

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 21, 2017

Item 4, Report No. 2, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on February 21, 2017.

**4 ONTARIO SOCCER ASSOCIATION (OSA) AND SOCCER CENTRE ONTARIO (OSC)
 PROPOSED AMALGAMATION
 WARD 2**

The Finance, Administration and Audit Committee recommends:

- 1) That the following be approved:
 - 1) That Council, through its two (2) City appointed OSC Board members, advise the OSA (Ontario Soccer Association) and the OSC (Ontario Soccer Centre) that the City will be undertaking due diligence in respect of any additional risks the proposed amalgamation poses for the City as this will be required for the continuation of and/or re-negotiation of the City's agreements with the OSA and the OSC, including the loan agreement and sublease for the lands;
 - 2) That the OSA and the OSC be asked to provide information as necessary to permit the City to undertake its due diligence;
 - 3) That the confidential recommendation of the Finance, Administration and Audit Committee (Closed Session) meeting of February 6, 2017, be approved; and
 - 4) That Council ratify the action taken; and
- 2) That the following report of the Chief Corporate Initiatives and Intergovernmental Relations, dated February 6, 2017, be received.

Recommendation

The Chief Corporate Initiatives and Intergovernmental Relations, in consultation with the Deputy City Manager Legal and Human Resources and Chief Financial Officer and City Treasurer, recommends:

1. That Council delegate authority to the two City appointed OSC members to vote in a manner that protects the City's interests with respect to the loan guarantee and the sublease with the Ontario Soccer Association and Soccer Centre (Ontario); and
2. That Council ratify its decision.

Contribution to Sustainability

Green Directions Vaughan embraces a Sustainability First principle and states that sustainability means we make decisions and take actions that ensure a healthy environment, vibrant communities and economic vitality for current and future generations. The Soccer Centre has significant features and assets that will continue to enable the large soccer community in Vaughan to host high-caliber competitive and training programs, this facility provides significant opportunity to increase City pride and exposure, boost economic growth and deliver a multi-use facility that works in concert with our Active Together Master Plan.

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Economic Impact

The City of Vaughan has been the guarantor of the OSC's \$5 million credit facility with CIBC since 1996. In addition, the City has agreed to a postponement of claims against the Ontario Soccer Association, meaning that any money owed to the City under an agreement with OSA and OSC will not be remitted while there is an outstanding balance on the credit facility. Consenting to the proposed amalgamation means that the City would continue to have a contingent liability for the amount of the credit facility and that it would continue to forego revenues from the revenue sharing provisions of its sub-lease agreement with the OSA and OSC.

Communications Plan

A formal communications plan is not needed.

Purpose

The OSA and OSC have called a Special General Meeting of its board membership for Saturday, February 11, 2017 to propose a “legal amalgamation” of the OSA and the OSC as part of its Governance Review and Modernization.

This Addendum report is being submitted due to receipt of time sensitive materials and would allow the two City appointed members of the Ontario Soccer Centre Board to have the ability to vote on the proposed amalgamation. The City appointed members are seeking delegated authority of Council to vote in a manner that protects the City's financial interests and ensures that the operations and maintenance of the Soccer Centre (Ontario) continue to be paramount to the OSA if the amalgamation proposal is adopted.

Background - Analysis and Options

FINANCIAL INTERESTS

The Province continues to maintain ownership of the Soccer Centre Lands with a long-term lease to the City

The lands are owned by the Province and subject to a lease with the City until 2039. The OSA entered into a sub-lease agreement for the lands with the City of Vaughan on June 20, 1996 for a 43-year term (expiring June 30, 2039).

Given that the City has contractual agreements in place with the OSC and acts as a guarantor for the loan between CIBC and the OSC, staff has considered the potential impact of the Proposal to amalgamate the two organizations on the financial interest of the City.

The original credit agreement between the OSA and Canadian Imperial Bank of Commerce (CIBC) was executed in 1996 with the City as a guarantor. Since that time, the original agreement has been amended and the City has continued to be a guarantor.

The current balance on the credit facility is approximately \$4.4 million and has always been in good standing. In addition to the guarantee, Vaughan has signed a postponement of claim, meaning that any monies owed to Vaughan under its agreement with the OSA will not be remitted to the City of Vaughan while there is a balance outstanding to the CIBC. At this time, there are no monies owed to the City of Vaughan.

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A primary concern is how this will affect the risk the City has taken on as a guarantor of the OSC's loan from CIBC.

Under the Second Amended and Restated Credit Agreement between CIBC and the OSC dated April 27, 2015 (the "Loan Agreement"), as well as its predecessor agreements, the OSC is the borrower. If the liability for the loan is transferred to the OSA, the OSA will become the new borrower, with a new credit risk profile.

The CIBC has made an assessment of the proposed amalgamation and consents to the proposal if the amalgamation is adopted.

Attachment 1 is correspondence received from the CIBC which verifies its position regarding the amalgamation.

Should the OSA default on their credit agreement with CIBC, the guarantee could be called. This is currently a contingent liability for the City of Vaughan and would remain so under the proposed amalgamation. However, based on staff's review, correspondence from the CIBC, the risk of a default is assessed as being low.

OPERATIONS AND MAINTENANCE

A secondary, but equally important concern of the proposed amalgamation is to understand the potential impacts on the operation and maintenance of the facilities that constitute the Soccer Centre. The Centre provides key facilities that support the citizens of Vaughan and the objectives of the Active Together Master Plan.

Under the current lease agreement between the OSA, City of Vaughan and the OSC, the OSA and OSC are obligated to undertake all of the requirements related to the administration, maintenance and operations of the Centre.

The day-to-day maintenance and operations of the Centre are the responsibility of the Facility Manager. The Facility Manager reports to the volunteer OSC Board of Directors; however, there is no direct oversight of the Facility Manager on a day to day basis.

Currently, the OSC operates as a separate corporation from the OSA and has its own governance structure.

The OSC Board of Directors is then made up of seven Directors from the OSA Board who are a volunteer group of individuals who provide oversight to the OSC. In addition, a City Councillor and Staff member are appointed by the City as additional Directors of the OSC resulting in a Board of 9 persons. The Executive Director of the OSA also sits on the OSC Board as Ex-Officio. Furthermore, the Facility Manager reports to this volunteer Board of Directors. Based on the current bylaws of the OSC, the 28 Directors of the OSA are the members of the OSC.

To maintain the operations and maintenance obligations under the proposed amalgamation, the OSA will move to a skill-based Board of Directors and establish various operational committees; one of which is a Facilities Management Committee (FMC).

The FMC would be responsible for the Soccer Centre. The FMC would support and assist the Facility Manager of the Soccer Centre by providing counsel and recommendations related to the strategic business, maintenance and operations of the Soccer Centre. The FMC would also perform the following key responsibilities:

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- Provide consultation on annual department operational plans
- Provide consultation on facility business plans, revenue development, marketing, promotions
- Provide consultation on alternative/innovative revenue development projects
- Provide consultation on capital improvement plans
- Provide consultation on new proposed facility rental rates

It is proposed that the City will have the authority to appoint two members to the FMC. The committee is proposed to have a maximum of eight (8) individuals as follows:

- Facility Manager, Soccer Centre
- City of Vaughan (x2)
- Executive Director, Ontario Soccer Association
- Director, Business Operations, Ontario Soccer Association
- Manager, Business Development, Soccer Centre
- Independent (x2)

As the “OSA is obligated to ensure that the OSC performs all obligations and observes and performs all covenants” in the sub-lease” the proposed OSA amalgamation and the creation of a skills-based Board and Facility Management Committee will continue to ensure that Centre is operated and maintained in accordance with the current agreement.

Relationship to Term of Council Service Excellence Strategy Map (2014-2018)

This project encompasses the Vaughan Vision of being a city of choice that promotes diversity, innovation and opportunity for all citizens, fostering a vibrant community life that is inclusive, progressive, environmentally responsible and sustainable.

In consideration of the Term of Council Service Excellence Strategy Map the Soccer Centre and ensuring its ongoing operations can be associated with the following priorities:

- T06 Invest, renew and manage infrastructure and assets
- T07 Continue to ensure the safety and well-being of citizens
- T13 Support and promote arts, culture, heritage and sports in the community

Regional Implications

None

Conclusion

Given that the City has had contractual agreements in place with the OSA/OSC since 1996 and acts as a guarantor for the loan between CIBC and the OSA/OSC, Staff have considered the potential impact of the OSA proposal to amalgamate the two organizations and conclude that the proposed amalgamation would not produce greater risk for the City from a financial maintenance and operations perspective.

Attachments

1. CIBC Letter of Support
2. Confidential correspondence from John Wilkinson, WeirFoulds LLP, dated February 3, 2017 (Provided to Members of Council only)
3. Confidential (2017 Ontario Soccer and Soccer Centre Staff and Management Structure Organizational Plan dated February 4, 2017) (Provided to Members of Council only)

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Report prepared by:

Tim Simmonds, Chief Corporate Initiatives and Intergovernmental Relations, ext. 8427

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the Office of the City Clerk.)

**ONTARIO SOCCER ASSOCIATION (OSA) AND SOCCER CENTRE ONTARIO (OSC)
PROPOSED AMALGAMATION
WARD 2****Recommendation**

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Report prepared by:

Tim Simmonds, Chief Corporate Initiatives and Intergovernmental Relations, ext. 8427

Respectfully submitted,

Tim Simmonds
Chief Corporate Initiatives and Intergovernmental Relations



Canadian Imperial Bank of Commerce
Commercial Banking

199 Bay St.
Commerce Court West – 4th Floor
Toronto ON M5L 1A2

February 1st, 2017

Ontario Soccer Association
The Soccer Centre (Ontario)
7601 Martin Grove Rd.
Vaughan, ON, L4L 9E4

Dear Leonard Golberg,

Thank you for taking the time to meet with us to review the governance modernization preparations in process at both the Ontario Soccer Association and The Soccer Centre (Ontario). We appreciate the opportunity to comment prior to implementation. Having discussed your intent, the CIBC confirms that nothing you will be doing will be contrary to any of the terms of the Credit Agreement dated April 27, 2015 to which the CIBC, the Ontario Soccer Association and The Soccer Centre (Ontario) are all parties. We further appreciate your intent to keep us informed on your progress to governance renewal.

Sincerely,

A handwritten signature in blue ink, consisting of a large, stylized 'C' followed by a horizontal line and a small loop at the end.

Colin Sharman,
Director – CIBC Commercial Banking