

# Report to Council



**Date:** June 11, 2018  
**File:** 0610-41  
**To:** Acting City Manager  
**From:** Jim Gabriel, Division Director, Active Living & Culture  
**Subject:** Kelowna Curling Club Loan Request  
Report Prepared by: S. Kochan, Partnership Manager

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## **Recommendation:**

THAT Council receives the report from the Division Director, Active Living & Culture dated June 11, 2018 regarding a loan request from the Kelowna Curling Club;

AND THAT the 2018 Financial Plan be amended to include a loan to the Kelowna Curling Club of up to \$300,000 funded from the Curling Club Improvement Reserve where \$50,000 would be non-repayable as outlined in the report from the Divisional Director, Active Living & Culture, dated June 11, 2018;

AND THAT Council supports an application by the Kelowna Curling Club to the Community Gaming Grants Branch seeking a 2018 Capital Project Grant of \$150,000 for replacement of the roof at the Kelowna Curling Club facility on Recreation Avenue;

AND THAT the Division Director, Active Living & Culture, be authorized to execute all documents necessary to document the loan and support an application by the Kelowna Curling Club to the Community Gaming Grants Branch;

AND FURTHER THAT staff provide an update when the results of the Community Gaming Grant application are known.

## **Purpose:**

To receive Council approval for a loan from the City of Kelowna to the Kelowna Curling Club to fund the replacement of the chiller and possibly the roof replacement at the Kelowna Curling Club facility on Recreation Avenue.

**Background:**

The Kelowna Curling Club facility ('the facility') on Recreation Avenue is owned by the City of Kelowna and operated by the Kelowna Curling Club ('the Club') through a long term lease agreement. The current lease term expires on December 31, 2023.

The Club initiated and funded the development of the facility in 1978 and has successfully operated the facility since that time. As a facility operating partner, the Club continues to develop the sport of curling through a variety of programs and tournaments, including youth, school and diversability programs. The facility is also increasingly used as a rental venue, providing much needed space for trade shows and other events which are well-attended by the community.

A Building Condition Assessment report regarding the facility was prepared for the City by Read Jones Christoffersen Ltd. in January 2017. The report concludes that, due to the age of the facility, several major systems will need replacement by 2023, including the ice making equipment and the roof.

**Chiller:** The recent tragedy in the Fernie, BC arena resulted in a regulatory review and facility inspections conducted by the BC Safety Authority and Worksafe BC. As a result of the facility inspection at the Kelowna Curling Club, the chiller was identified as being beyond its service life and an order was issued to remove the chiller from service. Replacement of the unit is mandatory and must take place as soon as possible so that the facility is ready to make ice for upcoming events. Based on a review of three estimates, the lowest projected cost for replacement of the chiller is \$150,209 plus GST.

**Roof:** The roof has been leaking since last year, and it is evident that the current roof system has failed and will need to be replaced now. Based on a review of three quotes provided by local companies, the roof replacement project cost is \$300,000. The roof replacement project must be completed before adverse fall weather sets in. The work will take approximately 4 to 6 weeks to complete.

The Club does not have sufficient resources on hand to replace both the chiller and the roof.

**Capital Project Grant:** The Club is eligible to apply to the provincial Gaming Branch for a Capital Project Grant which could provide up to 50 per cent of project costs, to a maximum of \$250,000. Applications are accepted between June 1 and July 31, 2018. The other 50 per cent must be matched from other sources, ideally by cash which is confirmed and available. The project work may commence at any time after the application is submitted. The timeline for grant notification is by the end of October, 2018, but may arrive sooner. This is outside the City's and the applicant's control. A project will be deemed ineligible if it is completed prior to notification from the Gaming Branch. Timelines, and the fact that Gaming funding is not guaranteed creates a significant financial risk both for the Club and for the City as the facility owner.

The lease provides that the Club is responsible for maintenance of both the roof and the chiller equipment. In the current circumstances, staff are recommending a partnered approach to replacement of both these items. This is not the first time that a non-profit facility operator such as the Curling Club has encountered challenges in covering the costs of necessary facility repairs. As is the case with all non-profit facility operating partners, the City seeks to find a win-win solution which recognizes obligations, pro-actively addresses issues, manages risk, protects a valuable physical asset and ensures that operations of an important public facility will continue to be viable and sustainable.

**Proposed arrangements:**

**1. Roof replacement**

The Club will proceed with replacement of the roof, supported by cash reserves on hand (\$150,000 or 50%) and an application for a Capital Project Grant (\$150,000 or 50%). The City will review the application prior to submission.

**2. Chiller replacement**

The City will provide the funds necessary to replace the chiller.

**3. Loan terms and conditions:**

The City will provide a loan of up to a maximum of \$300,000 to the Curling Club for the following purposes and on the following conditions:

- Interest at the rate of 2.75 per cent will be calculated annually only on the amounts actually advanced;
- First advance: \$150,000 for the replacement of the chiller;
- Second advance: only if needed, up to \$150,000 in the event of a shortfall or denial of Capital Project Grant proceeds for replacement of the roof. Funding will be advanced by the City only upon receipt of notification from the Gaming Branch.
- Payments will be semi-annual over a term of 5 years;
- \$50,000 will be a non-repayable contribution by the City of Kelowna.

Possible scenarios are:

Grant at 100%	Roof: \$150,000 Grant \$150,000 Club Chiller: \$150,000 City	City total \$150,000 Less \$50,000 non-repayable Balance payable to City \$100,000 <b>Semi-annual payment to City \$10,000 plus interest</b>
Grant partial (i.e. \$75,000 of \$150,000 request)	Roof: \$75,000 Grant \$150,000 Club \$75,000 City Chiller: \$150,000 City	City total \$225,000 Less \$50,000 non-repayable Balance payable to City \$175,000 <b>Semi-annual payment to City \$17,500 plus interest</b>
Grant unsuccessful	Roof: \$0 Grant \$150,000 Club \$150,000 City Chiller: \$150,000 City	City total \$300,000 Less \$50,000 non-repayable Balance payable to City \$250,000 <b>Semi-annual payment to City \$25,000 plus interest</b>

Staff have assessed the Club's capacity to carry the debt associated with this loan by considering:

- a) Past experience – in 2013/2014, the City approved a total loan to the Club of \$200,000 at 3 per cent annual interest, repayable in semi-annual payments of \$20,000 over a six-year period. The Club has made its payments on time. There are two remaining payments (\$20,000 on September 1, 2018 and \$20,439 on March 1, 2019) for this previous loan. The City has discussed with the Club the fact that the current and past loan payments will overlap and the Club has indicated that it will be able to meet both commitments without undue hardship.

- b) Review of financial statements – between 2013 and 2017, revenues have increased from \$575,583 to \$897,580, or 55 per cent. The Club projects continued growth and consistent cash flow from its key revenue centres: curling club fees and dues, food and beverage operations, pro shop, and facility rentals. The Club also benefits from an annual Gaming grant of approximately \$45,000 dedicated to youth and school programs. Revenues are projected to be over \$1 million by the end of the current fiscal year in April 2019.
- c) Other information provided by the Club – the Club is one of only three facilities in Canada with 12 ice sheets, and is in the top five clubs in the country in terms of revenues and membership which now stands at just over 1,200 members. The Club is pursuing additional revenues through hosting more competitive bonspiels, adding more leagues, increasing rentals in the off season, changing its liquor license, and working with Tourism Kelowna to bid on more major events, including a successful bid to host the 2018 World Mixed Curling Championships in October. The Club’s Board and staff are excited and optimistic about the future.

**Additional terms and conditions:**

- Based on the Building Condition Assessment Report, the Club must provide to the City for review and approval, a multi-year capital repair and replacement plan which sets out timelines and costs for necessary repairs and maintenance, and links these to the Club’s budget process. A Capital Renewal Plan has been requested as part of previous loan arrangements but has not been delivered. The City will hold the Club accountable for this deliverable.
- Improved financial reporting to the City, including:
  - o Annual Financial Statements, professionally prepared on a Review Engagement basis commencing with the fiscal year end April, 2019;
  - o Annual budgets once approved by the Club’s Board of Directors;
  - o Establishment of a capital improvement reserve based on actual building usage
- In consultation with City staff, the Club will create a plan to monetize commercial naming rights for the facility, as granted to the Club by Council in July 2014.

**Internal Circulation:**

Property Management Manager  
City Clerk  
Building Services Manager  
Financial Planning Manager  
Payroll & Internal Controls Manager  
Partnership Manager  
Sponsorship & Advertising Manager

**Financial/Budgetary Considerations:**

The Curling Club Improvement Reserve was established for the express purpose of funding capital improvements to the facility. There are currently sufficient funds in the Reserve to cover this request. If approved, the loan advances to the Club will be drawn from the Reserve, and all funds repaid by the Club to the City will be deposited back into the Reserve. There will be no budget or taxation impact arising from the loan to the Club.

**Considerations not applicable to this report:**

Legal/Statutory Authority

Legal/Statutory Procedural Requirements  
Existing Policy  
Personnel Implications  
External Agency/Public Comments  
Communications Comments  
Alternate Recommendation

Submitted by:

J. Gabriel, Division Director, Active Living & Culture

cc:

Property Management Manager  
City Clerk  
Building Services Manager  
Financial Planning Manager  
Payroll & Internal Controls Manager  
Partnership Manager  
Sponsorship & Advertising Manager  
Divisional Director Financial Services