

**COMMUNITY SERVICES****Town of Newmarket**

395 Mulock Drive

P.O. Box 328, STN Main

Newmarket, ON L3Y 4X7

www.newmarket.ca

T: 905 895.5193

F: 905 953 5113

April 5th, 2014**COMMUNITY SERVICES – RECREATION & CULTURE
INFORMATION REPORT # 2014-12**

TO: Members of Council

COPY: Bob Shelton, CAO
Anita Moore, Commissioner of Corporate Services
Rob Prentice, Commissioner of Development and Infrastructure Services
Members of OLT

SUBJECT: Newmarket Soccer Club Quarterly Update, Q1 2014

ORIGIN: Director of Recreation and Culture

COMMENTS

The purpose of this report is to provide Council with a detailed update and address any previously submitted questions from Members of Council with respect to the Newmarket Soccer Club. This report is in keeping with the commitment to provide written quarterly updates to Council. In accordance with the Procedure Bylaw, any member of Council may request an Information Report to be placed on an upcoming Committee of the Whole agenda for discussion.

Inventory and Summary of Reports to Date on Newmarket Soccer Club (NSC)

There have been five reports written to date regarding Newmarket Soccer Club, since the Club made the Town aware of their financial challenges at the end of July, 2013. Below is an inventory and summary of each of the reports:

Report # 2013-33 – Joint CAO and Commissioner, Community Services Confidential Information Report

This report was distributed to Mayor and Members of Council on August 22, 2013. This report provided a recap of the presentation provided to Council by NSC at a Special Council Meeting on August 2, 2013. This information was provided in closed session as options considered included potential property matters. No decision was made through this report as it was strictly an information report to Council.

Report # 2013-34 – Community Services – Recreation & Culture Confidential Information Report

This report was distributed to Mayor and Members of Council on August 26, 2013. This report provided a series of options to consider in response to the request of NSC. This information was provided in closed session as options considered included potential property matters. No decision was made through this report as it was strictly an information report to Council.

Report # 2013-36 Community Services – Recreation & Culture Closed Session Report

This report was distributed to Mayor and Members of Council as part of the August 28th Committee of the Whole. This information was provided in closed session as options considered included potential property

matters. This report formally recommended three options for Council to consider. Each option was accompanied with detailed analysis of pros and cons as well as additional considerations if the option were selected. Based on the information provided and subsequent discussion that came out of that report the following resolution was adopted providing staff with direction to move forward:

Town Council Electronic Extract - Date: September 9, 2013

49. COMMUNITY SERVICES – RECREATION AND CULTURE CONFIDENTIAL INFORMATION REPORT 2013-34 AND COMMUNITY SERVICES – RECREATION AND CULTURE (CLOSED SESSION) REPORT 2013-36 – SOCCER CLUB MATTER *(PENDING ACQUISITION OF LAND BY THE MUNICIPALITY AND SECURITY OF THE PROPERTY OF THE MUNICIPALITY) WARD 1*

THAT Community Services – Recreation and Culture (Closed Session) Report 2013-36 dated August 28, 2013 and Community Services – Recreation and Culture Confidential Information Report 2013-34 dated August 26, 2013 and with respect to Newmarket Soccer Club be received and the following recommendations be adopted:

1. THAT the Town of Newmarket offer to pay out the existing \$2.5 million dollar loan between the Newmarket Soccer Club and Garont Investments Ltd. and enter into a loan agreement with the Newmarket Soccer Club for \$2.8 million at an interest rate of Prime +2%;
2. AND THAT the loan provide that interest payments only be made until the sale of the lands located at 17217 Woodbine Avenue ("Woodbine lands") is complete;
3. AND THAT the loan set out in Recommendation 1 be secured by a mortgage representing a first charge on both the Woodbine lands and lands located at 621 Newpark Boulevard ("Newpark lands");
4. AND THAT the Newmarket Soccer Club proceed expeditiously with the sale of the Woodbine lands while maximizing value; and that 80% of the proceeds of the sale of the Woodbine lands be directly applied to the loan in Recommendation 1;
5. AND THAT the Town of Newmarket negotiate a suitable access agreement for other community recreation users at Newmarket Soccer Club established rental rates;
6. AND THAT the Town of Newmarket negotiate a suitable access agreement for Town programming at specific times of day/year for other Town recreation and field users at no cost to the Town;

7. AND THAT the loan agreement contain provisions for a periodic review of payment terms in the event the Newmarket Soccer Club can secure a replacement lender once the operation has been in place to reflect actuals versus forecasts;
8. AND THAT any remaining issues, terms and conditions be delegated to staff to negotiate and finalize with the Newmarket Soccer Club as contained within Scenario 2 of the Closed Session report.

The following two reports, Reports #2013-44 and #2013-46 are available publicly:

Report # 2013-44 Community Services – Recreation & Culture Information Report

This report was distributed to Mayor and Members of Council on October 29th, 2013. This report outlined the terms of the loan; an update on the sale of the Woodbine Lands including Town involvement in the sale of the lands; clarification of the role of staff on the NSC Board; an update on total participation in 2013 for NSC; clarification around fees for NSC in 2014; repayment plans by NSC for outstanding field payments in 2013; information around the outstanding RInC funding provided to NSC; and an update on board participation by volunteers on the NSC Board.

Report # 2013-46 Community Services – Recreation & Culture Information Report

This report was distributed to Mayor and Members of Council on December 23rd, 2013. This report was a follow up to the last Information Report as a number of questions were raised that were answered in this report. This report also included the resolution from Council dated September 9, 2013 (as is included in this report as well). As well, all questions asked by Council were included in the report along with specific answers to the questions. This report also served as the first quarterly update for Council.

Financial and Usage Terms of the Agreement

The following outlines terms of the loan to NSC:

1. A loan for \$2.8 Million was extended at an interest rate of prime + 2 % (currently a total of 5%). The term of the loan is for three years with the Town having the option to renew for 2 additional 1 year periods, amortized over 25 years. Council has total discretion as to whether or not the loaned is renewed after 3 years. Most contracts the Town of Newmarket enters into do include options for renewal. This option was also included within the agreement should loan payments be made promptly as per the timeline, this loan represents a better return on investment than if this money were invested by the Town in a more traditional investment. Again, whether or not the loan is renewed is completely at the discretion of Council. This is an open loan, enabling NSC the opportunity to pay off the loan entirely at any time, with no penalty.
2. Monthly payments began in January. The agreement stipulates that payments are interest only payments until such time as the Woodbine lands are sold. NSC has made all required payments on the loan to date.
3. The loan is secured against both the Newmarket Soccer Centre and the Woodbine Lands. Both properties were independently appraised. The Newmarket Soccer Centre was appraised in 2013 by York Simcoe Appraisal Company at a value of \$3.9 Million. The Woodbine Lands were independently appraised by A.W.Garbens in July, 2010 at a value of

- \$875,000. Consequently, if NSC were to default on the loan, the Town of Newmarket would be in the first position to assume both properties.
4. NSC listed the Woodbine Lands property in September 2013. The agreement does specify that 80% of proceeds of the sale of the Woodbine Lands will be paid to the Town of Newmarket, applied against the loan.
 5. NSC has been renting to outside organizations including football and field hockey. The agreement stipulates that NSC would rent fields to other user groups – NSC is complying with the agreement. Additionally, the Town of Newmarket will be offering a summer camp at the Newmarket Soccer Club facility in 2014.

The following table demonstrates total amount of outstanding fees and status of payment from NSC to the Town of Newmarket:

SUMMARY OF AMOUNTS DUE FROM THE NEWMARKET SOCCER CLUB			
DESCRIPTION	ORIGINAL AMOUNT	CURRENT BALANCE (March 31, 2014)	NOTES
Loan - Indoor Facility Mortgage	\$ 2,800,000	\$ 2,800,000	Monthly interest-only payments are being made on schedule
Loan - Development Charges and Planning Fees (per Council directive on September 30, 2011)	\$ 89,768	\$ 67,326	NSC has provided post-dated cheques for 2014
2013 Field Fees	\$ 147,149	\$ 49,109	Balance is due by end of April
Interest on Field Fees	TBD	TBD	Interest to be invoiced in May, estimated to be \$6,800

Town Presence, Role of Staff and Representation on NSC Board

Currently, the Director of Recreation & Culture attends and participates in all NSC Board Meetings as a non-voting member of the Board. In the event that this does not meet the needs of the Town, the Town has reserved the right to ask that NSC obtain approval from the membership to appoint a Town staff person to sit as a voting member on the Board – approval from the membership at a special general meeting is required to make such an appointment as per the NSC constitution.

The Director is privy to all board information and is apprised of all decisions made by the Board and has opportunity to speak to any issue. Specifically the Director monitors cash flow analysis and repayment of outstanding debts with the goal of ensuring that the investment of the Town of Newmarket is well protected. The Director is made aware of operating practices and policies but only comments on these policies and practices if it is deemed that they put the investment of the Town of Newmarket at risk.

It would be difficult for the Director of Recreation & Culture to serve as a full board member without giving NSC an advantage over other sport organizations. For example, all board members are required to source

potential sponsors for the club. The Director of Recreation & Culture refrains from involvement in such discussions so as to not provide an advantage to NSC that other organizations do not also obtain.

There are currently 11 positions on the NSC Board. At present 9 of 11 positions are filled. A recent application for a position has been received by NSC and will be filled shortly bringing the total to 10 of 11. In the 2011-2012 season, 7 of 11 positions were filled; in the 2012-2013 season, 8 of 11 positions were filled. It is not unusual for a community based sport organization to have some board positions vacant at any point in time.

Sale of Woodbine Lands

The Town requires that the land on Woodbine be sold, and that 80% of proceeds from the sale of the land go back to the Town to be applied against the loan. The property was listed for sale in September, 2013 at a price of \$43,500 per acre. Frequent showings have occurred; however; no written offers have materialized to date. NSC reduced the price to \$39,500 per acre in December, 2013. The Town of Newmarket is in regular communication with NSC around the strategy for sale of the land, ensuring that the land is sold for an appropriate price. It should be noted that in cases of farm land sales, the NSC is being advised by their realtor that it is typical that land will sit for a minimum of 3 to 6 months.

The CAO, Commission of Community Services and Director of Recreation & Culture will be meeting with representatives of NSC and their listing agent in April, 2014 to explore actions to date and discuss strategy to ensure the Newmarket Soccer Club proceeds expeditiously with the sale of the Woodbine lands while maximizing value. Outcomes of this discussion will be shared with Council.

Repayment of 2013 Fees and Processes Moving Forward

NSC were unable to pay the 2013 field fees due to their financial constraints at the time. One of the stipulations of the agreement in loaning NSC the \$2.8 million was that all fees from 2013 be paid prior to May 31st, 2014. As such, the unpaid fees are secured through the loan process.

The total outstanding fees from 2013 were \$147,148.84. NSC made a payment on February 28th in the amount of \$38,770.94 and another payment on March 28th totaling \$59,268.96. As such, the remainder owing as of April 5th, 2014 is \$49,108.94. NSC has indicated that they do not foresee an issue paying the remaining 2013 field fee balance in by month end. Outstanding fees from 2013 are subject to interest of 1.5% as per Town of Newmarket user fee schedule. Upon payment of the remaining balance, interest will be calculated and NSC will be billed accordingly.

All outstanding fees are currently showing as accounts receivable within the Town of Newmarket. As such repayment of these fees goes against the accounts receivable. Therefore these fees will not be placed in any reserve funds.

With user groups, the practice has been that groups are expected to pay before play occurs. Traditionally, major community sport user groups are billed at the month end for scheduled use the following month. It often does result in a short time lag between issue of the invoice and payment depending upon each organization's respective payment processing systems. As a matter of practice, staff work diligently with individuals and organizations to ensure payments are made within a 30 day time period. In the case of 2013 NSC field fees; staff had been seeking payment from the NSC. Prior to to the account becoming 90

days overdue, the Commissioner of Community Services was made aware on July 26th, 2013 that NSC had not been making payments and was in arrears for a total of \$98,025.40. That same day, the Commissioner of Community Services and the Commissioner of Development and Infrastructure Services met with representatives of the Newmarket Soccer Club. Following that, the CAO was alerted of the situation and the CAO subsequently sent an email informing all Members of Council on July 30th, 2013.

Although it has been the practice to work with organizations to ensure timely payment, through this experience and in keeping with the Town's focus on continuous improvement, Finance and Recreation & Culture staff have identified the need to review these practices in order to improve timing, communications, and follow up procedures. Specifically, the Director of Recreation & Culture and the Director of Financial Services/Treasurer are in the midst of working to revamp the process so that both are aware of any outstanding payment situations within 30 days and that appropriate actions are taken quickly. This will include a formal trigger process to alert Council of any issues in a timely manner. Once this process is finalized a joint information report from the Director of Recreation & Culture and the Director of Financial Services/Treasurer will be distributed.

Schedule of Reports Moving Forward

As has been indicated previously, quarterly updates will be provided to Council. The quarter end dates are June 30th, September 30th and December 31st. Staff will endeavor to gather data and produce an update report within 15 business days of the end of each quarter.

In between quarterly updates, Members of Council are invited to ask questions. If questions can be answered via quarterly update, then they will be included within the update. If immediate attention is required then questions will be answered via information report. Information reports and quarterly updates will be available publicly.

Update from NSC on Indoor Season and Outdoor Registrations

Please see Appendix A for an update provided directly by NSC on their indoor season, as well as other pertinent information.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

Living Well

- Emphasis on active lifestyles and recreational opportunities

Well Balanced

- Arts, culture, entertainment and heritage preservation
- Events that help shape identity and contribute to community spirit

Well Respected

- Being tradition-based and forward thinking

BUDGET IMPACT

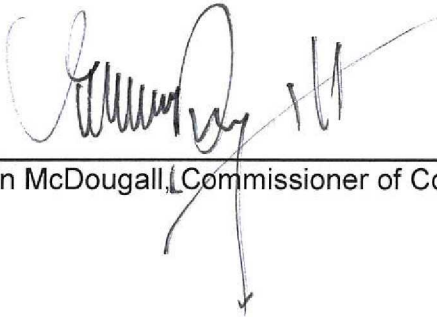
There is no direct budget impact at this time.

CONTACT

For more information on this report, please contact Colin Service, Director of Recreation & Culture at cservice@newmarket.ca or at extension 2601.



Colin Service, Director of Recreation & Culture



Ian McDougall, Commissioner of Community Services

Appendix A



How was the first Indoor season in the new facility?

Simply stated - it surpassed our expectations - response from users and visitors alike was overwhelmingly positive!

Recreational League play and Skills development were well attended and achieved the conservative first year revenue targets we had established. On the Competitive side our programming introduced some new position specific training, which was highly acclaimed by players, parents and Technical Staff. We are enjoying a small increase in participation levels.

In addition, outside rentals and alternate sports usage have contributed to an increase over our first year expectations. Private users, independent leagues, neighbouring Soccer Clubs, local sports organisations and 7 or 8 different local schools (including every Newmarket high school) have used the facility for Rugby, Football, Baseball, Field Hockey and Ultimate Frisbee.

The Club realised just over \$500,000 in revenue from the first indoor season, which of course is a huge positive and has allowed us to make significant inroads in our accumulated liabilities. The Club has made good on its promise to repay all of the supplier & construction debts that were incurred and received tremendous good will in return.

What's planned for the future?

Learn from and improve on what we've done this year so far.

We believe service to our members has already improved, but we know there's more that can be done. In the months ahead, as current commitments expire, we will be free to explore new partnerships that can assist us in being more productive and provide better value.

We have an exciting Recreational Summer season planned – World Cup themed of course! Plans include supporting our Volunteer Coaches with Technical Staff assistance, practice plans and equipment and even gloves for their Goalkeepers this year!

Our Referees will have the opportunity to improve their skills and be more connected with the Club via on field visits from our new Head Referee (and experienced mentors), and the introduction of monthly play & learn sessions.

Appendix A



Next Indoor season we have plans to deliver improved value for Indoor Recreational League players, add extra spots for the sold out Skills program and further enhance the development for the Competitive group.

What else is going at the Club?

Board members

We're delighted to have progressed over recent years from 7 of 11 positions filled in 2012, 8 of 11 in 2013 to 9 of 11 in 2014. We'll probably be adding at least one more in the next few weeks to take us to 10 of 11. It's gratifying to see experienced individuals stepping up, eager to help and ensure the Club continues for another 50 years.

Club operations

We have restructured and have reduced the Full Time staff head count from 5 to 3 but by enhancing communications & opening hours, have continued to improve service to our members This includes introducing 3 email Hotlines for our members & volunteers so that if they have questions or concerns they can be dealt with more efficiently (Ask the Ref, Ask the Coach & Ask the General Manager).