

II. **Facilities and Grounds Covered by the Agreement** – The Agreement covers the lands and includes: the Millennium Amphitheatre; Shannon Hall; Alice McKay Building; Agriplex; Show Barn; First-Aid / Washroom Building; Stetson Bowl; and the Fairgrounds Works Yard Building and Shops.

III. **Uses** – The Agreement provides for the Association’s booking of trade fairs, livestock & domestic animal shows, recreational activities, agricultural activities, concerts, swap meets, flea markets and other community events. The Association would not be permitted to book the Fairground facilities for extreme martial arts or unsanctioned boxing matches.

The Agreement allows the City free use of the Fairgrounds to host Canada Day at the Millennium Amphitheatre.

IV. **Funding** – The current Agreement provides \$280,000 in operating funding to the Association in each of the two years of the agreement. In addition, the City is a co-signator with the Association on a \$200,000 line of credit, to be used as a contingency if the operating funding is insufficient to meet all of the Association’s needs during the terms of the agreement. The Agreement provides that the City must approve all draws against the line of credit.

The Agreement provides for the City’s continuing involvement in providing certain specified operating functions and preventative/corrective maintenance programs for Fairgrounds buildings, the Millennium Amphitheatre, and city-owned underground utilities.

V. **Independence of the Operator** – The Agreement ensures that the Association is an independent contractor to the City, and does not create a relationship of employer and employee, nor of a partnership or joint venture. The Association does not have the authority to enter into any agreements or contracts on behalf of the City, except as expressly set out in the Agreement.

VI. **Insurance and Damages** – The Agreement contains standard damage, insurance and indemnity clauses.

VII. **Termination** – Under the terms of the Agreement, the City may terminate the Agreement upon written notice to the Association, with provisions regarding settlement. The Agreement also allows for termination by the Association under certain stipulated conditions.

Comments on the Current Agreement

The Association has stated that the level of funding provided by the Agreement is insufficient for the operation of the Fairgrounds. Additional funding was provided to the Association during the last six months of the current agreement to allow it to remain solvent since it was experiencing cash flow difficulties due to the uncertainty of its tenure in relation to operating the Fairgrounds.

Other aspects of the Agreement have been working relatively smoothly.

Summary of Significant Proposed Changes to the 2008-2009 Agreement

Staff met with the Association several times through 2007 to discuss changes to the 2008-2009 Operating Agreement. The City proposes to address several items in the 2008-2009 Agreement as follows:

1. The Operating Fee in each of the two years of the Agreement will be \$300,000. In addition, the City will provide a line of credit to the Association, whereby the Association would be able to draw up to \$200,000 in each of the two years of the Agreement, based on pre-approval by staff of the draws. This amounts to an increase of \$100,000 annually in each of the two years of the Agreement over the 2006-2007 (current) Agreement.
2. It is anticipated that the new Cloverdale Community Recreation Centre will be constructed during the term of the Agreement. Present plans show that the Alice McKay Building (Products Building) and the Shannon Hall will be demolished to allow construction of the new facility and its ancilliary parking. This would likely have an impact on Association revenues and costs, as these two facilities brought in a combined net revenue of \$94,000 in the Association's 2006-2007 fiscal year. In order to address this change in status, a provision has been added in the Agreement that will enable the City and the Association to renegotiate the Fees portion of the Agreement if facilities are removed from the Fairgrounds.
3. Several house-keeping changes have been made to the Agreement. These include:
 - increases in the limits for small capital expenditures;
 - addition of the Coverall Building to the list of Fairgrounds Facilities; and
 - miscellaneous other small items
 - use of the Cloverdale Ice Arena and Curling rink by the Operator during the annual Rodeo and Exhibition.

A copy of the draft proposed Operating Agreement for 2008-2009 is attached as Appendix 1.

Approval by the Board of the Lower Fraser Valley Exhibition Association

The Operator's Board of Directors met November 29, 2007. At the meeting, the Board approved entering into the two-year Operating Agreement with the City, based on the attached Agreement as drafted.

Review by City's Legal Services

The attached draft has been reviewed and approved by the City's Legal Services Division.

CONCLUSION

Based on the above discussion, it is recommended that Council approve the City entering into an Operating Agreement with the Lower Fraser Valley Exhibition Association for the years 2008-2009 for the operation of the Cloverdale Fairgrounds, for total operating fee of \$600,000 plus an additional \$200,000 per year made available on a City-held line of credit in the first year extending to a maximum of \$400,000 over the full term of the Agreement.

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