



City of
Peterborough

To: **Members of the General Committee**

From: **Sheldon Laidman, Commissioner of Community Services**

Meeting Date: **January 11, 2021**

Subject: **Report CSAD21-001
COVID-19 Pandemic Restrictions Response to Peterborough
Memorial Centre Operational Contract – Food and Beverage
Operations**

Purpose

A report to request an amendment to the Contract for Food and Beverage Operations at the Peterborough Memorial Centre with Compass Group Canada Ltd. for food and beverage operations affected by the closure and reduced business levels of the Peterborough Memorial Centre in response to the COVID-19 pandemic restrictions.

Recommendations

That Council approve the recommendations outlined in Report CSAD21-001, dated January 11, 2021, of the Commissioner of Community Services, as follows:

- a) That Article 3 Compensation of the Contract for Food and Beverage Operations at the Peterborough Memorial Centre dated July 22, 2019 effective June 7, 2020 be temporarily suspended until such time as the Peterborough Memorial Centre returns to an annual minimum business sales level of \$821,000;
- b) That Article 3 Compensation is to be temporarily amended during the suspension to reflect a commission of 10% payable to the City on gross revenue on food and beverage sales; and
- c) That the Mayor and Clerk be authorized to execute an Amending Agreement with Compass Group Canada Ltd. to implement the recommendations in this report in a form satisfactory to the Commissioner of Community Services and City Solicitor.

Budget and Financial Implications

The minimum annual commission under the Contract for Food and Beverage Operations at the Peterborough Memorial Centre (PMC) with Compass Group Canada Ltd. for Year 2 of the agreement from June 7, 2020 to June 6, 2021 is \$132,104.00 plus HST. This commission would be temporarily replaced by a commission of 10% payable to the City on any food and beverage sales until revenue from food and beverage sales returns to a minimum of \$821,000 annually. The 2021 operating budget has already reflected the lower revenue expected from food and beverages sales at the PMC in an amount of \$55,600.

Background

Contract for Food and Beverage Operations at the Peterborough Memorial Centre

Year 2 of the of the 5-year Contract for Food and Beverage Operations at the PMC with Compass Group Canada Ltd. commenced on June 7, 2020 and includes a minimum annual commission payable to the City. There was no minimum annual commission payable to the City in Year 1 of this agreement which ended on June 6, 2020 by design of the contract as annual commissions were to begin in Year 2. Year 2 to 5 of the agreement was to include a minimum payment to the City of \$132,104 plus an increasing percentage of the total sales as sales levels reach certain thresholds. Article 3 – Compensation of the current agreement, provides details of these thresholds:

In Year 2, which commences on 7 June 2020, for food concessions and catering revenues, the Operator shall pay the Client the higher of:

- i. the Guaranteed Minimum Annual Payment as outlined in the Operator's Proposal; or
- ii. commission calculated on the Gross Revenue based on the following thresholds:
 - a. 10% of revenues up to \$900,000
 - b. 20% of revenues from 900,001 to \$1,000,000
 - c. 28% of revenues over \$1,000,000

It is unclear when the PMC will open for ticketed events and if the 2020/21 OHL Hockey Season that is tentatively scheduled to start in February 2021 will commence in a condensed format with likely no fans in the facility. Food and beverage sales revenues lost by the contractor during the closure period from June 1, 2020 to December 31, 2020 are estimated to be in excess of \$700,000 plus HST, based on data from previous years. The Agreements with the Peterborough Petes and the Peterborough Lakers include payment of 50% of City Commissions received from food and beverage sales at their

events. During a regular year of operations, total food and beverage sales for the Peterborough Petes has been approximately 56% of annual sales and Peterborough Lakers has been approximately 19% of annual sales. Under a condensed OHL schedule proposed for the 2020/21 Season, a limited number of games could take place in the PMC in 2021, but provincial restrictions currently will not allow for spectators in the facility. As a result, the assumption is that food and beverage sales will be considerably reduced due to capacity restrictions once the PMC reopens to ticketed events.

There is provision in the current contract with Compass Group Canada Ltd. that allows for the contract to be amended. Compass Group Canada Ltd. approached the City to find a way to temporarily change the terms of the agreement to continue as a partner with the City in the absence of food and beverage revenues which forms the basis of the contract. The recommendations in this report were proposed to Compass and they are in agreement with the terms.

The return to the original terms of the agreement will happen when annual revenues reach \$821,000, the amount included in Attachment 4 of Request for Proposals P-27-18. This was the historical sales information provided to proponents, to which proponents based their proposals at the time. Both the City and Compass feel this to be a fair approach.

Should no compromise be reached, it is expected the agreement would be terminated by Compass and the City would be required to start the Request for Proposals process prior to commencing with food and beverage operations in the PMC. Choosing a new operator during the COVID-19 emergency would not be advisable as it would be expected the terms would not be as favourable to the City as the existing agreement.

Per the recommendations, if minor events are able to occur during the year with some sales, the City would still receive some benefit through a 10% commission on all sales until the minimum threshold of \$821,000 is reached. The 10% commission is in line with the existing agreement where this same commission would be received on sales for the first \$900,000 in sales.

Authority to Approve

As per the Procurement By-law 18-084, the Administrative Staff Committee originally approved the award of Request for Proposals P-27-18 to Compass Group Canada Ltd. and authorized the Contract for Food and Beverage Operations at the PMC with Compass Group Canada Ltd. It is the opinion of Staff that the Amending Agreement for an interim term during reduced business levels of the PMC in response to the COVID-19 pandemic restrictions does not compromise the basis of the original terms proposed through the award of P-27-18 to Compass Group Canada Ltd. An Amending Agreement will impact the 2021 Operating Budget revenue projections, and, for this reason, Council approval is requested.

Summary

As a result of the closure and reduced business levels of the PMC in response to the COVID-19 pandemic restrictions, it is unclear when the facility will open for ticketed events allowing food and beverage sales to commence. The current contract with Compass Group Canada Ltd. allows for the contract to be amended by the City. An Interim Agreement with Compass Group Canada Ltd. will set out the interim measures being implemented during this period of closure and reduced business levels of the Peterborough Memorial Centre.

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