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**Item No. 1**  
**Halifax Regional Council**  
**September 23, 2008**

**TO:** Mayor Kelly and Members of Halifax Regional Council

A handwritten signature in black ink, appearing to read "Paul Dunphy", written over a horizontal line.

**SUBMITTED BY:** Paul Dunphy, Director, Community Development

**DATE:** September 1, 2008

**SUBJECT:** Financial Performance of HRM's Major Facilities (2007/08)

## **INFORMATION REPORT**

### **ORIGIN**

This is the semi-annual Information Report on the financial performance of HRM's Major Facilities. This report also serves to meet the budget approval obligations of HRM that form part of the various management agreements.

**BACKGROUND**

Over the past few years, staff have endeavoured to prepare a report every 6 months or so on the financial performance of the Major Facilities. This originated with the performance failure of one of the facilities several years ago, and the increasing concern coming from the General Managers of the other facilities about their future financial outlooks. A number of factors have been contributing to the increased financial pressures on the facilities, including the aging condition of the facilities and increasing capital repair requirements, the reliance on bingo revenues at several facilities as a traditional revenue stream to subsidize other programs, increasing competition, legacy impacts of prior weak expansion plans and/or shortfalls in fundraising campaigns, and the significant rise in energy, insurance, wage and other expense items. The strong financial performance of the Metro Centre the past couple years has allowed some reallocation of HRM capital contributions to other facilities, helping to catch up on some outstanding repair and replacement work. The following table summarizes the facilities included in this review, and their approximate size for comparison purposes.

**Table 1**

Facility	Category (As listed in IRF Master Plan)	Type of Agreement	Operating Subsidy from HRM	Other Subsidies	Facility Size (square feet)
Dartmouth Sportsplex	Category 2 Multi - District, Multi -Use Hub	Management Agreement	\$0		115900
Halifax Forum	Category 4 Events	Management Agreement	\$0		71500
Alderney Landing	Category 4 Cultural/Events	Management Agreement	\$175,000 <sup>(1)</sup>	\$90,000 <sup>(2)</sup>	32000
St Margaret's Centre	Category 2 Multi - District, Multi -Use Hub	Management Agreement	\$0		100000
Cole Harbour Place	Category 2 Multi - District, Multi -Use Hub	Lease Agreement	\$0 <sup>(3)</sup>		200000
Metro Centre	Category 4 Events	Tri-partite Operating Agreement	\$0 <sup>(4)</sup>		205000
Sackville Sports Stadium	Category 2 Multi - District, Multi -Use Hub	Operated by HRM on interim basis <sup>(5)</sup>	\$200,000 <sup>(6)</sup>		118300
Eastern Shore Recreation Ctr	Category 3 Sports & Arenas	Management Agreement	\$0		27000

**Financial Performance of HRM's Major Facilities**

Centennial Pool	Category 3 Sports & Arenas	Management Agreement	\$140,000 <sup>(7)</sup>	\$85,000 <sup>(8)</sup>	17430
Centennial Arena	Category 3 Sports & Arenas	Management Agreement	\$0		28000

- <sup>(1)</sup> Alderney Landing receives an operating subsidy of \$175,000.
- <sup>(2)</sup> Alderney Landing also retains the net parking revenues estimated at \$90,000 for a nearby parking lot.
- <sup>(3)</sup> HRM leases space within the facility.
- <sup>(4)</sup> Under the Tri-partite agreement between HRM, the Province and WTCC to operate the Metro Centre, HRM retained ownership of the Metro Centre and does not provide direct operating subsidies, however, any annual operating deficit/surplus accrues to HRM.
- <sup>(5)</sup> Operations at the Sackville Sports Stadium are currently being overseen by HRM directly, with the intent to eventually have a Management Agreement negotiated with a new community board.
- <sup>(6)</sup> The SSS had been receiving an operating subsidy of \$77,900. However, in May 2003 Council approved an increase to \$200,000 for a three year period as part of the operational review, extended to 2008/09.
- <sup>(7)</sup> HRM provides an annual operating grant of \$140,000.
- <sup>(8)</sup> Centennial Pool also manages the HRM parking lot behind the facility and retains the net operating revenues of approximately \$85,000 to help subsidize operations.

The Centennial Arena, Centennial Pool and Eastern Shore Community Centre are not a regular part of the semi-annual review as their operations are smaller. They are visited less frequently, however, since they were reviewed within the same time period as the other facilities, it was felt it may be useful to include them in this report.

Historically, HRM has entered into agreements with communities with the basic philosophy that the facilities would operate under a 100% cost recovery basis. Each facility was also expected to recover its portion of outstanding capital debt, after taking into account municipal and other government level contributions as well as any fundraising.

As additional background, a summary of the capital debt obligations for each facility is provided below.

**Existing Capital Debt Outstanding to HRM (as of March 31, 2008):**

**Table 2**

	Capital Debt - Outstanding Balance	Years Remaining	2008/09 Annual Facility Payments (P+I)
Dartmouth Sportsplex	\$ 355,790	6.0 years	\$ 75,000 <sup>(1)</sup>
Halifax Forum Community Association	\$ 1,400,000	16.5 years	\$ 163,516
Cole Harbour Place	\$ 1,046,579 \$ 360,000 <sup>(2)</sup>	8.5 years 7.5 years	\$ 150,000 \$ 60,127
Sackville Sports Stadium	\$ 4,450,000 <sup>(3)</sup>	17+ years	\$ 441,000 (avg)

Alderney Landing	\$ 1,051,000 <sup>(4)</sup>	TBD	TBD
St Margaret's Centre	\$ 2,668,050 <sup>(5)</sup>	17.5 years	\$ 264,974

<sup>(1)</sup> On May 3, 2005, Council agreed to reduce the annual debt repayment from \$181,618 to \$75,000 to enable the Dartmouth Sportsplex to meet its operational requirements without incurring a deficit. This would increase the debt repayment period from 4 years to 9.03 years. The Sportsplex has reinvested the difference into energy efficiency opportunities and other projects to improve overall operations.

<sup>(2)</sup> On August 2, 2005, Council approved a loan of \$450,000 to Cole Harbour Place for leasehold improvements. The debt payments are expected to be recovered from the additional revenue generated from the new tenants.

<sup>(3)</sup> The Sackville Sports Stadium is currently operating under an approved debt deferral arrangement, with the expectation that debt payments will begin again as soon as the facility is financially restabilized

<sup>(4)</sup> The outstanding debt for Alderney Landing became due April 1, 2005. The Board has not presented any repayment plan as part of annual budget preparations and this remains outstanding. Staff continue to explore options.

<sup>(5)</sup> At the April 9, 2004 Council Session a loan to a maximum of \$2,964,500 was approved. The total was included in the Spring 2006 debenture issue. The St. Margaret's Bay Centre Board indicated they do not have the operating capacity to make the full debt payments. They committed to a contribution of about \$58,000 to the debt payment due in 2006/07 with the balance of the \$276,000 payment being funded from a new area rate of \$0.01/\$100 of taxable assessment. The area rate is applied to all residential, resource, commercial and business occupancy property in Districts 22 and 23 with the exception of the area that is charged the Prospect Road recreation area rate. The Centre is expected to make further contributions towards the debt payments in future years to ensure the area rate does not increase.

Overall, the financial strains on the large multi-district hub facilities remain an area requiring attention. The Community Boards and their staff continue to do a terrific job at responding to challenges and pressure points while still delivering good quality programs and services. They implement program adjustments where needed and constantly explore new opportunities. However, there are limitations and therefore justification for extra support needed for these facilities. Energy costs are going to be a significant concern at these facilities in the coming year. There are some recommendations in the 2008 Community Facility Master Plan that could help reposition some of these facilities that will be discussed with Council as the plans evolve, especially the Halifax Forum and Dartmouth Sportsplex.

Currently the Sackville Sports Stadium and Alderney Landing have capital debt payments due but do not have a sufficient financial operating plan that allows them to meet their debt payment obligations. The St. Margaret's Centre implemented an area rate to help meet its repayment obligations as per the original Council approved business plan. The Dartmouth Sportsplex was nearly paid out and received permission to restructure the remaining repayment plan to allow other projects without incurring operating deficits. The Halifax Forum experienced some very costly capital repairs that caused some recent operating deficits, and staff have worked with them to reduce this. The Metro Centre is projecting operating surpluses that can be reinvested into capital repairs and upgrades.

The Sackville Sports Stadium will fully recover from its accumulated deficit position in 2008/09 but will be short of being able to meet its debt repayment obligations. Staff presented Council

with an option that would have closed that gap and better aligned programming, however, it is being revisited and a new report will be coming back to Council. Alderney Landing has not presented any repayment plan and the operation remains an area requiring staff attention.

**DISCUSSION**

The following information was gathered in meetings with each facility. Final audited statements for 2007-08 are not all available at this time so the information is based on unaudited year-end results.

**Dartmouth Sportsplex**

	2007/08 Budget	2007/08 Year End Results (Unaudited)	2008/09 Budget	Comments
Revenues	\$4,746,100	\$4,629,700	\$4,713,400	Bingo revenue has declined sharply.
Expenditures	\$4,821,100	\$4,730,800	\$4,863,400	Increase in minimum wage has impacted the overall wage scale.
Net Operating Profit/(Loss)	(\$75,000)	(\$101,100)	(\$150,000)	Budgeted deficit includes annual debt repayment and impact of minimum wage.
Risks	<ol style="list-style-type: none"> <li>1. Sharply increasing energy costs.</li> <li>2. Increase to minimum wage requires the entire wage scale to increase to prevent compression issues and remain competitive in the labour market.</li> <li>3. Maintenance staff complement is down because of difficulty recruiting.</li> <li>4. Labour market competitiveness is making it difficult to recruit qualified part-timers.</li> <li>5. Bingo revenues continue to decline.</li> <li>6. All fees will be increasing because of the impact of minimum wage and heating costs.</li> <li>7. Membership revenue could decline if fitness centre is not refurbished.</li> <li>8. Could be drop in revenues during construction of proposed fieldhouse expansion.</li> <li>9. Potential impact from proposed multi-pad ice arenas on ice arena rentals (non-prime and summer).</li> </ol>			
Opportunities	<ol style="list-style-type: none"> <li>1. Proposed fieldhouse expansion would fill a need currently not being met on the east side of the Harbour and generate additional revenue to financially stabilize the Sportsplex.</li> <li>2. Handheld electronic bingo devices could increase bingo attendance.</li> <li>3. Assuming control of concessions which will provide more opportunity for pricing according to events.</li> <li>4. Summer ice rentals have increased significantly because of the increased popularity of summer hockey leagues and camps.</li> <li>5. Assemblies, pool rentals, aquatics and athletic programs, day camps and personal training are all up despite rate increases.</li> </ol>			

**Halifax Forum Complex**

**Financial Performance of HRM's Major Facilities**

	2007/08 Budget	2007/08 Year End Results (Unaudited)	2008/09 Budget	Comments
Revenues	\$3,212,500	\$3,386,266	\$3,314,900	Ice rentals, special events, and advertising higher than expected.
Expenditures	\$3,212,500	\$3,422,563	\$3,314,900	Salaries, benefits cost and maintenance were higher than budgeted.
Net Operating Profit/(Loss)	\$0	(\$ 36,297)	\$0	
Risks	<ol style="list-style-type: none"> <li>1. Bingo and special events revenues are speculative and unstable. Must compete with other facilities for special events.</li> <li>2. Interest in mixed martial arts has dwindled which has also impacted canteen and bar sales.</li> <li>3. Because of difference in interpretation, Collective Agreement is causing out transfers of maintenance staff to other HRM facilities.</li> <li>4. Increases to heating fuel costs and minimum wage.</li> <li>5. Junior A hockey team is not performing well. The team could leave.</li> <li>6. Trade and Industry shows are down substantially.</li> <li>7. Potential impact from new multiple ice pad proposals on ice arena rentals (non-prime and summer).</li> <li>8. Serious capital deficiencies because of the buildings age, especially the envelope.</li> </ol>			
Opportunities	<ol style="list-style-type: none"> <li>1. Natural gas conversion would result in substantial energy cost savings.</li> <li>2. New Business Development Manager has been able to increase revenue from Special Events and Advertising.</li> <li>3. Expanded Multi-purpose room has resulted in increased booking revenue.</li> <li>4. Community Facilities Masterplan suggests converting the Forum to a major recreational/sport facility with such amenities proposed as a fitness centre.</li> <li>5. Summer ice rentals have increased significantly because of the increased popularity of summer hockey leagues and camps.</li> <li>6. The Forum is a well known location resulting in growth in concerts and off-site retailing (ie. car sales).</li> <li>7. Canada Games 2011 will provide funding for boxing.</li> <li>8. May be home for SMU hockey team for another two to three years.</li> </ol>			

**Cole Harbour Place**

	2007/08 Budget	2007/08 Year End Results (Unaudited)	2008/09 Budget	Comments
Revenues	\$3,425,087	\$3,447,092	\$3,472,166	Aquatics revenue is up.
Expenditures	\$3,425,087	\$3,448,936	\$3,472,166	Increased cost for utilities, building maintenance and Minimum wage.
Net Operating Profit/(Loss)	\$0	(\$1,844)	\$0	Any net operating profit is transferred to a Equipment Replacement Reserve.
Risks	<ol style="list-style-type: none"> <li>1. Energy costs are higher than expected.</li> <li>2. CUPE contract expired March 31, 2007. Negotiations currently in progress.</li> <li>3. Increases to minimum wage is putting upward pressure on the wage scale to prevent compression and remain competitive in the labour market.</li> <li>4. As average age of the members increases, the proportion of senior's memberships is increasing resulting in a decrease in revenues.</li> </ol>			
Opportunities	<ol style="list-style-type: none"> <li>1. All tenant space occupied and committed for several years.</li> <li>2. Energy efficient capital upgrades in progress. Expected to result in energy savings of over \$100,000 annually.</li> <li>3. Hoping to attract new members by leasing new fitness equipment .</li> <li>4. May be able to increase fitness class revenue by converting squash courts.</li> <li>5. Private lessons has increased aquatics revenue.</li> <li>6. New control desk is inviting and encouraging members to stay.</li> <li>7. A second swim team may operate out the facility this Fall.</li> </ol>			

**Sackville Sports Stadium**

	2007/08 Budget	2007/08 Year End Results (Unaudited)	2008/09 Budget	Comments
Revenues	\$3,233,642	\$3,157,439	\$3,399,330	Ice rentals and summer rentals for curling space are up.
Expenditures	\$2,911,000	\$2,828,069	\$3,065,713	Increase in minimum wage has impacted the overall wage scale.
Net Operating Profit/(Loss)	\$322,642	\$329,370	\$333,617	Surplus is being used to pay down the accumulated deficit

Risks	<ol style="list-style-type: none"> <li>1. Curling space still generating less revenue than costs, when including capital debt. Not able to take advantage of more profitable and inclusive uses for the space.</li> <li>2. Because of curling space, unable to expand locker space for growing fitness membership.</li> <li>3. Potential impact from proposed multi-pad ice arenas on ice arena rentals (non-prime and summer).</li> <li>4. Competition from nearby fitness centre.</li> <li>5. Increases to minimum wage is putting upward pressure on the wage scale to prevent compression and remain competitive in the labour market.</li> <li>6. Competitive labour market is making it difficult to attract and retain aquatics staff.</li> <li>7. One of the commercial tenants is continually behind in lease payments.</li> <li>8. Energy costs are higher than expected</li> <li>9. CUPE collective agreement expiring</li> </ol>
Opportunities	<ol style="list-style-type: none"> <li>1. All commercial space expected to be leased by September 1, 2008.</li> <li>2. Summer ice rentals are up substantially because of summer hockey and camps.</li> <li>3. Curling space summer rentals are up for indoor soccer and lacrosse.</li> <li>4. Energy efficiency capital upgrades will substantially reduce energy costs.</li> <li>5. New Membership Coordinator expected to generate substantially more membership revenue.</li> <li>6. Leasing of new fitness equipment and implementation of fitness program should help to expand membership base.</li> <li>7. Learn to Swim program is generating most of aquatics revenue.</li> <li>8. Several new youth and fitness programs expected to generate more revenue.</li> <li>9. Expect growth in special events and trade shows.</li> </ol>

**Metro Centre**

	2007/08 Budget	2007/08 Year End Results (Unaudited)	2008/09 Budget	Comments
Revenues	\$6,592,500	\$7,336,750	\$8,148,020	Revenue budget for 2008/09 is up substantially because of the IIHF Men's Hockey Tournament and an increase in the number of concerts.
Expenditures	\$6,165,159	\$6,515,608	\$6,889,729	Expenditures are up because of higher facility utilization.
Net Operating Profit/(Loss)	\$427,341	\$821,142	\$1,258,291	Net operating profit is to be allocated to a facility lifecycle reserve
Risks	<ol style="list-style-type: none"> <li>1. Increased competition to host major events means many may not return because higher capacity is available elsewhere and event organizers are trying to squeeze out as much revenue as possible before awarding events.</li> <li>2. If a new 15,000 seat arena is built in Moncton, many events that normally come to Halifax may go there.</li> <li>3. \$2.4 million in recapitalization required in the next four years. Much more will be required in the future because of the age of the facility (30+ years).</li> <li>4. Geographic location makes it difficult to attract major events.</li> <li>5. Insufficient hotel accommodation capacity at peak times.</li> <li>6. Many shows are not booked until the last minute making this revenue stream difficult to predict.</li> </ol>			



Opportunities	<ol style="list-style-type: none"> <li>1. Natural Gas Conversion and energy retrofit will substantially reduce energy costs.</li> <li>2. Revenue from Executive Suites, Skyboxes, advertising and concessions up substantially.</li> <li>3. Have begun partnering/ revenue sharing in events rather than just collecting rental revenue.</li> <li>4. Future revenues from ice rentals, conventions, trade shows and the Nova Scotia Tattoo are predictable because they are usually booked a year or two in advance.</li> <li>5. Gillette Entertainment has been very good at obtaining events for the Metro Centre.</li> <li>6. Once an event does make it to Halifax, the organizers are usually so impressed with the City that they try to bring the event back again.</li> </ol>
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**Alderney Landing**

	2007/08 Budget	2007/08 Year End Results (Unaudited)	2008/09 Budget	Comments
Revenues	\$1,040,146	\$1,097,449	\$1,081,500	Increased revenues projected from new programming, especially the events plaza
Expenditures	\$1,040,100	\$1,076,945	\$1,076,800	Increase in minimum wage has impacted the overall wage scale.
Net Operating Profit/(Loss)	\$ 46	\$20,504	\$4,700	
Risks	<ol style="list-style-type: none"> <li>1. Increases to minimum wage is putting upward pressure on the wage scale to prevent compression and remain competitive in the labour market.</li> <li>2. Farmer's Market has been steady but may decline in the long-term as farmers retire and are not replaced.</li> <li>3. Currently unable to meet debt obligations to HRM.</li> <li>4. Does not have the same revenue potential or costs as a sports facility.</li> <li>5. Loss of Daily News has reduced advertising because the Chronicle Herald is too expensive.</li> <li>6. Art Gallery space underperforms with regard to generating revenue.</li> <li>7. Keith's has not signed up yet to develop programming for the Events Plaza.</li> <li>8. Alderney Landing could be reassessed as commercial thereby substantially increasing property taxes.</li> </ol>			
Opportunities	<ol style="list-style-type: none"> <li>1. Partnership with Keith's Brewery to develop programming for the Events Plaza has been very successful in generating increased revenue.</li> <li>2. All commercial space fully leased for the next 8 to 10 years.</li> <li>3. Visual Arts revenue has been steady because of fine arts summer camps which generate corporate sponsorship.</li> <li>4. New geo-thermal system and energy retrofit will substantially reduce energy costs.</li> <li>5. Kiwanis Mother Goose event to replace Pirate's Landing during Tall Ships.</li> <li>6. Atlantic Blues Festival, which has been very successful in the past, is returning this year.</li> <li>7. Bidding to provide liquor sales to the Keith Urban concert.</li> <li>8. Negotiating with Sonic Entertainment which brings in entertainment year-round.</li> </ol>			

**St. Margaret's Centre**

	2007/08 Budget (excluding Bay Ducks hockey team)	2007/08 Year End Results (Unaudited)	2008/09 Budget (excluding Bay Ducks hockey team)	Comments
Revenues	\$1,252,150	\$1,295,672	\$1,382,850	Ice rentals were higher than expected.
Expenditures	\$1,216,511	\$1,310,029	\$1,373,491	Energy costs were higher than expected.
Net Operating Profit/(Loss)	\$ 35,639	(\$14,357)	\$ 9,359	
Risks	<ol style="list-style-type: none"> <li>1. The Bay Ducks Junior B hockey team ended 2007/08 with a net loss of \$17,884 which is attributed to continued poor attendance. The operating revenues and expenses of the team are not included in the figures shown above.</li> <li>2. Older section of facility was built in 1988 and will require repairs.</li> <li>3. Outdoor pool is insufficient to meet growing demand.</li> <li>4. Aging zamboni is expensive to maintain and unreliable.</li> <li>5. Parking lot is in poor condition and not large enough.</li> <li>6. Energy costs are higher than expected putting upward pressure on fees.</li> </ol>			
Opportunities	<ol style="list-style-type: none"> <li>1. Summer hockey and camps have increased to the point where the ice will be in year-round .</li> <li>2. Energy efficiency audit and capital improvements expected to generate substantial savings.</li> <li>3. Might be able to partner with Canada Games and Metro Transit to upgrade parking lot.</li> <li>4. Possibility of partnering with Halifax County United to install all weather soccer turf outdoors.</li> <li>5. Canada Games is considering the facility for figure skating and ringette.</li> <li>6. SOPs being developed from management audit.</li> <li>7. Overall participation is growing as the community grows.</li> </ol>			

**Eastern Shore Recreation Centre**

	2007/08 Budget	2007/08 Year End Results (Unaudited)	2008/09 Budget	Comments
Revenues	\$717,000	\$640,362	\$629,500	Large drop in revenues is because bingo was reduced from 2 nights to 1 night per week.
Expenditures	\$715,500	\$602,855	\$615,000	Large drop in expenditures is because bingo reduced from 2 nights to 1 night per week.
Net Operating Profit/(Loss)	\$1,500	\$ 37,507	\$14,500	

**Financial Performance of HRM's Major Facilities**

Risks	<ol style="list-style-type: none"> <li>1. Bingo is losing less money since Friday night bingo was discontinued, leaving only Tuesday nights.</li> <li>2. Event attendance is more sensitive to weather conditions because the facility is located in a rural area.</li> <li>3. Rural location makes it difficult to rent ice in the early morning before school.</li> <li>4. Increases to minimum wage is putting upward pressure on the wage scale to prevent compression and remain competitive in the labour market.</li> </ol>
Opportunities	<ol style="list-style-type: none"> <li>1. Energy efficiency upgrades have generated significant operating savings.</li> <li>2. New Junior C team may generate more revenue.</li> </ol>

**Centennial Pool**

	2007/08 Budget	2007/08 Year End Results (Unaudited)	2008/09 Budget	Comments
Revenues	\$501,115	\$513,605	\$533,250	Revenue has been stable.
Expenditures	\$502,460	\$510,608	\$533,250	Energy costs and minimum wage are main cost drivers
Net Operating Profit/(Loss)	(\$ 1,345)	\$ 2,997	\$ 0	
Risks	<ol style="list-style-type: none"> <li>1. Increases to minimum wage is putting upward pressure on the wage scale to prevent compression and remain competitive in the labour market.</li> <li>2. Energy costs are higher than expected.</li> <li>3. Lack of space for dry land training for swim teams.</li> </ol>			
Opportunities	<ol style="list-style-type: none"> <li>1. One of only two 50 metre pools in HRM and Nova Scotia.</li> <li>2. Funding available for upgrades to mechanical systems could extend the life of the facility by 10 to 20 years.</li> <li>3. New solar heating being funded from Eco-Trust.</li> </ol>			

**Centennial Arena**

	2007/08 Budget	2007/08 Year End Results (Unaudited)	2008/09 Budget	Comments
Revenues	\$488,000	\$519,510	\$515,000	Summer ice rentals are up substantially.
Expenditures	\$488,000	\$508,687	\$515,000	Energy, water, and snow removal costs are increasing at a high rate.
Net Operating Profit/(Loss)	\$ 0	\$ 10,823	\$ 0	

