

NO: **R221**

COUNCIL DATE: **December 12, 2011**

REGULAR COUNCIL

TO: **Mayor & Council** DATE: **December 7, 2011**

FROM: **General Manager, Finance & Technology** FILE: **0930-30/009**
General Manager, Parks, Recreation and Culture

SUBJECT: **Amendment to the Operating Agreement with the Cloverdale Curling Club for the Cloverdale Curling Rink – Additional Grant Amount**

RECOMMENDATIONS

The Finance & Technology Department and the Parks, Recreation and Culture Department recommend that Council approve the execution by the appropriate City Officials of an amendment as generally described in this report to the Operating Agreement with the Cloverdale Curling Club (the “Club”) that will provide for the City to grant an additional \$30,000 per year (for a total grant of \$60,000 per year) to the Club to allow for the continued operation of the Cloverdale Curling Rink by the Club for the remainder of the five-year period covered in the Operating Agreement, which ends on August 31, 2015.

BACKGROUND

In July 2010, Council approved an Operating Agreement with the Club (see Corporate Report No. R169:2010 attached as Appendix “A”). The Agreement currently stipulates that the City will provide an annual grant of \$30,000 to the Club to support the operation of the Club. The City has also committed to providing \$30,000 per year for capital maintenance of the curling rink building and infrastructure.

In August 2011, representatives from the Club met with staff to review the previous season’s operation. They advised that they were experiencing financial challenges due to a shortfall in revenues and requested \$30,000 of additional financial support on an annual basis to assist with the Club’s operating expenses. The Club stated that the following conditions were contributing factors in relation to their need for additional support:

- In 2011 the White Rock Curling Club was closed for renovations for the curling season. As a result, many of the players from the White Rock Club registered with the Cloverdale Club. The White Rock Curling Club has now reopened and their members have returned to their home club.
- In 2011 the Cloverdale Curling Club hosted the Scott Tournament of Hearts, which generated significant revenues for the Club on a one-time basis that would not be available in 2012 or future years.

- The Club has increased registration fees to a point where the Club's fees are higher than neighbouring clubs. Further increases would result in lower revenues due to decreases in membership.

The Club has been working with staff on the following initiatives:

- Cross marketing between the Curling Club and the City's recreation centres, aimed at increasing the club's exposure within the community. This includes assisting the Club with distribution of promotional materials, programming partnerships and presentations at festivals and special events;
- Developing a site plan that will enhance the presence of the Curling Club building such as street signage, directional signage on the site and building signage;
- Cosmetic upgrades that improve the overall appearance of the facility; and
- Selecting a Concessionaire/Catering operator for the building.

Curling Fees

Staff conducted a survey of curling membership and registration fees in the lower mainland and Fraser Valley, the results of which are attached as Appendix "B" to this report. Most clubs sell memberships as a revenue stream for the Club. In some cases membership in the club is a requirement to register for participation in a curling league. Some Clubs sell memberships for a one-time fee and others have memberships which require an upfront payment and must be renewed annually. The membership provides curlers with an affiliation to an association and with insurance. Of the eight clubs surveyed, four clubs have lower membership fees than the Surrey Club.

League Fee Comparison - Members

Leagues fees vary amongst the clubs that were surveyed. They are dependent on the number of curling days, times of the curling, age of the curlers and other factors. In the interest of having consistent comparators four categories were surveyed: Seniors – one day per week leagues, Adult one day per week leagues, Adult two days per week leagues (shown as "second league") and daytime leagues. Most clubs structure their league fees into member and non-member rates, with the member rates being discounted. The data collected for league fees for members indicates the Cloverdale Curling Club is priced competitively within the range of the surveyed clubs in all categories. It should be noted that the Langley Curling Club fees are significantly lower in three of the four surveyed categories.

Fee Comparison – Non Members

The data collected for league fees for non- members indicates the Cloverdale Curling Club is within the range of the surveyed clubs; however their fees are higher than the three clubs in closest proximity (Peace Arch, Delta and Langley Curling Clubs) in three of the four categories.

Representatives of the Cloverdale Curling Club advised staff that the most significant change in their club is an increase in the non-member registration and a corresponding decline in their membership in recent years. In addition, the differential between the Cloverdale fees for non-

members and those of neighbouring clubs has increased, resulting in curlers moving to other clubs. The result is fewer members and a decrease in non-member registrations in Cloverdale. Further price increases would exacerbate this trend.

Operating Model Comparison

Although there are differences from club to club and no two operating agreements are identical, there are generally two basic models that are being applied, as follows:

- 1) **The City operates the facility with the curling club being a tenant in the facility and operating the leagues and other curling programs.** Under this approach, the City maintains the building, the parking, the mechanical operation, the ice surface and cleaning. The club administers the curling component of the operation such as leagues, bonspiels, learn-to-play programs, etc. The club pays for some staff, typically a manager. Under this model a monthly rent is generally paid by the Club to the City but the rent is typically significantly lower than the costs incurred by the City in operating the facility.
- 2) **The club operates the facility and operates the leagues and curling programs.** Under this approach, the club typically employs a manager and ice maintenance staff. Club responsibilities include ice plant maintenance, ice surface preparation, cleaning, and facility maintenance. The City maintains the building envelope and provides major capital upgrades when necessary. The club may generate income through advertising, sponsorships or other funding sources. The City provides a grant to the club to assist in sustaining its operation.

The City is applying the second model in relation to the Cloverdale Curling Club. This model capitalizes on the expertise of the staff hired by the Club, and the extensive volunteer commitment by club members who assist with the operation of the Club.

If the City were to take over operation of the Club it is anticipated that the operating costs incurred by the City would be significantly greater than \$60,000 per year, the amount that the Club is requesting from the City to sustain its current operation for the remainder of the term of its current Agreement with the City.

Appendix "C" attached to this report documents the Club's Income Statement for the Year End May 31, 2011 and the Budget for the Year Ending May 31, 2012, which demonstrates that an additional \$30,000 per year is required for the Club to sustain its operation. The current balance in the Club's contingency as of May 31, 2011 is \$13,800. The proposed budget for 2012 includes an anticipated grant increase from \$30,000 to \$60,000 from the City. The proposed budget for the 2011/2012 season projects a contribution of \$11,000 to the contingency. This will only be achieved if all revenues meet budget and expenses are contained. A small contingency is required to respond to operational, unexpected and urgent capital needs. There are no additional reserves available to the Club.

If Council approves the recommendation of this report, staff will continue to monitor the operation and will report further to Council on the matter if necessary. The 2012 - 2017 Five Year Financial Plan will be prepared with the necessary funding to support the amended Agreement.

SUSTAINABILITY CONSIDERATIONS

Continuing an agreement with the Club for the operation of the Cloverdale Curling Rink will assist the City in meeting the objectives of the City's Sustainability Charter's; more particularly, Socio-Cultural Goal 1 which is: *"to provide a range of accessible and affordable recreation, cultural and library services that respond to the needs and interests of the city's diverse population, including children, youth, seniors, multi-cultural groups, families and those with special needs."*

CONCLUSION

Based on the above discussion, it is recommended that Council approve the execution by the appropriate City Officials of an amendment as generally described in this report to the Operating Agreement with the Cloverdale Curling Club (the "Club") that will provide for the City to grant an additional \$30,000 per year (for a total grant of \$60,000 per year) to the Club to allow for the continued operation of the Cloverdale Curling Rink by the Club for the remainder of the five-year period covered in the current Operating Agreement, which ends on August 31, 2015.

Vivienne Wilke
General Manager
Finance & Technology

Laurie Cavan
General Manager
Parks, Recreation & Culture

- Appendix "A" Corporate Report R169 – Operating Agreement with the Cloverdale Curling Club for the Cloverdale Curling Rink at 6142-176 Street
- Appendix B Fee Comparison – Members, Fee Comparison – Non Members, Operating Model Comparison
- Appendix C: Cloverdale Curling Club Income Statement for the Year Ended May 31, 2011 and Budget for the Year End May 31, 2012

Appendix A

**Corporate Report R169 – Operating Agreement with the Cloverdale Curling Club for the
Cloverdale Curling Rink at 6142-176 Street**



CORPORATE REPORT

NO: R169

COUNCIL DATE: July 26, 2010

REGULAR COUNCIL

TO: Mayor & Council **DATE: July 23, 2010**

FROM: General Manager, Engineering **FILE: 0930-30/009**
General Manager, Parks, Recreation and Culture

**SUBJECT: Operating Agreement with the Cloverdale Curling Club for the Cloverdale
Curling Rink at 6142 – 176 Street**

RECOMMENDATIONS

The Engineering Department and the Parks, Recreation and Culture Department recommend that Council approve the execution by the appropriate City officials of an Operating Agreement as generally described in this report with the Cloverdale Curling Club (the "Club") that will allow for the Club's continued operation of the Cloverdale Curling Rink for a five year period from September 1, 2010 until August 31, 2015.

BACKGROUND

The Cloverdale Curling Club has since 1954 leased from the City the curling rink building and the land on which it is located within the Cloverdale Fairgrounds. In 1981 the City built the current Curling Rink building with the Club providing \$115,000 towards the cost of the facility. The Cloverdale Curling Rink is the only curling facility in Surrey. The City provides \$60,000 per annum to the Club to offset the lease payments that the Club pays the City for the facility. These funds are directed to the Facilities Division to use in maintaining the facility. Under the terms of the existing lease the Club is responsible for the operational costs of the facility with the City being responsible for mechanical maintenance and major capital improvements and replacements (e.g., roof replacement).

The Cloverdale Curling Rink provides an excellent recreational and social opportunity for Surrey residents through learn to curl programs, curling leagues and other community events. The Club has over 500 members, mostly from Surrey, with over 1,000 curlers participating in weekly leagues, bonspiels, and special events. The Club also provides curling opportunities for several hundred elementary and secondary students each year, as well as seniors and persons with disabilities.

The facility contains six curling sheets, a pro shop, a kitchen and a concession area on the main floor with a 224 seat licensed lounge and viewing area on the second floor. During the 'off-season' (April 15 – August 15) the Parks, Recreation & Culture Department (PR&C) assumes use of the dry floor area for recreational programs, rentals and dry grads. The Club retains operation of the second floor lounge area over the off- season period for use as a meeting room and banquet facility.

DISCUSSION

Over the past number of years the Club's operating costs, including staffing, utilities, equipment, and insurance have increased substantially. To offset this increase in operating costs, the Club has had to increase their fees and rates to some of the highest in the Lower Mainland. In addition, the Club recently lost a significant amount of their annual funding through the loss of their annual provincial Direct Access Grant, which amounted to \$20,000.

Competition

The Club competes for business mainly with the Langley Curling Club and to a lesser extent the Coquitlam Curling Club. Both of these other facilities are subsidized by their respective local governments.

The Club has been able to provide the same services as these other curling clubs for substantially less cost to the City of Surrey mainly due to effective management and the dedication of their volunteers. With the reduction in grant monies from the province, the Club has advised the City that it cannot continue to operate without increased financial assistance from the City.

Cost Cutting Measures

The Club, in conjunction with City Facilities Division staff, has recently reviewed the operation of the facility and updated many of the old, inefficient systems, including replacing the ice cooling system with a "re-circulating cooling system", which has resulted in savings. The lighting in the ice area has also been replaced with energy efficient fixtures and bulbs.

The City is currently undertaking upgrades to the facility with funding from the Recreational Infrastructure Canada (RIInC) Program. These upgrades include air conditioning for the lounge/viewing area, new plumbing fixtures, and parking lot resurfacing. Once the air conditioning has been installed, the Club is expecting to increase the use and revenue potential of the second floor area during the summer months, as the area was previously under-utilized due to the poor temperature control. In an attempt to generate additional revenues, Realty staff and the Club are currently reviewing a proposal to sub-lease the kitchen and banquet area out to a catering firm; however, some kitchen upgrades will be required to secure this sub-lease.

PR&C staff is working with the Club to expand their programming and generate increased interest in curling. For example, this Fall, there will be a 'learn to curl' program for children. The current model on which the Club operates the facility benefits the City by capitalizing on the expertise of the curling club members and its volunteers.

Proposed Agreement

To continue to operate the facility for the 2010 - 2011 season, the Club is requesting that rather than a lease the Club enter into an Operating Agreement with the City similar to the one that is in place between the City and the Lower Fraser Valley Exhibition Association for the operation of the Cloverdale Fairgrounds. Staff has reviewed this request and has determined that it would be a reasonable approach. On this basis an Operating Agreement has been structured that provides that the Club will operate the Curling Rink including the payment of all operating costs including, amongst other things, staffing, facility rentals, league play and minor maintenance to the facility with the City being responsible for mechanical maintenance and major capital improvements at

the discretion of the City. The Agreement provides for the City to provide an annual grant to the Club of \$30,000, which may be withdrawn or decreased at the City's discretion depending on the revenues generated by the facility from year to year. Given the work that has been completed on the Curling Rink building or is in the process of being completed, staff expects that the costs to the City for mechanical maintenance and major capital improvements over the 5-year term of the proposed Operating Agreement will be no more than \$30,000 per year. As such, the cost to the City for the continued operation of the facility will remain at or below the \$60,000 level, which is the amount that the City has been expending on the facility for the last few years.

Subject to Council approval of this report, staff will include an appropriate allocation in the City's 2011 to 2015 Five Year Financial Plan. The proposed Agreement also brings the insurance and liability requirements for the Club up-to-date. Except as noted in this report the proposed Operating Agreement is consistent with the City's prior lease agreement with the Club.

Legal Services Review

Legal Services has reviewed the recommended Operating Agreement and this report and has no concerns.

SUSTAINABILITY CONSIDERATIONS

Entering into an agreement with the Club for the operation of the Cloverdale Curling Rink will assist the City in meeting the Sustainability Charter's Socio-Cultural Goal 1 being: *"providing a range of accessible and affordable recreation, cultural and library services that respond to the needs and interests of the City's diverse population, including children, youth, seniors, multi-cultural groups, families and those with special needs."*

CONCLUSION

Based on the above discussion, it is recommended that Council approve the execution by the appropriate City officials of an Operating Agreement as generally described in this report with the Cloverdale Curling Club (the "Club") that will allow for the Club's continued operation of the Cloverdale Curling Rink for a five year period from September 1, 2010 until August 31, 2015

Laurie Cavan
General Manager
Parks, Recreation & Culture

Vincent Lalonde, P.Eng.
General Manager
Engineering

VL/WP/KSW/mpr/brb/jkb

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Appendix I. - Aerial Photograph of Cloverdale Curling Rink

APPENDIX I AERIAL PHOTOGRAPH OF SITE



Produced by GIS Section: June 14, 2010, AW

Date of Aerial Photography: April 2009



**SUBJECT PROPERTY
CLOVERDALE CURLING CLUB**

**ENGINEERING
DEPARTMENT**

The data provided is compiled from various sources and IS NOT warranted as to its accuracy or sufficiency by the City of Surrey.
This information is provided for information and convenience purposes only.
Lot size, Legal descriptions and encumbrances must be confirmed at the Land Title Office.

GIS/MAPPING/GIS/MAPS/
CORPORATE REPORTS/aw by/
AW-CloverdaleCurlingClub-AP.mxd

Appendix B

Curling Fee Comparison

Fee Comparison - Members

Facility/Club	Seniors 1 League	Adult 1 league	Adult second league	Daytime leagues	Notes
Cloverdale Curling Club	\$156.80	\$263.20	\$240.80	\$201.00	Lifetime membership costs \$200.
Langley Curling Club	\$155	\$230	\$185	\$155	Membership not required
Delta Thistles Curling Club	\$132	\$260.00	\$230	\$245	League fees Include membership fees
Peace Arch Curling Club	\$155	\$257	\$255	\$175	New building fee \$20 Lifetime membership \$250
Abbotsford Curling Club	\$198	\$270	\$240	\$198	Lifetime membership \$171
Golden Ears Winter Club	\$155	270	243	155	Lifetime membership \$300 Annual membership \$40
New West/Royal City Curling Club		289.80	189.60		Require 5 year membership \$335
Tswawwassen Tunnel Town Curling Club	\$182.50	\$335	\$140	\$255	Membership fees included

Cont. Appendix B

Curling Fee Comparison

Fee Comparison – Non Members

Facility/Club	Seniors 1 League	Adult 1 league	Adult second league	Daytime leagues	Notes
Cloverdale Curling Club	\$168.80	\$291.20	\$274.40	\$212.80	Membership not required
Langley Curling Club	\$175	\$255	\$205	\$175	Membership not required Membership fees unknown
Delta Thistles Curling Club	\$132	\$260.00	\$230	\$245	Include membership fees
Peace Arch Curling Club	\$155	\$309	\$302.50	\$209.25	New building fee \$20 Voting member \$250 (one time), associate member is essentially a non-member
Abbotsford Curling Club	\$198	\$270	\$240	\$198	Lifetime membership \$171 No non-member fees listed
Golden Ears Winter Club	\$155	270	243	155	Lifetime membership \$300 Annual membership \$40 No non-member fees listed
New West/Royal City Curling Club		289.80	189.60		Club rents facility to commercial leagues 5 year membership \$96,\$60, \$60,\$60,\$60
Tswawwassen Tunnel Town Curling Club	\$182.50	\$335	\$140	\$255	Membership fees included

Cont. Appendix B

Operating Model Comparison

Facility/Club	Building Owned by:	Building Maintained by:	Refrigeration Equipment maintained by:	Financial Arrangement	Notes:
Cloverdale Curling Club	City	City	Club	Grants from City in the amount of \$60,000 per year.	<ul style="list-style-type: none"> The land is owned by the City The Club operates bar, lounge, rentals from Aug. - April No City staff involved in day to day operations
Langley Curling Club	City	Rec. Ex (contracted)	Rec. Ex (contracted)	Curling Club pays \$25 per game to Rec. Ex	<ul style="list-style-type: none"> The land is owned by the City Rec. Ex operates all aspects of the facility. The club deals directly with Rec. Ex.
Delta Thistles Curling Club	City	City staff	City	Club leases from City \$12,500 monthly for curling season	<ul style="list-style-type: none"> The land is owned by the City The facility is staffed by City staff (ice plant, maintenance, ice) The club operates the bar, lounge, rentals
Peace Arch Curling Club	City	City	Club	Club leases building from City	<ul style="list-style-type: none"> The land is owned by the City The club operates the bar, lounge, rentals. The facility is staffed by City staff (ice plant, maintenance, ice)

Abbotsford Curling Club	Club	City (building envelope)	Club	Club pays \$10 annually to City.	<ul style="list-style-type: none"> • The land is owned by the City • The Club built the facility • Capital funding assistance provided by City – new plant \$275,000). • The club operates all aspects of the facility (the bar, lounge, rentals, ice)
New West/Royal City Curling Club	Club	Club	Club	Annual payment to City for use of land (negligible)	<ul style="list-style-type: none"> • The land is owned by the City • The club operates all aspects of the facility
Tswawwassen/Tunnel Town Curling Club	City	City	Club	Lease season \$11,400 monthly, for curling season	<ul style="list-style-type: none"> • City staff operates and maintain the building, shared payment for improvements; club maintains food bar service equipment. • Club pays for Manager for 6 months
Coquitlam Curling Club	City	City	City	Club rents ice time from the City	<ul style="list-style-type: none"> • City operates the facility.

Appendix C

Cloverdale Curling Club Income Statement for the Year Ended May 31, 2011 and Budget for the Year Ending May 31, 2012

Cloverdale Curling Club

Income Statement for the Year Ended May 31, 2011

Budget for the Year Ended May 31, 2012

	Actual, Year Ended May 31, 2011	Budget, Year Ended May 31, 2012
Curling Fees	144,723.79	158,400.00
Bonspiels	3,170.66	3,160.00
Ice Rentals	24,509.46	2,000.00
Rentals (Hall/Lockers/Concession)	14,753.43	14,900.00
Bar		
Revenue, Rentals	26,009.97	3,000.00
Revenue, Curling	43,969.99	44,000.00
Bar, License	(825.00)	(1,000.00)
Bar, Wages	(3,053.23)	(2,000.00)
Bar, expenses and purchases	(34,486.43)	(33,775.00)
Social Events/Misc Fundraising/Advertising/Social Fees/	19,949.56	5,180.00
Pro Shop	7,383.00	5,000.00
City of Surrey Grant	30,000.00	60,000.00
Total Revenue	276,105.20	258,865.00
<u>Expenses</u>		
Affiliation Fees	6,688.20	6,700.00
Ice and Equipment Plant (including wages)	57,501.49	53,200.00
Awards	3,787.50	3,800.00
Juniors (optimists and playdowns registrations)	5,142.31	5,000.00
Building Supplies, Repairs & Maintenance	19,917.25	20,000.00
Insurance	6,456.87	5,600.00
Utilities - Hydro/Garbage/Water	49,450.81	49,900.00
Telephone and internet	1,994.15	2,000.00
Security and monitoring	350.64	500.00
Wages (Manager/Office/Technical Assistants)	75,282.41	80,250.00
Employee Benefits and WCB	4,994.49	5,050.00
Administrative and office expense	17,550.81	15,865.00
Amortization	10,988.97	12,000.00
Total Expenses	260,105.90	259,865.00
Income for the Year Ended May 31, 2010	15,999.30	
Operating Budget for the Year Ended May 31, 2011		(1,000.00)
Add, non cash item, amortization	10,988.97	12,000.00
Less, purchase new Ice King	(11,400.00)	
To Contingency Fund	(15,588.27)	(11,000.00)
	<u>(0.00)</u>	<u>-</u>