

**REVISED**

**Item No. 8.1**  
**Halifax Regional Council**  
**September 8, 2009**

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

**SUBMITTED BY:**

  
\_\_\_\_\_  
Dan English, Chief Administrative Officer

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

**DATE:** August 26, 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.
- A recommendation report regarding this issue was included on the August 11, 2009 Council Agenda but was subsequently deferred because of an error discovered in the Budget Implication section. This revised report also includes further changes as a result of discussions with Councillors Lund and Rankin.

### RECOMMENDATION

It is recommended that Halifax Regional Council approve a loan of \$130,000 to the St. Margaret's Centre to be fully repaid over 5 years commencing in 2010/11 according to the repayment schedule in Table 1 of this report.

## **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.

In 2004, Council approved a loan of \$2,964,500 for an expansion to the St. Margaret's Centre. An area rate of \$0.01 per \$100 of taxable assessment was implemented in 2006 to fund the debt payments for the debenture issued to finance the loan. 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 for the new Prospect Road Community Centre. While the St. Margaret's Centre has made some contributions towards these debt payments in the past, the increase in assessment base over the last few years along with the decrease in interest payments has enabled the area rate to carry the full cost of debt payments without any further contributions from the Centre being required.

**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.

While there are short-term adverse consequences as the result of the renovations, it is important to note that they will provide the SMC with the potential to expand revenues in future years. These additional revenues will give the SMC the capacity to repay the loan over the next 5 years according to the following repayment schedule which has been agreed to in writing by the SMC Board Chairperson. A copy of his letter is included as an attachment to this report.

**Table 1: Re-payment Schedule**

	Re-payment Amount
2010/11	\$ 20,000
2011/12	\$ 25,000
2012/13	\$ 25,000
2013/14	\$ 30,000
2014/15	\$ 30,000
Total:	<u>\$ 130,000</u>

**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 adhere to the Re-payment Schedule at any time during the 5 year pay-back period, requests for operating or capital assistance from HRM will not be considered until all past due payments are satisfied.

**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**

1. For reasons outlined in the Background section of this report, it was not practical to obtain a loan from a financial institution.
2. All of the loan, or any amount of the loan which SMC is unable to repay, could be added to the area rate currently in place to retire the debt incurred to expand the SMC in 2004. 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. The area rate was projected to decrease from \$0.01 to about \$0.005 per \$100 of taxable assessment in 2019/20 before being retired. Reducing the rate to \$0.008 in 2019/20 will raise about \$130,000 in additional revenue. This projection assumes that the assessment base will continue to increase by about 5% annually. The growth rates in 2008 and 2009 were 6.3% and 6.4% respectively. Staff are not recommending this alternative because it may act as a disincentive for SMC to repay the loan.
3. The facility could be shut-down 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 becoming 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**

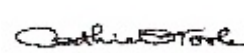
Letter from SMC Board Chairperson agreeing to the repayment schedule in Table 1 of this report.

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.

Report Prepared by: Gordon Roussel, Financial Consultant 490-6468

Report Approved by:

  
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Paul Fleming, Manager, Budget & Financial Analysis 490-7203

  
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Report Approved by: Cathie O'Toole, CGA, Director, Finance 490-6308



**St. Margaret's**  
— C E N T R E —

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August 29, 2009

Gordon Roussel  
Halifax Regional Municipality  
P. O. Box 1758  
Halifax, NS B3J 3A5

Dear Mr. Roussel:

**Operating Loan – St. Margaret's Centre**

This confirms that we have agreed that the operating loan, made to accommodate the Centre during construction related to the Canada Winter Games, will be repaid according to the following schedule:

2010/11	\$ 20,000
2011/12	\$ 25,000
2012/13	\$ 25,000
2013/14	\$ 30,000
2014/15	\$ 30,000

The total amount to be repaid is \$130,000.00.

Yours truly,

Tim Hill  
Chairperson, Board of Directors