Contact Name:

Sue Warrington
Arena Division Manager
Phone: 705-742-7777 Ext. 2421
Toll Free: 1-855-738-3755
E-mail: swarrington@peterborough.ca

Jeremy Giles
Peterborough Memorial Centre Facility Manager
Phone: 705-742-7777 Ext. 2503
Toll Free: 1-855-738-3755
E-mail: jgiles@peterborough.ca

Attachments:

Appendix A: Peterborough Petes Letter dated August 21, 2020