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Item No. 10.1.2
Halifax Regional Council
August 11, 2009

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 

Wayne Anstey, Acting Chief Administrative Officer



Geri Kaiser, Deputy Chief Administrative Officer - Corporate Services
and Strategy

DATE: July 21, 2009

SUBJECT: Short-Term Loan for St. Margaret's Centre

ORIGIN

As part of the annual financial review of all major HRM owned facilities, staff met with the Chair of the Board for the St. Margaret's Centre on June 4, 2009, and were advised at that time that the Centre would be experiencing cash-flow difficulties as the result of the shutdown of one of the ice surfaces for three months during the Summer of 2009.

RECOMMENDATION

It is recommended that Halifax Regional Council approve a loan of \$130,000 to the St. Margaret's Centre to be fully repaid no later than March 31, 2011. Any balance outstanding on that date will be added to the current area rate for the repayment of the Centre's expansion debt.

BACKGROUND

The St. Margaret's Centre (SMC) is a Category 2 Multi-District, Multi-Use facility entirely owned by HRM which is managed and operated under formal agreement with the St. Margaret's Community Centre Association. As one of the venues for the 2011 Canada Winter Games, St. Margaret's Centre has been allocated \$932,250 to make the necessary upgrades to host short-track speed skating and figure skating. One of the two existing rinks will be expanded to allow for the short-track, and new seating. As a result, it will be necessary to shut down the rink for 3 months this summer for construction. In recent years, the facility has enjoyed increased revenues during the summer months as a result of renewed interest in hockey camps and summer hockey. Ice rentals are the largest single source of revenue for this facility, and the Board has estimated that approximately \$130,000 in revenue will be lost during the construction period.

The Board attempted to obtain a line of credit during this period to mitigate potential cash flow issues resulting from the loss of this revenue. Financial institutions that were approached required each Board member to pledge personal assets to guarantee the loan which was unacceptable.

HRM staff met with the Tim Hill, Chair of the SMC Board, and Mike Leroux, GM of the facility, on June 4, 2009 to discuss the Centre's financial performance over the past fiscal year, and their budget for the coming year. At that meeting, Mr. Hill raised the issue and requested assistance from HRM.

HRM attempted to respond by providing a Letter of Guarantee signed by the CAO to the financial institution which provides banking services to SMC. However, Section 111(4) of the Charter requires that HRM obtain Ministerial approval to act as a Guarantor. Since obtaining such approval can take up to several weeks, it was decided not to proceed with this approach because the funding was required much sooner.

Section 108 of the Charter does permit HRM to make loans to a Service Commission. On this basis, the Acting CAO approved a \$100,000 cash advance to the SMC on July 10, 2009 because the facility did not have sufficient funds to cover cash flow requirements coming due in July. This advance is only expected to bridge the Centre until early August. An additional \$30,000 has been requested for revenue shortfalls expected in August.

DISCUSSION

It is not desirable for HRM to set a precedent by acting as a guarantor or providing significant loans to various community boards running HRM facilities. However, this case may be distinguishable, as the reason SMC is unable to function without financial assistance is because of the loss of revenues owing to renovations for Canada Games. HRM requested that the SMC accept these renovations in order that the Canada Games be hosted at this venue, and therefore should consider providing some support during the period the arena is out of service.

Without access to funding from HRM during the next few months to mitigate the anticipated cash flow problems, it is possible that the facility may have to shut down until September. This puts at risk the employment of about 40 staff including 7 who are full-time. Without the revenue for this period, SMC would also fall behind on other payables including utilities and remittances due to the Canada Revenue Agency for payroll taxes and HST collected. SMC Management has provided cash flow projections which indicate that at least \$130,000 will be required to August 31, 2009.

BUDGET IMPLICATIONS

The \$130,000 would be disbursed from a no-interest loan account and therefore would not be charged to the operating budget. If SMC fails to reimburse all of the amount by March 31, 2011, it is recommended that any outstanding balance be added to the area rate currently in place to retire the debt incurred to expand the SMC in 2004. The area rate was projected to decrease from \$0.01 to about \$0.006 per \$100 of taxable assessment in 2014/15 before being retired. Leaving the rate at \$0.01 in 2014/15 will raise about \$130,000 in additional revenue. This projection assumes that the assessment base will continue to increase by about 6% annually. The growth rates in 2008 and 2009 were 6.3% and 6.4% respectively.

The area rate is applied to all taxable assessment in Districts 22 and 23, with the exception of the area charged the area rate for the new Prospect Road Community Centre.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

As outlined in the Background section of this report, attempts were made to secure a loan from financial institutions. The only remaining alternative other than providing direct funding would be to shut down the facility until September. However, this is not recommended as it would result in the lay-off of up to 40 staff including 7 full time employees. It would also result in payables become substantially overdue including those for utilities, and payroll taxes and HST owing to the Canada Revenue Agency. Failure to make Federal remittances on time could result in interest, fines and/or penalties.

ATTACHMENTS

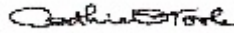
None

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

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