



City of
Peterborough

To: Members of the General Committee

From: Sheldon Laidman, Commissioner of Community Services

Meeting Date: June 7, 2021

Subject: Report CSAD21-006
Peterborough Petes Limited Facility Licence Agreement

Purpose

To obtain approval on the terms of a new Facility Licence Agreement (Agreement) between the City and the Peterborough Petes Limited (Petes).

Recommendation

That Council approve the recommendation outlined in Report CSAD21-006, dated June 14, 2021, of the Commissioner of Community Services, as follows:

- a) That the Mayor and Clerk be authorized to sign a new Agreement between the City and the Petes to include the following terms and any other related documents necessary to execute the Agreement:
 - i. That the term for the Agreement be for a maximum period of eight (8) years, or until a Peterborough Memorial Centre (PMC) replacement facility is constructed, commencing August 1, 2021;
 - ii. That the Agreement include a fixed-rate rental fee for rental of facility space in the amount of \$48,000 plus HST annually, increasing annually effective in Year 3 of the Agreement on August 1, 2023 by the rate of inflation sourced from the Statistics Canada Consumer Price Index;
 - iii. That the Agreement include a fixed-rate rental fee for game day expenses in the amount of \$4,500 plus HST for every Petes' game, increasing annually effective in Year 3 of the Agreement on August 1, 2023 by the rate of inflation sourced from the Statistics Canada Consumer Price Index;

- iv. That the Agreement include a per-ticket fee on all Petes' tickets for Box Office charges in the range of \$0.75 plus HST to incrementally increase to \$2.00 plus HST over the term of the Agreement;
- v. That the Agreement include a per-ticket Capital Refurbishment Fund fee on all Petes' tickets in the amount of \$1.50 plus HST over the term of the Agreement;
- vi. That the Agreement include a per-Order Charge of \$2.50 plus HST applying to Petes' ticket orders over the term of the Agreement;
- vii. That the City will provide the Petes 50% of the City's share of Gross Revenues from Food and Beverage Sales at Petes Games for the term of the Agreement;
- viii. That the Petes be authorized to perform the sale and execution of Suite License Agreements in the PMC, providing the City with an annual payment of \$24,000 plus HST, increasing to \$36,000 plus HST in Year 3 and \$48,000 plus HST in Year 7 of the Agreement; and
- ix. That the Petes be authorized to perform the sale and execution of Sponsorship and Advertising Agreements in the PMC, excluding the sale of Facility Naming Rights, Exterior Digital Signs, Interior Corporate Monitors and Exclusive Service Agreements, providing the City with an annual payment of \$60,000 plus HST, increasing annually effective in Year 3 of the Agreement on August 1, 2023 by the rate of inflation sourced from the Statistics Canada Consumer Price Index.

Budget and Financial Implications

The revenues to be received through a fixed-rate rental agreement total \$294,000 in Year 1 and increase to an estimated amount in excess of \$310,000 by Year 3 of the Agreement (representing the return to average business activities, post pandemic). Revenue received from the per ticket fees are estimated to be in excess of \$220,000 in Year 1 and increase to an estimated amount in excess of \$285,000 by Year 3 of the Agreement. Additional revenues received by the City including Food and Beverage Sales and Parking Ticket Revenue are estimated to provide the City with similar revenues as received through the previous agreement as a result of hosting Petes' games at the PMC. The new Agreement model provides the majority of revenue received by the City to be at fixed-rate amounts, resulting in guaranteed revenues payable to the City and providing a more predictable approach to the annual budget process.

Background

Previous Council Direction

Through Report CSAD21-005, dated May 3, 2021, Council at its May 25, 2021 meeting approved the following recommendation:

That Council receive the Report and direct Staff to proceed to finalize a new Facility Licence Agreement with the Peterborough Petes Limited based on the terms as outlined in Report CSAD21-005 from the Commissioner of Community Services, and to provide a report to Council in the June cycle with the main elements of the Agreement prior to final execution of the full Agreement.

Finalization of the Agreement Negotiation Process with the Petes

The City staff negotiating team started meeting with representatives of the Petes in November 2020 to lay out a process for a new Agreement. Negotiations continued with Staff receiving approval from Council on May 25, 2021 to proceed to finalize the negotiating terms as a result of Staff and the Petes reaching a mutual agreement on the overall revenue total to be received from a fixed-rate fee structure including revenue sharing of food and beverage commissions. Through this report Staff is providing the main elements of the Agreement to be approved by Council prior to executing the final Agreement.

Revised Structure of New Agreement

The new proposed Agreement structure is a more simplified, mostly fee-based Agreement that will improve the annual budgeting process for each party, placing the Agreement in better alignment with other events at the PMC. There are three categories of revenues to be received by the City as a result of Petes' games to include:

- 1) Revenue paid directly from the Petes as tenant, including:
 - a. Facility invoices payable monthly in the form of rent and to cover game day expenses (ushers, extra operator staff, extra Box Office staff and ice time) including pre-season exhibition, regular season, and playoff games;
 - b. Annual flat-rate Suite cost recovery fee;
 - c. Annual flat-rate Sponsorship Asset buy-out fee;
- 2) Revenue received as a result of hosting Petes' games, including:
 - a. City commission on food and beverage sales at Pete's games that will continue to be shared with the Petes with the City retaining 50%;
 - b. Parking revenue retained 100% by the City;

- 3) Revenue generated from the Box Office as a result of Petes' ticket sales, including:
 - a. Per-ticket and per-order Box Office Fees charged on Petes' tickets to recover the costs of the City-operated Box Office; and
 - b. Capital Refurbishment Fund fee charged on Petes' tickets to partially offset the capital costs to maintain the PMC.

Under this new Agreement, the Petes would retain all ticket sale revenues earned. They would also retain all revenues associated with the sale of private Suites, identified Sponsorship and Advertising assets, providing the City with a flat-rate fee in return for this opportunity, invoiced by the City to the Petes annually.

Sale of Suite Licenses, Sponsorship and Advertising Assets by Petes

Sales of Suite Licenses has been a City staff responsibility working collaboratively with the Petes. The main focus of the Suiteholder is to obtain access to Petes' games in the private suite environment to entertain clients, family and friends. Suiteholders are often sponsors or advertisers in the PMC. The Petes currently sell the majority of the sponsorship and advertising assets in the PMC and work with City staff regarding the sale of a few interior naming rights sponsorship areas that the City currently manages. Allowing the Petes to completely manage all of these areas of sales will assist to create a more streamlined, client-centric process and will remove any confusion currently experienced as a result of two separate parties performing sales to the same customers, providing the opportunity to increase the combined sales revenues through the bundling of different assets performed by one party. Exterior facility naming right sales, exterior digital signs, interior corporate monitors and Exclusive Service Agreements and associated revenue will be maintained 100% by the City. The current Marketing Committee facilitation process will remain in place and will ensure adherence to the City's Corporate Sponsorship Policy.

Suiteholder License Agreements include the requirement to purchase a minimum number of Petes' Seasons Tickets. The Suiteholder License Fee is directly tied to the Petes' hockey season, although the term is for a twelve-month period. As Suiteholder License Agreements renew and expire, the responsibility for sale and execution of Suite License Agreements will transition to the Petes. The requirement for suiteholders to purchase tickets to all other events will continue.

New Agreement and Covid 19 Implications

The new Agreement will be structured to consider Year 3 as the year by which ticket sales will return to pre COVID-19 levels. Years 1 and 2 will be purposely structured to recognize the impacts of the two previous seasons being either cancelled or disrupted by COVID-19. The structure of the Agreement for Years 1 and 2 will allow the Petes to retain more revenue to allow their organization to stabilize coming out of the COVID-19 pandemic.

The new Agreement will more closely align with the same principles as other Ontario Hockey League (OHL) club agreements, providing the team with the opportunity to generate and retain revenues to remain viable with competitor OHL clubs. Both City staff and the Petes agree that the revenue terms reached through this current renegotiation process are fair for both parties and are in closer conformity with other OHL Agreements. Following Council approval of the recommendations in this report, Staff will proceed to prepare a new Agreement in a form satisfactory to the Commissioner of Community Services and City Solicitor to be executed by the Mayor and City Clerk.

Summary

The recommendations in this report includes changing the structure of the Agreement with the Petes to a more simplified, mostly fee-based Agreement. The City will receive regular rental payments and other residual revenues as a result of Petes' games which will provide for a more structured approach to the annual budget process. Upon Council approval of the recommendation, Staff will proceed to prepare a new Agreement to be executed by the Mayor and City Clerk prior to the commencement of the 2021/2022 Petes OHL Season.

Submitted by,

Sheldon Laidman
Commissioner of Community Services

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