

Item No. 1
Audit & Finance Standing Committee
May 21, 2014

TO: Chair and Members of Audit & Finance Standing Committee

Original Signed

SUBMITTED BY: _____
Brad Anguish, Director, Community and Recreation Services

DATE: May 13, 2014

SUBJECT: **Financial Performance of HRM's Regional Facilities (2012/13)**

INFORMATION REPORT

ORIGIN

- November 8, 2011 Regional Council motion directing staff to undertake work on accountability, reporting and alignment associated with the 'Multi-District Facilities'.

LEGISLATIVE AUTHORITY

HRM Charter - Section 79 1(k)

BACKGROUND

In recent years, staff has prepared an annual report on the financial performance of the Regional Facilities which includes the Multi-District (MDF), Event, and some Indoor Sport facilities. This practice originated with the performance failure of one of the facilities several years ago, and the increasing concern from the General Managers of the other facilities regarding their future financial outlook. Reports were not provided for 2009/10 and 2010/11 due to staff changes and mobilization of the MDF project. A report was submitted to the Audit and Finance Committee on February 20, 2013 for the 2011/12 fiscal year.

Table 1 summarizes the facilities included in this report for comparison purposes. The eight facilities identified by an (*) are included in the scope of the ongoing MDF Project.

Table 1: Multi-District Facilities

Facility	Category (Community Facility Master Plan)	Type of Agreement	Facility Size (square feet)
Canada Games Centre (CGC)*	Category 2: Multi-District	Interim Agreement	176,000
Cole Harbour Place (CHP)*	Category 2: Multi-District	Lease Agreement	200,000
Dartmouth Sportsplex (DSS)*	Category 2: Multi-District	Management Agreement	115,900
Sackville Sports Stadium (SSS)*	Category 2: Multi-District	Operated by HRM ⁽²⁾	118,300
St Margaret's Centre (SMC)*	Category 2: Multi-District	Management Agreement	100,000
BMO Centre (BMO)	Category 3: Indoor Sports	Management Agreement	160,000
Centennial Arena	Category 3: Indoor Sports	Management Agreement	28,000
Centennial Pool*	Category 3: Indoor Sports	Management Agreement	17,430
Eastern Shore Arena	Category 3: Indoor Sports	Management Agreement	27,000
Alderney Landing (AL)*	Category 4: Events	Management Agreement	32,000
Halifax Forum*	Category 4: Events	Management Agreement	71,500
Metro Centre	Category 4: Events	Interim Agreement ⁽¹⁾	205,000

⁽¹⁾ Under the Tri-partite agreement between HRM, the Province and Trade Centre Limited (TCL) to operate the Metro Centre, HRM retained ownership of the Metro Centre and does not provide direct operating subsidies, however, any annual operating surplus/deficit accrues to HRM. HRM and TCL entered into an interim management agreement on November 7, 2013.

⁽²⁾ Operations at the Sackville Sports Stadium are currently being managed by HRM directly.

As a result of the Multi-District Facility project, approved by Regional Council on November 2011, all facilities within scope are required to submit annual budgets and business plans and quarterly financial reporting. Annual Budget & Business Plans were provided with information that was consistent with HRM's Approved Operating Budget 2012/13. The budgets were included in HRM's 2012/13 Approved Budget book as supplemental information.

DISCUSSION

The information presented in this report includes the financial results for HRM's 12 Regional Facilities (also referred to as Multi-District Facilities or MDFs) for the 2012/13 fiscal year, the

cumulative financial position for each facility, and information on the financial management of the facility.

A number of factors have contributed to the increased financial pressures on the facilities in recent years including requirements for both capital repairs and replacements, reductions in facility memberships and program revenues, as well as increases in wages, utilities and other expenses.

Overview

Cost recovery remains the performance measurement in place for MDFs. It shows the percent to which a facility can cover costs including operating and applicable capital, by user fees, memberships, and other types of facility generated revenue streams. HRM's expectation of all facility operations is that 100% cost recovery is achieved. As indicated in two recent reports, "Financial Performance of HRM's Regional Facilities (2011/12)" and "Multi-District Facility Project Phase 2 – Governance", this expectation is becoming less achievable given several environmental and operational factors. At the January 23, 2014 Community Planning and Economic Standing Committee (CPED) meeting, CPED directed staff to review the appropriateness of this measure going forward.

Cost recovery rates included in the attached tables (Attachment 1) are calculated using operating revenues and operating expenses only. By separating subsidies and debt repayments, each facility's ability to cover ongoing operating costs through facility generated revenues alone can be determined and analyzed. Observation over the last five years, shows that with the exception of Alderney Landing (83%) and Centennial Pool (73%), the facilities have operated within 95-111% operating cost recovery. This 5-year measurement excludes BMO and CGC which only began operations in 2010/11.

It should be noted that HRM provides funding for all facility capital needs related to code compliance, health, and safety and therefore, the facilities are primarily responsible for operating costs. However, there have been cases where the facilities used operating funds to complete small capital projects. As well, any major expansions that include facility improvements beyond recapitalization are partially covered by the facilities. This has resulted in capital debt obligations for half of the HRM-owned facilities. The outstanding capital debt ranges from \$77K (Dartmouth Sportsplex) to \$5.7M (Sackville Sports Stadium).

Financial Results: 2012/13 Fiscal Year

The combined net deficit position at March 31, 2013 was (\$5.6M). At (\$4.2M) and (\$2.3M), respectively, the Sackville Sports Stadium and Dartmouth Sportsplex remain the primary contributors to this amount.

However, all of these regional facilities are part of a regional network of recreational facilities where citizens utilize various facilities based on their recreational needs. So, it is important to assess the financial performance of the overall network of facilities, rather than individual performances. Past practice of looking at the facilities individually does not reflect the interdependent nature of these regional facilities.

The current year financial results, commentary, major achievements, operating cost recovery rates, as well as the board approved 2013/14 budgets can be found in the attached schedules (Attachment 1) as referenced on Table 3. For comparison purposes and in order to isolate operating performance and challenges, the annual operating surplus (deficit) referred to in this report is exclusive of any subsidies, debt repayments or capital. Audited financial statements were provided by each facility and summarized for this report.

The year end results of the facilities vary, as outlined in Table 2. In the previous year, most facilities experienced a deficit, whereas this year, most have experienced a surplus. This highlights the efforts being made by each facility board and management team to implement operational changes to improve the bottom line. The gross results (excluding Metro Centre) range from a deficit of (\$437K) at the Sackville Sports Stadium to surplus of \$411K at Cole Harbour Place. Some highlights of the results are included below.

- Centennial Pool, Alderney Landing, Dartmouth Sportsplex, and Sackville Sports Stadium realized deficits of (\$156K), (\$168K), (\$213K), and (\$437K), respectively.
- Centennial Pool received a subsidy but it was not sufficient to cover all operating costs as the facility still had a net deficit of (\$16K).
- Alderney Landing received a subsidy that provided a turnaround in net results from a (\$168K) deficit to a \$7K surplus; however no debt payment was made.
- Cole Harbour Place and Dartmouth Sportsplex do not receive a subsidy and are both repaying previous debts to HRM. Remittance of their debt repayments negatively impacted their net financial position.
- Halifax Forum and Canada Games Centre both realized a surplus and still received operating subsidies as previously approved by Regional Council.
- Sackville Sports Stadium experienced a (\$437K) deficit which was increased by the annual debt payment of \$276K made by HRM for a previous expansion.

Table 2: Financial Results Summary

(in thousands of dollars)

FACILITY	Subsidy	Debt Outstanding	Debt Payment Remitted	GROSS 12/13 Operating Surplus (Deficit) (before subsidy, debt, and capital)	NET 12/13 Operating Surplus (Deficit) (after subsidy, debt, and capital)
Canada Games Centre	√			\$111	\$411
Cole Harbour Place		√	√	\$411	\$201
Dartmouth Sportsplex		√	√	(\$213)	(\$443)
Sackville Sports Stadium		√		(\$437)	(\$716)
St Margaret's Centre		√		\$30	\$30
BMO Centre				\$267	\$267
Centennial Arena				\$108	\$108
Centennial Pool	√			(\$156)	(\$16)
Eastern Shore Arena				(\$8)	(\$8)
Alderney Landing	√	√		(\$168)	\$7
Halifax Forum	√	√	√	\$206	\$162
Metro Centre				\$680	\$0

Budget Variances

In fiscal 2011/12, the General Managers of the facilities indicated that budget variances were mainly due to the decline in facility memberships, related fitness and aquatic program

registrations, utility increases, and wage scale pressures due to minimum wage increases. These continue to be major contributors and no other significant items were highlighted by the facilities. General Managers undertake efforts to manage their budgets by exploring various cost saving and revenue opportunities. Major achievements included in the attached tables reflect some of these efforts.

Financial Management

Financial Health

Overall financial viability is outlined in Table 3 in the net assets (deficit) column. A positive asset position can be interpreted that the facility is in a position of relatively good financial health, whereas, a deficit position indicates concerns with the financial health of the facility. The table also provides a summary of the capital and operating debt obligations and existing subsidies from HRM. Some key points are summarized as follows:

- Combined overall net deficit position is (\$5.6M). This amount is consolidated with HRM's financial statements at year-end
- Total outstanding capital and operating debt is \$13.0M. At March 31, 2013, \$6.4M (41%) was due or past due, the majority without a repayment plan.
- The Dartmouth Sportsplex experiences significant operating shortfalls but currently does not receive a subsidy; rather repayment of payroll charges to HRM is completed on a deferred basis which elevates cash flow shortages.
- Sackville Sports Stadium has an outstanding debt amount of \$5.7M. The facility operation has not been able to generate sufficient revenues to cover payments as intended; rather HRM makes payments from the general rate.
- In 2012, Council approved an advancement of funds to cover St. Margaret's Centre payroll costs for a three month period. Repayments are being made in accordance with the agreed upon schedule.

Table 3: Financial Status – HRM Regional Facilities (as at March 31, 2013)

(in thousands of dollars)

FACILITY	Schedule Reference	Approved Annual HRM Operating Subsidy	Accumulated Net Assets (Deficit) at Mar 31, 2013	Capital(C) & Operating(O) Debts Outstanding (to HRM) at Mar 31, 2013	Years Remaining on repayment	Annual Facility Payments Principle + Interest	
Canada Games Centre	1	\$300	\$508	-	-	-	
Cole Harbour Place	2	-	\$481	\$577	C	4 years	\$150
				\$148	C	2.5 years	\$57
Dartmouth Sportsplex	3	-	(\$2,274)	\$1,853	O	⁽¹⁾	
				\$77	C	1.03 years	\$75
Sackville Sports Stadium	4	-	(\$4,187)	\$5,724	C	⁽¹⁾	
St Margaret's Centre	5	-	(\$395)	\$2,167	C	13.5 years	\$259
				\$302	O	2 years	\$51 (avg)
BMO Centre	6	-	\$303	-	-	-	
Centennial Arena	7	-	\$146	-	-	-	
Centennial Pool	8	\$140	(\$3)	-	-	-	
Eastern Shore Arena	9	-	\$99	-	-	-	
Alderney Landing	10	\$175	(\$24)	\$1,051	⁽²⁾ C	⁽¹⁾	
Halifax Forum	11	\$103	(\$293)	\$1,131	C	13.5 years	\$160
Metro Centre ⁽³⁾	12	-	\$0	-	-	-	
TOTAL (NET)		\$718	(\$5,640)	\$13,030	⁽⁴⁾		

⁽¹⁾ There is currently no debt repayment plan in place for these amounts.

⁽²⁾ Capital and Operating debts outstanding for Dartmouth Sportsplex and Sackville Sports Stadium (\$1,535K and \$3,678K, respectively) are currently due to HRM and therefore also reflected in their net deficit figures. Payment plans to be determined as indicated above.

⁽³⁾ All surpluses (deficit) of the Metro Centre are transferred to HRM at year-end resulting in \$0 Net Assets (Deficit).

Budget Management

The facility boards and their staff continue to respond to operational challenges and pressures while still delivering their programs and services to the community. At the January 23, 2014 Community Planning and Economic Planning Committee meeting, the staff report "Multi-District Facility Project Phase 2 – Governance" indicated that "the cost recovery model has created an environment where programs and services are being provided at the facilities to help offset operational costs but do not always align with HRM strategic direction, recreational outcomes and community needs". The priority of recreational programming has generally become secondary to leased space as the revenue generated is required by the facilities to meet the performance measure. Future work around the regional facilities, as directed by CPED, will be used to evaluate the appropriateness and validity of the cost recovery expectation.

In reviewing the 2013/14 Annual Budget and Business Plans, the 2013/14 Operating Budgets projected that the fiscal year will end with a combined impact of (\$986K) in operating deficit, compared to 2012/13 surplus of \$831K. The major contributors to the variance are Metro Centre (budget surplus of \$106K; prior year actual \$680K), Canada Games Centre (budget deficit of (\$347K); prior year actual (\$111K)), and Dartmouth Sportsplex (budget deficit (\$493K); prior year actual (\$213K)).

Debt Recovery and Repayment Plans

Annual required facility debt payments have not changed in five years. For some facilities, outstanding debts are repaid to HRM if and when operating funds are available. Council has requested that staff return with debt repayment plans before June 2014; however analysis has highlighted that under the existing models, as some of the facilities continue to struggle with financial health, it will be increasingly challenging, if not impossible, to effectively implement and collect on repayment plans.

As part of the CPED direction to staff, the additional work related to the governance of the MDF facilities will also include the debt recovery and repayment plans. The resulting report which is expected to be provided to CPED in the fall of 2014 will provide recommendations related to these aspects along with the other components outlined in the CPED recommendation.

FINANCIAL IMPLICATIONS

There are no financial implications to this report as it serves only to provide information on the financial performance of the Regional Facilities for fiscal 2012/13. Subsequent staff reports would be brought to the Audit & Finance Standing Committee in order to address new or outstanding financial items for some of the facilities included in this review, if necessary.

COMMUNITY ENGAGEMENT

Not applicable

ATTACHMENTS

- Attachment 1: Schedule 1: Canada Games Centre
- Schedule 2: Cole Harbour Place
- Schedule 3: Dartmouth Sportsplex
- Schedule 4: Sackville Sport Stadium
- Schedule 5: St. Margaret's Centre
- Schedule 6: BMO Centre
- Schedule 7: Centennial Arena
- Schedule 8: Centennial Pool
- Schedule 9: Eastern Shore Arena
- Schedule 10: Alderney Landing
- Schedule 11: Halifax Forum
- Schedule 12: Metro Centre

A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/cc.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Financial Performance of HRM's Regional Facilities (2012/13)

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Schedule 1

Canada Games Centre

	Prior Year	2012/13			Next Year
	2011/12 Actuals	2012/13 Budget	2012/13 Final Audited Results	Actual vs Budget Fav (Unfav)	2013/14 Budget
<i>(in thousands of dollars)</i>					
Operating Revenues	\$3,742	\$4,257	\$4,615	\$358	\$4,632
Operating Expenditures	\$4,001	\$4,694	\$4,504	\$190	\$4,979
Annual Operating Surplus (Deficit) before subsidy	(\$259)	(\$437)	\$111	\$548	(\$347)
Cost Recovery Rate (before subsidy, debt, and capital)	94%	91%	102%		93%
Operating Subsidy	\$330	\$450	\$300	(\$150)	\$360
Annual Operating Surplus (Deficit) after subsidy	\$71	\$13	\$411	\$398	\$13
Debt Repayment	\$0	\$0	\$0	\$0	\$0
Capital Contributions from HRM	\$170	\$0	\$0	\$0	\$0
Capital Expenditures	(\$170)	\$0	\$0	\$0	\$0
Net Annual Surplus (Deficit) after subsidy, debt, and capital	\$71	\$13	\$411	\$398	\$13
Accumulated Net Assets (Deficit) from balance sheet	\$97		\$508		

2012/13 Operating Results

In our first full year of operation the Centre achieved a \$111K operating surplus. Significant revenue growth across membership and rental revenue. Positive expense control for the full year with positive variance of \$190K.

Major Achievements in 2012/13

- Membership numbers exceeded budget
- Largest aquatic program in Atlantic Canada with 5500 participants
- Halifax Chamber of Commerce New Business of the Year
- Successful major event hosting with Toronto Raptors, Sports Day in Canada Live site
- Welcomed over 1,000,000 paid venue visits
- Provided swim lesson via Jumpstart for 300 youth at no cost

Financial Notes

Subsidy: Funding of \$300K was budgeted by HRM and provided in 2012/13. The CGC Board approved their 12/13 operating budget with a \$360K subsidy to provide a balanced budget.

Financial Performance of HRM's Regional Facilities (2012/13)

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Schedule 2

Cole Harbour Place

	Prior Year	2012/13		Next Year	
	2011/12 Actuals	2012/13 Budget	2012/13 Final Audited Results	2013/14 Budget	
<i>(in thousands of dollars)</i>					
Operating Revenues	\$3,491	\$3,674	\$3,544	(\$130)	\$3,646
Operating Expenditures	\$3,223	\$3,444	\$3,133	\$311	\$3,413
Annual Operating Surplus (Deficit) before subsidy	\$268	\$230	\$411	\$181	\$233
<i>Cost Recovery Rate (before subsidy, debt, and capital)</i>	<i>108%</i>	<i>107%</i>	<i>113%</i>		<i>107%</i>
Operating Subsidy	\$0	\$0	\$0	\$0	\$0
Annual Operating Surplus (Deficit) after subsidy	\$268	\$230	\$411	\$181	\$233
Debt Repayment	(\$205)	(\$203)	(\$203)	\$0	(\$201)
Capital Contributions from HRM	\$0	\$0	\$0	\$0	\$0
Capital Expenditures	(\$133)	(\$27)	(\$7)	\$20	(\$32)
Net Annual Surplus (Deficit) after subsidy, debt, and capital	(\$70)	\$0	\$201	\$201	\$0
Accumulated Net Assets (Deficit) from balance sheet	\$281		\$481		

2012/13 Operating Results

Memberships were down. There were savings in Salaries due to the strike. We also had savings in grounds and the Aquatics revenue was up due to the increased number of participants in our learn to swim programs. Change in Management personnel in Aquatics and Housekeeping brought some savings. Spring ice rentals were up

Major Achievements in 2012/13

- Growth in our Aquatics Learn to Swim Program
- Growth of our Spring ice Rentals
- Replaced pool lighting with energy efficient induction lighting.
- Union negotiations completed
- Upgraded the energy management system
- Sanding of Beams in Scotia 2 and replaced condenser and an air handling unit.
- Purchased new furniture for the canteen areas and central court and painted throughout to bring a more modern feel to the facility

Financial Notes

Capital: Construction of Lifestyle and Prevention Medicine Centre, July 2000, Cost \$2.0M (\$1.5M financed by HRM to be repaid by CHP). The outstanding amount is \$577K. Leasehold Improvements (LHI), 2005, Cost \$450K. On August 2, 2005, Council approved a loan to Cole Harbour Place for the LHI. The outstanding amount is \$148K.

Cole Harbour Place is the only facility able to fulfill its HRM debt obligations without incurring deficits, requiring an operating subsidy or loan from HRM. CHP has multiple lease tenants which provide significant and consistent funding for operations. Surpluses at the end of the year are used to cover debt payments and any remainder is transferred to the facilities' capital reserve. The reserve balance at March 31, 2012 was \$481K.

Schedule 3

Dartmouth Sportsplex

	Prior Year	2012/13		Next Year	
	2011/12 Actuals	2012/13 Budget	2012/13 Final Audited Results	Actual vs Budget Fav (Unfav)	2013/14 Budget
<i>(in thousands of dollars)</i>					
Operating Revenues	\$4,637	\$4,704	\$4,645	(\$59)	\$4,715
Operating Expenditures	\$4,996	\$5,259	\$4,858	\$401	\$5,208
Annual Operating Surplus (Deficit) before subsidy	(\$359)	(\$555)	(\$213)	\$342	(\$493)
<i>Cost Recovery Rate (before subsidy, debt, and capital)</i>	93%	89%	96%		91%
Operating Subsidy	\$0	\$0	\$0	\$0	\$0
Annual Operating Surplus (Deficit) after subsidy	(\$359)	(\$555)	(\$213)	\$342	(\$493)
Debt Repayment	(\$75)	(\$75)	(\$75)	\$0	(\$75)
Capital Contributions from HRM	\$0	\$0	\$0	\$0	\$0
Capital Expenditures	(\$36)	(\$50)	(\$155)	(\$105)	(\$50)
Net Annual Surplus (Deficit) after subsidy, debt, and capital	(\$470)	(\$680)	(\$443)	\$237	(\$618)
Accumulated Net Assets (Deficit) from balance sheet	(\$1,831)		(\$2,274)		

2012/13 Operating Results

Sportsplex had a significantly lower operational loss vs. 11/12. Closure of the food and beverage service reduced the operational loss by \$63,000. Additional reductions in staff costs of \$87,000 and summer camps costs of \$10,000, and increased revenues in aquatic programs of \$23,000, musical shows of \$19,000, and summer camps and hockey of \$17,000, all contributed to the overall improvements in performance. The facility did suffer significant losses in membership and associated program revenues of \$73,000, a net loss in Bingo contribution of \$43,000, and faced dramatically increased utility costs of \$54,000.

Major Achievements in 2012/13

- \$150K reduction in salary and benefit costs
- Closed unprofitable food and beverage service & launched 3rd party service
- Completed schematic design for revitalized Dartmouth Sportsplex
- Completed significant repairs on the parking lot - addressing serious safety and liability risks
- Increases revenues in swimming lessons, summer hockey and summer camps
- Hosted John Mellencamp concert, generating significant new revenue
- Identified Natural Gas co-generation as a viable option for the Sportsplex

Financial Notes

Capital: Renovations, 1998, \$1.5M. On May 3, 2005, Council agreed to reduce the annual debt repayment from \$182K to \$75K to enable the facility to meet its operational requirements without incurring a deficit. The outstanding amount is \$77K.

Operating: Payable to HRM for 2012/13 payroll costs at year end of \$1.9M; \$1.5M was in arrears.

Schedule 4

Sackville Sports Stadium

	Prior Year	2012/13		Next Year	
	2011/12 Actuals	2012/13 Budget	2012/13 Final Unaudited Results	Actual vs Budget Fav (Unfav)	2013/14 Budget
<i>(in thousands of dollars)</i>					
Operating Revenues	\$3,139	\$3,260	\$2,959	(\$301)	\$3,195
Operating Expenditures	\$3,320	\$3,451	\$3,396	\$55	\$3,593
Annual Operating Surplus (Deficit) before subsidy	(\$181)	(\$191)	(\$437)	(\$246)	(\$398)
Cost Recovery Rate (before subsidy, debt, and capital)	95%	94%	87%		89%
Operating Subsidy	\$200	\$200	\$0	(\$200)	\$0
Annual Operating Surplus (Deficit) after subsidy	\$19	\$9	(\$437)	(\$446)	(\$398)
Debt Repayment	(\$300)	\$0	(\$279)	(\$279)	(\$276)
Capital Contributions from HRM	\$0	\$0	\$0	\$0	\$0
Capital Expenditures	(\$28)	(\$151)	\$0	\$151	\$0
Net Annual Surplus (Deficit) after subsidy, debt, and capital	(\$309)	(\$142)	(\$716)	(\$574)	(\$674)
Accumulated Net Assets (Deficit) from balance sheet	(\$3,471)		(\$4,187)		

2012/13 Operating Results

The year ended with an operating deficit of \$(437k). Revenues were below budget mainly resulting from less memberships due to increased private fitness operators in the area, and less participation in fitness & leisure and aquatics programs. Commercial revenue was also lower due to food court vendor leaving, although partially offset by new tenant. Overall, savings were realized as a result of reduced staffing needs to correspond with lower program participation, and lower office expenses. Pool/fitness supplies were overspent due to the purchase of new fitness center equipment, which was partially offset by reduced requirements for programming supplies.

Major Achievements in 2012/13

- Renovation of Women's Gym and creation of a new studio, Cycle Zone, to house fourteen (14) new spin bikes.
- Sackville Sneaker Shredder - The first annual 3k, 5k, and 10k race was organized and was a huge success with 250 participants and many other volunteers/organizers in support of Cobequid Health Centre.
- Increase in sport users for sportsfield (curling shed in summer) for soccer, baseball, field hockey, and dryland training as well as accommodating Shuffleboard Club and Laser Tag.
- Five new hockey camps were established last summer in the arena.
- Capital projects included replacement of ice resurfer, driveway guardrails, arena's refrigeration plant condenser, and two heat exchangers, as well as resealing of open ceiling fire retardant, and permanent solutions around the new air handling unit that serves the Aquatic Centre.
- Accessibility improvements included new automatic door openers in Fitness Centre, Aquatic Centre and Curling Centre.

Financial Notes

Capital: Stadium Expansion, 99/00, Cost \$4.5M (all financed by HRM to be repaid by SSS). An amount of \$3.7M is included on the financial statements as a payable to HRM for debt payments made to date on behalf of SSS. HRM will pay an additional \$2.0M over eight (8) years against the debt, refinanced in November 2011. Since the start of the capital debt in 2000, the Sackville Sports Stadium operation has not had sufficient funds to make the required debt payments according to the original repayment schedule. Council approved a debt deferral arrangement for two years to 09/10, with the expectation that debt payments would begin again as soon as the facility was financially restabilized. For 08/09 to 11/12, the Stadium was able to cover operating expenses and contribute \$200K (\$300K in 2011/12) against the debt payment. No capacity existed for a debt repayment 2012/13.

Subsidy: In May 2003 Council approved an increase of the operating subsidy from \$78K to \$200K for a three year period as part of the operational review, extended in November 2006 with the possibility of a decrease after 2009/10. SSS operation has been included in HRM operating budget for the 2012/13 fiscal year. Therefore, any deficit is covered by the general rate.

Schedule 5

St. Margaret's Centre

	Prior Year	2012/13			Next Year
	2011/12 Actuals	2012/13 Budget	2012/13 Final Audited Results	Actual vs Budget Fav (Unfav)	2013/14 Budget
<i>(in thousands of dollars)</i>					
Operating Revenues	\$1,498	\$1,532	\$1,500	(\$32)	\$1,477
Operating Expenditures	\$1,558	\$1,534	\$1,470	\$64	\$1,516
Annual Operating Surplus (Deficit) before subsidy	(\$60)	(\$2)	\$30	\$32	(\$39)
<i>Cost Recovery Rate (before subsidy, debt, and capital)</i>	96%	100%	102%		97%
Operating Subsidy	\$0	\$0	\$0	\$0	\$0
Annual Operating Surplus (Deficit) after subsidy	(\$60)	(\$2)	\$30	\$32	(\$39)
Debt (Loan) Repayment	\$0	\$0	\$0	\$0	\$0
Capital Contributions from HRM	\$0	\$0	\$0	\$0	\$0
Capital Expenditures	\$0	\$0	\$0	\$0	\$0
Net Annual Surplus (Deficit) after subsidy, debt, and capital	(\$60)	(\$2)	\$30	\$32	(\$39)
Accumulated Net Assets (Deficit) from balance sheet	(\$35)		(\$395)		

2012/13 Operating Results

The year ended with a surplus of \$30K, favorable over both budget and prior year. Ice rentals were up 4% and Pool Revenues up 21% from prior year showing strong support from the local community. Recreation programs, such as Zumba, Yoga, and fitness memberships were down as there were too many similar offerings in this area (i.e. GoodLife and smaller community centres). Expenditures for 2013 overall were less than the previous year by 4%, largely due to continued efforts to maximize savings in day-to-day operations. Payroll was outsourced to HRM to improve cyclical cash flows, and HST reporting changes were made to align SMC to other MDFs. Capital assets of approximate \$390K were transferred to HRM.

Major Achievements in 2012/13

- Development of professional dance studio for youth ages 3 to 18; continued growth expected in the coming year
- Strong showing at Camp Westwood with over 600 kids and the creation of 22 jobs for summer students
- Record numbers in Red Cross swimming lessons and public swims
- Expansion of Adult Skate program
- Hosted numerous special events including The Spring HNS High Performance Camps, Eastern Speed Skate Championships, NHLPA Hockey Ventures Mentorship Camp and Investors Group, *Skate with a Start*
- Second phase of energy saving program (Eco Chill system - utilizing waste heat) provided expense savings

Financial Notes

Capital: For expansion, 2004, Cost \$8M (\$2.9M financed by HRM as loan to SMC). At the April 9, 2004 Council meeting, a loan to a maximum of \$2.9Mk was approved. The St. Margaret's Bay Centre Board indicated they did not have the capacity in operating funds. Therefore, a new area rate of \$0.01/\$100 of taxable assessment was established to fund the debt payments. The area rate is applied to all residential, resource, commercial and business occupancy property in former Districts 22 and 23 with the exception of the area that is charged the Prospect Road recreation area rate. The area rate collected will be sufficient to service the debt to its maturity in 2025/26. The outstanding amount is \$2.2M.

Operating: Two short-term operating loans were approved by Regional Council to the Board of St. Margaret's Centre, one on September 8, 2009 for \$130K and the other on July 5, 2011 for \$125K. These loans were approved 1) due to cash flow difficulties experienced as a result of a three month shut down of one ice surface in summer 2009 and 2) to bridge the cash flow gap during the summer months in 2011. The first loan is to be fully repaid over five years, commenced in 2010/11 and the second over three years, commenced in 2011/12. To date, payments for 2012/13 have not been received. The total outstanding amount is \$210K.

In July 2012, Regional Council approved the advancement of funds to assist SMC with covering their payroll costs. At March 31, 2013, \$164K was outstanding as per the repayment terms.

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Schedule 6

BMO Centre

	Prior Year	2012/13		Next Year	
	2011/12 Actuals	2012/13 Budget	2012/13 Final Audited Results	Actual vs Budget Fav (Unfav)	2013/14 Budget
<i>(in thousands of dollars)</i>					
Operating Revenues	\$1,905	\$2,036	\$2,256	\$220	\$2,290
Operating Expenditures (incl reserve contribution)	\$1,957	\$1,944	\$1,989	(\$45)	\$2,067
Annual Operating Surplus (Deficit) before subsidy	(\$52)	\$92	\$267	\$175	\$223
<i>Cost Recovery Rate (before subsidy, debt, and capital)</i>	<i>97%</i>	<i>105%</i>	<i>113%</i>		<i>111%</i>
Operating Subsidy	\$0	\$0	\$0	\$0	\$0
Annual Operating Surplus (Deficit) after subsidy	(\$52)	\$92	\$267	\$175	\$223
Debt Repayment	\$0	\$0	\$0	\$0	\$0
Capital Contributions from HRM	\$0	\$0	\$0	\$0	\$0
Capital Expenditures	\$0	\$0	\$0	\$0	\$0
Net Annual Surplus (Deficit) after subsidy, debt, and capital	(\$52)	\$92	\$267	\$175	\$223
Accumulated Net Assets (Deficit) from balance sheet	\$36		\$303		

2012/13 Operating Results

Ice rentals were up approximately \$250K over the previous year. Salaries were down 30K, utilities were down slightly from the previous year. \$250K was contributed to the Capital Reserve fund and a profit of \$267K was realized by the facility.

Major Achievements in 2012/13

- The BMO Centre saw excellent growth in ice rentals in 2012/13
- In the second full year of operation, the facility reached 95% utilization of prime-time ice at different times during the season
- In addition to regular tournaments, the facility hosted a major midget tournament in January which drew teams from all 4 Atlantic Provinces
- The spring and summer programs also showed improved results year over year
- Most expenditures were held stable, especially the utilities, even as rates for power, water and natural gas continued to increase. Improved monitoring helped to keep consumption down.

Financial Notes

The BMO Centre does not have any capital, operating debts, or subsidies to note.

\$250K was transferred from operating to the facility capital reserve Q141 BMO Centre Life Cycle Reserve maintained by HRM. The 2012/13 year-end reserve balance was \$541K.

Schedule 7

Centennial Arena

	Prior Year	2012/13		Next Year	
	2011/12 Actuals	2012/13 Budget	2012/13 Final Audited Results	Actual vs Budget Fav (Unfav)	2013/14 Budget
<i>(in thousands of dollars)</i>					
Operating Revenues	\$596	\$620	\$658	\$38	\$653
Operating Expenditures	\$631	\$603	\$550	\$53	\$652
Annual Operating Surplus (Deficit) before subsidy	(\$35)	\$17	\$108	\$91	\$1
<i>Cost Recovery Rate (before subsidy, debt, and capital)</i>	<i>94%</i>		<i>120%</i>		<i>100%</i>
Operating Subsidy	\$0	\$0	\$0	\$0	\$0
Annual Operating Surplus (Deficit) after subsidy	(\$35)	\$17	\$108	\$91	\$1
Debt Repayment	\$0	\$0	\$0	\$0	\$0
Capital Contributions from HRM	\$146	\$0	\$0	\$0	\$0
Capital Expenditures	(\$150)	\$0	\$0	\$0	\$0
Net Annual Surplus (Deficit) after subsidy, debt, and capital	(\$39)	\$17	\$108	\$91	\$1
Accumulated Net Assets (Deficit) from balance sheet	\$38		\$146		

2012/13 Operating Results

Our revenue is up due to a site now available for on line booking. This has made scheduling much more accessible for everyone. We have also been making alot of changes within the Arena. We are now using natural gas, this has made a big difference in our fuel costs. Efficiency Nova Scotia has also been in and upgraded alot of electrical and the savings has been reflected in

Major Achievements in 2012/13

Operations at the Centennial Arena are relatively consistent year over year. Therefore, all achievements are within the normal course of operations.

Financial Notes

The Centennial Arena does not have any capital, operating debts, or subsidies to note.

Schedule 8

Centennial Pool

	Prior Year	2012/13			Next Year
	2011/12 Actuals	2012/13 Budget	2012/13 Final Audited Results	Actual vs Budget Fav (Unfav)	2013/14 Budget
<i>(in thousands of dollars)</i>					
Operating Revenues	\$356	\$438	\$409	(\$29)	\$426
Operating Expenditures	\$551	\$578	\$565	\$13	\$566
Annual Operating Surplus (Deficit) before subsidy	(\$195)	(\$140)	(\$156)	(\$16)	(\$140)
<i>Cost Recovery Rate (before subsidy, debt, and capital)</i>	65%	76%	72%		75%
Operating Subsidy	\$140	\$140	\$140	\$0	\$140
Annual Operating Surplus (Deficit) after subsidy	(\$55)	\$0	(\$16)	(\$16)	\$0
Debt Repayment	\$0	\$0	\$0	\$0	\$0
Capital Contributions from HRM	\$80	\$0	\$0	\$0	\$0
Capital Expenditures	(\$80)	\$0	\$0	\$0	\$0
Net Annual Surplus (Deficit) after subsidy, debt, and capital	(\$55)	\$0	(\$16)	(\$16)	\$0
Accumulated Net Assets (Deficit) from balance sheet	\$13		(\$3)		

2012/13 Operating Results

The operating deficit was in line with the budget. The building shutdowns for all of the different phases of the renovation project at the pool, over the past two years, made it difficult to budget for many areas. For the 2012/13 fiscal year we found it extremely difficult to gauge the exact amount of rental business we would be able to achieve which is where the biggest discrepancy lies between actual and budget. In spite of this, we were able to make improvements in that area as we continued to grow our contract base. Clubs were wary about over committing though with another planned shutdown coming in Summer 2013. On the expense side, our parking lot expenses for snow removal were lower than budgeted thanks to milder weather. We also had less than expected electricity costs with the budgeted number being somewhat of a guesstimate with not having had a full year of usage of the new systems that were installed as part of the project. We have struggled as an organization and as a board over the last few years with all of the major disruptions inside the facility. With the exception of the lighting issue, we are now facing we are confident we will return to a balanced budget and the potential for growth in all aspects of the business of Centennial Pool.

Major Achievements in 2012/13

- Made some major strides in our community outreach attempts by partnering with some of the local groups and organizations to give the local community more input within the facility
- Increased the number of classes aimed at the community members, specifically seniors, that saw an increase in participants
- We also got our fiscal house back in order as we had a full year to settle in without any project disruptions which had caused us many difficulties in the previous few years.

Financial Notes

Subsidy: \$140K operating subsidy is in place. Centennial Pool also receive net parking revenues, \$179K in 12/13, to subsidize operations.

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Schedule 9

Eastern Shore Arena

	Prior Year	2012/13			Next Year
	2011/12 Actuals	2012/13 Budget	2012/13 Final Audited Results	Actual vs Budget Fav (Unfav)	2012/13 Budget
<i>(in thousands of dollars)</i>					
Operating Revenues	\$479	\$497	\$483	(\$14)	\$455
Operating Expenditures	\$488	\$493	\$491	\$2	\$457
Annual Operating Surplus (Deficit) before subsidy	(\$9)	\$4	(\$8)	(\$12)	(\$2)
<i>Cost Recovery Rate (before subsidy, debt, and capital)</i>	98%	101%	98%		100%
Operating Subsidy	\$0	\$0	\$0	\$0	\$0
Annual Operating Surplus (Deficit) after subsidy	(\$9)	\$4	(\$8)	(\$12)	(\$2)
Debt Repayment	\$0	\$0	\$0	\$0	\$0
Capital Contributions from HRM	\$94	\$100	\$124	\$24	\$0
Capital Expenditures	(\$81)	(\$100)	(\$124)	(\$24)	\$0
Net Annual Surplus (Deficit) after subsidy, debt, and capital	\$4	\$4	(\$8)	(\$12)	(\$2)
Accumulated Net Assets (Deficit) from balance sheet	\$107		\$99		
2012/13 Operating Results					
Bingo was the main contributor to lower than budgeted revenues in the year. We continue to struggle with increasing energy and wage costs and are having positive results with this.					
Major Achievements in 2012/13					
Operations at the Eastern Shore Arena are relatively consistent year over year. Therefore, all achievements are within the normal course of operations.					
Financial Notes					
The Eastern Shore Arena does not have any capital, operating debts, or subsidies to note.					

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Schedule 10

Alderney Landing

	Prior Year	2012/13		Next Year	
	2011/12 Actuals	2012/13 Budget	2012/13 Final Audited Results	Actual vs Budget Fav (Unfav)	2013/14 Budget
<i>(in thousands of dollars)</i>					
Operating Revenues	\$1,073	\$1,084	\$1,100	\$16	\$1,081
Operating Expenditures	\$1,200	\$1,226	\$1,268	(\$42)	\$1,251
Annual Operating Surplus (Deficit) before subsidy	(\$127)	(\$142)	(\$168)	(\$26)	(\$170)
<i>Cost Recovery Rate (before subsidy, debt, and capital)</i>	89%	88%	87%		86%
Operating Subsidy	\$175	\$175	\$175	\$0	\$175
Annual Operating Surplus (Deficit) after subsidy	\$48	\$33	\$7	(\$26)	\$5
Debt Repayment	\$0	\$0	\$0	\$0	\$0
Capital Grants	\$0	\$0	\$0	\$0	\$0
Capital Expenditures	\$0	\$0	\$0	\$0	\$0
Net Annual Surplus (Deficit) after subsidy, debt, and capital	\$48	\$33	\$7	(\$26)	\$5
Accumulated Net Assets (Deficit) from balance sheet	(\$31)		(\$24)		

2012/13 Operating Results

Actual results were slightly unfavorable to budget. After approved subsidy, AL generated a small net positive balance. This year, 41 individuals and companies donated \$205,560 in kind and cash to programming. A.L. the only Nova Scotia organization to received War of 1812 Funding \$180,000 to support creative economy. For the 1st time in Canada a culturally diverse Arts organization is the resident company of a performance space, Onelight Theatre, \$400,000 budget. 221 Musicians, Artists and Creative Staff received \$434,784. 70% of Craig Gallery Sales go directly back to Artist \$30,000. Sponsored & generated funds for Community Fundraising totalled \$90,000.

Major Achievements in 2012/13

- 522 events, performances, workshops and exhibits, attracting over 300,000 people.
- 511 volunteers contributed estimate value of \$255,000
- 140 charities, raised \$52,000 at Farmers Market this year
- 2 more businesses were incubated in market, 12 thriving businesses in HRM, en Vie-North End Halifax, Cafe Karachi, Fairview
- 1 million in Box office sales for local Artists and Cultural Groups
- Farmers market vendor sales, local producers and Artists generated approximately 3 million in sales

Financial Notes

Capital: Construction, 1998, Cost \$8.3M (\$3.2M financed by HRM, \$1.4 as loan to AL). In August 1999, Regional Council approved a loan to the Alderney Landing Board of Directors to complete the Alderney Landing project, which was to be repaid with interest through a fundraising campaign over 5 years (by April 2005). A portion of the amount was received but the Board has not presented any repayment plan for the remainder. The amount outstanding is \$1.1M, which is not reflected on the Alderney Landing Association's financial statements as outstanding debt to HRM.

Subsidy: The annual operating subsidy of \$175K, originally committed by Regional Council for five (5) years when the operating agreement was put in place in 2002 continues to be approved and provided. HRM retains \$36K to cover heating energy costs (paid directly to the Citigroup who incurs the cost for the entire building) and \$26K to apply against AL property taxes. They also retain the net parking revenues annually for a nearby HRM parking lot, net for 2012/13 was \$86.

Other: It is worth noting the following items that impact the financials of Alderney Landing. Costs are incurred out of the AL budget for the following: Only Public washrooms on the waterfront (\$35K), Servicing and maintenance of Connecting Public Elevators and link (\$35K), Discount to Ferry passengers via park n ride system (\$57.6K).

Schedule 11

Halifax Forum

	Prior Year	2012/13			Next Year
	2011/12 Actuals	2012/13 Budget	2012/13 Final Audited Results	Actual vs Budget Fav (Unfav)	2013/14 Budget
<i>(in thousands of dollars)</i>					
Operating Revenues	\$3,799	\$3,910	\$4,093	\$183	\$4,017
Operating Expenditures	\$3,673	\$3,853	\$3,887	(\$34)	\$3,977
Annual Operating Surplus (Deficit) before subsidy	\$126	\$57	\$206	\$149	\$40
<i>Cost Recovery Rate (before subsidy, debt, and capital)</i>	<i>103%</i>	<i>101%</i>	<i>105%</i>		<i>101%</i>
Operating Subsidy	\$103	\$103	\$103	(\$0)	\$103
Annual Operating Surplus (Deficit) after subsidy	\$229	\$160	\$309	\$149	\$143
Debt Repayment	(\$151)	(\$160)	(\$147)	\$13	(\$143)
Capital Contributions from HRM	\$315	\$0	\$335	\$335	\$0
Capital Expenditures	(\$385)	\$0	(\$335)	(\$335)	\$0
Net Annual Surplus (Deficit) after subsidy, debt, and capital	\$8	\$0	\$162	\$162	\$0
Accumulated Net Assets (Deficit) from balance sheet	(\$455)		(\$293)		

2012/13 Operating Results

Finished the year with a net operating surplus of \$162K, mainly because of increased bingo and ice rental revenue and the ability to keep expenses at budgeted levels. Uncertainty with the Long Term Arena Strategy (LTAS) did not financially impact this year but is a concern for the future.

Major Achievements in 2012/13

- The recommendations of the LTAS report, released in August 2012 were the main focus of Forum staff and Board of Directors
- Introduced on-line ice booking December 2012
- Co-ordinated \$0.5 million in capital work for SMU and Dal dressing rooms.
- Increased ice revenue by over \$100K (12.6%) mainly when we absorbed the Dalhousie Varsity and Intermural program

Financial Notes

Capital: New dedicated bingo hall, 2002/03, Cost \$1.8M (financed by HRM to be repaid by Forum). The outstanding amount is \$1.1M.

Subsidy: Halifax Forum received an ad hoc subsidy of \$96K in 2008/09 and 09/10 to assist with collective agreement costs. The amount increased to \$103K in 10/11. Regional Council approved a subsidy of \$103K on February 28, 2012.

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Schedule 12

Metro Centre

	Prior Year	2012/13		Next Year	
	2011/12 Actuals	2012/13 Budget	2012/13 Final Audited Results	Actual vs Budget Fav (Unfav)	2013/14 Budget
<i>(in thousands of dollars)</i>					
Operating Revenues	\$7,021	\$6,684	\$7,565	\$881	\$6,889
Operating Expenditures	\$6,455	\$6,429	\$6,885	(\$456)	\$6,783
Annual Operating Surplus (Deficit) before subsidy	\$566	\$255	\$680	\$425	\$106
<i>Cost Recovery Rate (before subsidy, debt, and capital)</i>	<i>109%</i>	<i>104%</i>	<i>110%</i>		<i>102%</i>
Operating Subsidy	\$0	\$0	\$0	\$0	\$0
Annual Operating Surplus (Deficit) after subsidy	\$566	\$255	\$680	\$425	\$106
Debt Repayment	\$0	\$0	\$0	\$0	\$0
Capital Expenditures	\$0	(\$200)	\$0	\$200	\$0
Surplus Transfer to HRM	(\$566)	(\$55)	(\$680)	(\$625)	(\$106)
Net Annual Surplus (Deficit) after subsidy, debt, and capital	\$0	\$0	\$0	\$0	\$0
Accumulated Net Assets (Deficit) from balance sheet	\$0		\$0		

2012/13 Operating Results

The following items contributed to the operating results for the year:

1. The Halifax Mooseheads season attendance increased over prior seasons. The very competitive team built on the prior year's success, and ended the fiscal year in playoffs. This impacted on food and beverage revenue as well as rental revenue.
2. Sponsorship and premium product revenues were up due to strong premium product rentals partly driven by the excitement of having strong contenders for the QMJHL President's Cup.
3. One marquee event, Cirque du Soleil, was held during the year yielding above average family show revenue.
4. Upgrades were made to the premium executive suites in the south end of the centre, which are the highest value boxes.

Major Achievements in 2012/13

No major achievements to report.

Financial Notes

Transfer to HRM: Up to 09/10, surpluses had been forwarded to HRM and paid against the capital debt owing. With the capital debt obligation fulfilled in 10/11, all surpluses are remitted to HRM and deposited to the reserve Major Events Facilities Reserve Q319 as approved by Council on Sept 16, 2008. The purpose of the reserve is to provide funding for development of major cultural and public event facilities including the Metro Centre. Operating surpluses from the Metro Centre are deposited into the reserve to allow HRM to re-invest the funds back into the Metro Centre for capital improvements. The Metro Centre funds are segregated and accounted for separately from other funds in the reserve to be used specifically for that facility.