



COMMUNITY SERVICES
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January 16, 2015

**JOINT COMMUNITY SERVICES – RECREATION & CULTURE & CORPORATE SERVICES – FINANCE
INFORMATION REPORT # 2015-01**

TO: Members of Council

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

SUBJECT: Newmarket Soccer Club Final Quarterly Update

ORIGIN: Director of Recreation and Culture

COMMENTS

The purpose of this report is to provide Council with a detailed final update with respect to the Newmarket Soccer Club (NSC). NSC has officially repaid the full balance owing on the \$2.8 Million loan agreed to in September 2013. The transaction closed January 19, 2015. 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.

Given that this is a final report, a detailed history of the relationship is being included.

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


This is the ninth report written 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 confidentially 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 confidentially 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, 2013 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 5 reports were made 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 those questions. This report also served as the first quarterly update for Council.

Report # 2014-12 Community Services – Recreation & Culture Information Report

This report was distributed to Mayor and Members of Council on April 5th, 2014. This report provided a summary of all reports to date; outlined the specific financial and usage terms of the loan; an update on the sale of the Woodbine Lands including Town involvement in the sale of the lands; detailed explanation of the role of staff on the NSC Board; an update on payment of 2013 field fees and how the process would be improved moving forward; clarification around fees for NSC in 2014; and an update provided by NSC on their indoor season.

Report # 2014-21 Community Services – Recreation & Culture Information Report

This report was distributed to Mayor and Members of Council on July 31, 2014. This report provided specific details on outstanding debts to the Town; an update on the sale of the Woodbine Lands including Town involvement in the sale of the lands; an update on the repayment of liens on the property; an update on total outdoor season participation in 2014 for NSC; and an update on plans for the 2014 indoor season.

Report # 2014-28 Community Services – Recreation & Culture Information Report

This report was distributed to Mayor and Members of Council on October 1st, 2014. This report informed Council of the sale of the Woodbine Lands and the amount applied to the principle of the loan; an update that payment of all 2014 fees was made on schedule; an update that lien holders were paid in full; and an update on 2014 indoor season participation.

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			
As of January 19, 2015			
DESCRIPTION	ORIGINAL AMOUNT	CURRENT BALANCE	NOTES
Loan - Indoor Facility Mortgage	\$ 2,800,000	\$ 0	Total interest paid by NSC on this loan was over \$140,000.
Loan - Development Charges and Planning Fees (per Council directive on September 30, 2011)	\$ 89,768	\$60,593	In full compliance. This 10 year loan falls under a separate agreement approved by Council in 2011.
2013 Field Fees	\$ 147,149	\$0	A payment plan was established and NSC paid all fees in full in accordance with the payment plan.
Interest on 2013 Field Fees	\$9,838	\$0	NSC paid a penalty of \$9,838 in interest on the outstanding field fees for 2013. This was paid in full upon invoice.
2014 Field Fees	\$99,078	\$0	All 2014 field payments were made ahead of use, as per Town of Newmarket practice.

Town Presence, Role of Staff and Representation on NSC Board

The Director of Recreation & Culture attended and participated in NSC Board Meetings as a non-voting member of the Board.

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

Sale of Woodbine Lands

The Town required 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. Frequent showings occurred. NSC reduced the price in December, 2013. The Town of Newmarket was in regular communication with NSC around the strategy for sale of the land, ensuring that the land is sold for an appropriate price. The CAO, Commissioner of Community Services and Director of Recreation & Culture met with representatives of NSC and their listing agent in April, 2014 to explore actions and discuss strategy to ensure the Newmarket Soccer Club proceeded expeditiously with the sale of the Woodbine lands while maximizing value.

The property was sold August 22, 2014 at a price of \$600,000. While this price was lower than the 2010 appraisal, it was in line with the 2012 MPAC Assessment of \$610,000. As per the agreement, 80% of the land sale proceeds, \$475,950 was applied to the principle of the \$2.8 Million loan.

Repayment of 2013 Fees

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 were secured through the loan process.

A repayment plan was established. NSC made all payments in advance of the required dates. NSC paid 100% of outstanding 2013 field fees and paid an additional \$9,838 in interest penalty to the Town.

Highlights of NSC and Town of Newmarket Relationship

Upon full repayment of the loan by NSC to the Town of Newmarket, it is important to note the following successes realized by both organizations:

- Over 3,200 youth participants were able to finish their 2013 outdoor season
- NSC has now been able to offer 2 successful indoor seasons providing year round physical activity opportunities to thousands of Newmarket residents
- NSC reviewed and implemented needed staffing structural changes to reduce costs, improve efficiency and improve customer service
- NSC has paid off all debts to vendors and lien holders and has significantly improved their overall financial situation
- The Town was able to offer a youth sports camp at the NSC Facility, serving over 400 youth
- All 2013 field fees were collected in full with \$9,838 paid in interest penalty
- All 2014 field fees were collected on time
- The Town collected over \$140,000 in interest payments more than doubling what would have been earned otherwise. Had the Town left this money in reserves, the total amount earned in interest would have totalled approximately \$35,000.
- Through increased collaboration at Board Meetings, the Town and NSC have gained a deeper insight and greater understanding into operational challenges each organization encounters.
- The loan was paid off entirely just over 1 year after the funds were extended to Newmarket Soccer Club.

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



Mike Mayes, Director of Financial Services



Anita Moore, Commissioner of Corporate Services