

# Corporate Report

NO: R136

COUNCIL DATE: May 30, 2005



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## REGULAR

TO: Mayor & Council                      DATE: May 26, 2005  
FROM: General Manager, Parks,        FILE: 2115 – 01;  
         Recreation and Culture                      6140–20/S  
SUBJECT: Rotary Fieldhouse, South Surrey Athletic Park

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## RECOMMENDATION

That Council:

1. Receive this report for information.
2. Forgive the remaining South Surrey Rotary Fieldhouse Society debt of \$85,400 that arose from a 1998 Council-approved project loan of \$100,000, in exchange for increased hours of City of Surrey access to the Rotary Fieldhouse, as outlined in Option 1 of the *Debt Retirement* section of this report.
3. Approve the *Operating Plan* for the Rotary Fieldhouse, as described within this report.

## INTENT

To gain Council approval of a debt retirement plan and operating plan for the Rotary Fieldhouse located in South Surrey Athletic Park.

## BACKGROUND

When South Surrey Athletic Park was designed, a washroom/change room building was included to service the needs of the park patrons that use the athletic fields north of 20 Avenue. Funding from the City became available to construct the washroom/change room in the mid-1990's.

Staff met with the athletic community who use the fields at South Surrey Athletic Park to get input into the facility design, and also with members of the Rotary, who previously had provided funding for other amenities at South Surrey Athletic Park. At that time, the athletic associations, the Eagles hockey club and the Rotary indicated that they had raised funds and could contribute to the development of a larger facility that included meeting rooms and storage areas.

The following various groups came together to form the **South Surrey Rotary Fieldhouse Society** (the Society):

White Rock Rotary Club

South Surrey Eagles Hockey

Semiahmoo Rotary Club

Bayside Rugby Football Club

Peach Arch Soccer

Semiahmoo Soccer

Semiahmoo Old Boys Soccer

The Society was funded by the various clubs and associations to build and operate the facility. The concept was that the City would contribute the funds that it would otherwise have spent to build a stand-alone washroom/change room building, the Society would apply for a BC 21 Grant from the Province of BC, and the Society would raise the balance of the funds to complete the larger facility. The Society developed plans for a facility that would include a banquet room and kitchens in addition to the meeting rooms, thereby creating a rental facility that could generate revenue to cover its operating costs. Unfortunately, the contribution from the provincial government did not materialize due to cancellation of the BC 21 Grant Program.

A staff member was assigned to work with the Society in the development of the facility, and a lease agreement was signed with the City. The initial design for the facility was scaled back when it became apparent that the projected costs of the facility were beyond the Society's ability to raise the necessary funds in time for a construction start date. When it was determined that completion of the building would still cost more than the Society had in its budget, City Council, in May of 1998, approved the following resolution:

"That the Rotary Fieldhouse project be allowed to proceed on the basis that the City temporarily front-end any funding shortfall on this project to an upset limit of \$100,000 to be repaid by the South Surrey Rotary Fieldhouse Society **within two years.**"

The City advanced \$100,000 at that time, and construction was completed later that year in time for a grand opening in March 1999. Unfortunately, there were cost over-runs of \$162,322 on the project during construction, which were covered by the City from Park Development Capital in 1999. It was understood at the time that the Society would endeavour to repay to the City the value of the cost over-run.

The Society now operates the entire building from September until April, with the City covering all costs associated with operating the changing rooms and washrooms from May until August. The rationale for this split was that the athletic groups that contributed original funding for the facility do not use the washrooms and change rooms during the late spring and summer months, and that this is more of a service to the general public who use the park than to the soccer and rugby groups. The City has a responsibility for normal wear and tear and repairs to the exterior of the building, but these have been minimal to date.

The Rotary Fieldhouse is a well-used facility that is used for catered events, for meetings, and for storage of books and athletic gear. Its principle use as washrooms and change rooms serving the athletic community is unchanged.

## **DISCUSSION**

### **Capital & Debt**

The value of the building at the time of construction was approximately \$1,000,000, with total construction costs of \$940,000 and additional \$60,000 non-monetary contribution of labour provided through a Human Resources Development Canada Program. The contribution from the Society and its funding partners was **\$476,300**, with the City having provided the balance of \$463,700.

Based on the funding loaned to the project by City Council, the Society's original debt to the City was **\$100,000**, with an additional amount of \$162,322 that the Society had agreed that it would try to repay. Since 1999, however, the Society has repaid the City only **\$14,600**. Based on the original understanding of the requirement to repay the City, this leaves an outstanding balance of **\$85,400**. It should be noted that these figures do not take into account the usual cost of borrowing (interest charges).

The Society has stated to staff in a number of meetings that it is unable to service the debt to the extent that the City deems necessary under the original resolution of Council, and the Society has asked the City to forgive all repayments.

## Operating Costs

The Society rents out space within the facility, at rates that they set based upon market conditions. They also raise funds from dues paid by member groups. Through these revenue initiatives, the Society derives sufficient income to pay for the utilities, the cleaning, the upkeep and modest facility improvement, all of which are managed by the Society itself, not by the City. The Society has advised that vandalism costs have been relatively high at the facility, as they are at many other public facilities. With the exception of costs borne by the Parks Division for washroom cleaning during the summer (approximately \$4,000 per year) the Society operates the facility without further subsidy from the City. Staff have reviewed summary information relating to revenues and expenses for the facility; the information indicated that the facility does *not* generate sufficient revenue to create a net surplus from which to contribute in a significant way to debt reduction to the City, as originally contemplated by Council in its lending resolution.

Staff compared this facility to other Civic facilities that are operated by either community groups on behalf of the City, or through City forces directly. It was found that comparable City facilities located elsewhere in Surrey are operated with costs and revenues similar to the Rotary Fieldhouse.

## Options for Debt Retirement and Future Operation of the Fieldhouse

This issue was brought before the Parks and Community Services Committee, who, after exploring the issues and engaging in considerable discussion over the course of two meetings, passed a resolution for staff to consider recommending to Council that the \$162,322 in cost over-runs not be considered as debt, and that the remaining \$85,400 in debt repaid to the City as described in 1. of Debt Retirement Options below. Their resolution also generally endorsed the operating model as described in A D of the *Operating Plan* below. The full range of options discussed by the Committee, together with a plan for future operation of the Fieldhouse is described below.

## Debt Retirement Options

1. Council at its discretion can forgive the debt of \$85,400, and in exchange for this, would negotiate a

change to the lease provisions to provide for greater access for City of Surrey events, programs and meetings at no charge to the City; the parties have already met about this issue, and it is mutually agreed that City access would not exceed twenty mid week evening meetings per year, and would not exceed 15 hours of mid week daytime hours in any given week year-round. Or

2. Repayment of the \$85,400 debt can be structured at \$5,000 annually for 17 years, without a provision for the charging of interest on the debt, with this repayment requirement included in the lease, which is currently being renegotiated. It is believed that the Society can achieve this level of payment within its current mode of operation of the Fieldhouse. Or
3. Staff can be directed by Council to meet with the Society to find a mutually agreeable repayment scheme for the debt, with said repayment scheme to not exceed three (3) consecutive five-year lease terms. Or
4. The Society could be required to invest \$85,400 back into the facility over the next five (5) years for major facility upgrades, with any and all upgrades pre approved by the City, and with this provision included in the lease that is currently being renegotiated. This option is provided for consideration on the understanding that it is easier to fund-raise for capital improvements than it is to retire debt through operations, and therefore the time frame is shorter than for repayment of the debt.

*Staff Recommend Option 1. above as the preferred method of dealing with the \$85,400 remaining from the original Council-approved debt.*

## Operating Plan

- A. The Society is in a position to operate the Fieldhouse with no substantive subsidy from the City, offering rental space for meetings and events in a community context. Staff see the current operating model as appropriate for at least the next five (5) years; this will coincide with the term of the lease, which is presently up for renewal for a five year period. The new lease will be structured to reflect these recommendations and any additional comments that Council may make arising from deliberation of this report.
- B. The City will explore ways to assist the Society in promoting the Fieldhouse as a rental venue, with the aim of improving revenues and thus facilitating opportunities to generate revenue for facility maintenance and upgrades.
- C. The City will meet regularly with the Society to identify mutually agreeable opportunities for utilizing space at the Fieldhouse for holding public meetings and in the delivery of community leisure programs.
- D. As a requirement for acceptance of Council forgiving the debt, the Society will host a facilitated meeting of Fieldhouse stakeholders, analysing storage needs and current storage space allocations, with the goal of optimizing storage space for all key facility users.

## CONCLUSION

Service clubs, athletic associations and the Surrey Eagles raised slightly more than half of the funding to build the Rotary Field House in South Surrey Athletic Park, with an initial construction of value of approximately \$1 million. However, the City was left with approximately one-quarter million in outstanding debt and construction costs, which

the operator of the facility, the South Surrey Rotary Field House Society, has stated they are unable to repay.

The report reviews the capital and operating issues for the Rotary Fieldhouse, and presents some options for Council's consideration relative to debt retirement and a future operating model. The staff recommendation is to have Council forgive the debt of \$85,400, and in exchange for this, negotiate a change to the lease provisions to provide for greater access for City of Surrey events, programs and meetings at no charge to the City. It is mutually understood between the parties that City access would not exceed twenty mid week evening meetings per year, and would not exceed 15 hours of mid week daytime hours in any given week year-round.



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