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Dec 23, 2013

**COMMUNITY SERVICES – RECREATION & CULTURE
INFORMATION REPORT # 2013-46**

TO: Mayor Van Bynen and Members of Council

COPY: Bob Shelton, CAO
 Anita Moore, Commissioner of Corporate Services
 Rob Prentice, Commissioner of Development and Infrastructure Services
 OLT

SUBJECT: Additional Information Regarding Newmarket Soccer Club, Dec, 2013

ORIGIN: Director of Recreation & Culture

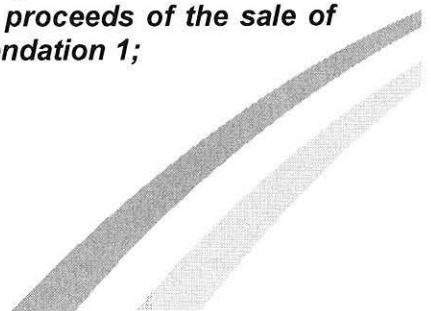
COMMENTS

The purpose of this Information Report is to provide additional information and address questions raised by Information Report # 2013-44.

As a reference point, the following extract provides the recommendations approved by Council in August, 2013:

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 Town of Newmarket and Newmarket Soccer Club officially signed a loan agreement, as per the above recommendations on December 20, 2013. A confidential copy of the loan agreement will be circulated under separate cover through our Legal Services department. The loan agreement does fulfill all of the above noted recommendations as highlighted below:

1. A loan for \$2.8 Million was extended at an interest rate of prime + 2 %. The term of the loan is for three years with the Town having the option to renew for 2 additional 1 year periods, amortized over 25 years. This is an open loan, enabling NSC the opportunity to pay off the loan entirely at any time, with no penalty.
2. Monthly payments will begin in January. The payment schedule meets the terms outlined in the extract as per the attached agreement.
3. The loan is secured against both the Newmarket Soccer Centre and the Woodbine Lands. Consequently, if NSC were to default on the loan, the Town of Newmarket would be in the first position to assume both properties.
4. NSC listed the Woodbine Lands property in September 2013. They have since reduced the price of the property. The agreement does specify that 80% of proceeds of the sale of the Woodbine Lands will be paid to the Town of Newmarket, applied against the loan.
5. NSC has already been renting to outside organizations including football and field hockey. This is reflected within the agreement.
6. The Town of Newmarket will make use of the facility for up to 350 hours per year at no charge. This fulfilled the Town's programming requirements.
7. The loan agreement provides for opportunity for the Town to conduct periodic reviews of payment terms.
8. The agreement was finalized and signed by the CAO and Commissioner of Community Services in accordance with the delegated authority as outlined in the extract.

There have been questions of clarification requested. As such, the questions and answers will be provided below:

Question: Are we holding a mortgage on both properties?

Answer: The loan is secured against both properties. In the event that NSC was to default on payment, the Town would be in a position to seize ownership of both the Newmarket Soccer Centre on Newpark road and the Woodbine Lands.

Question: You wrote about a "second position" in your response. Does that mean a "second mortgage"?

Answer: Second position and second mortgage are referring to the same thing. This is in reference to the lien holders. The lien holders have all discharged the liens and taken a position or mortgage second to the Town of Newmarket. The agreement does stipulate that all lien holders had to paid 50% of amounts owed out of the loan of \$2.8 Million. As well, a monthly payment plan has been established to pay the remaining balance. All lien holders are in agreement. The agreement goes on to further stipulate that the remaining proceeds from the sale of the Woodbine Lands would go to any remaining balances on the liens. As noted in the first question, in the event of default the Town would become the owner of both properties.

Question: If the original loan from the builder was \$2.5 million but we are providing \$2.8 million, why would there be a "second position". Isn't the NSC interested in moving away from the financial brink? What is the additional \$400,000 being used for?

Answer: The amount owing to Garront Investments is \$2.5 Million. Of the additional \$300,000, 50% is going to the lien holders and the remaining 50% is addressing other outstanding debts. As was stated in the previous answer, all lien holders have agreed to the repayment terms.

Questions: Does the Director of Recreation & Culture actually sit on the board? Does he have full voting rights as a board member? Can the Town of Newmarket provide additional employees/council members to fill the board vacancies if the NSC does not fill these vacancies in an appropriate amount of time (as in 3-months from their AGM)?

Answer: Currently, the Director of Recreation & Culture attends and participates in all NSC Board Meetings as a non voting member of the Board. The Director is privy to all board information and is apprised on all decisions made by the Board and has opportunity to speak to any issue. In the event that this does not meet the needs of the Town, the Town has reserved the right to ask that NSC obtain approval from the membership to appoint a Town staff person to sit as a voting member on the Board – approval from the membership is required to make such an appointment as per the NSC constitution. The NSC constitution also stipulates that Board Members are active members of NSC. As such, any additional appointments of staff or Council Members to the Board would require approval from the total membership.

Question: Are there provisions to call in the loan within 6 months of September 2013 if the Woodbine lands have not been sold?

Answer: There are no provisions to call in the loan within 6 months. The agreement does stipulate that the Town of Newmarket can become a more active participant in the sale of the lands after 6 months from

when the property was listed for sale.. As this specifically deals with sale and acquisition of land, the manner in which the Town becomes involved would necessitate a closed session with Council.

Question: *If their registration fees were not sufficient to keep the club viable in 2013, why were fees frozen in 2014?*

Answer: NSC had a very difficult 2013 season. They are in a position where they must work diligently to attract new membership, maintain existing members and provide incentive for those who had left the organization to return. It was felt by the entire Board that given need to rebuild trust among the membership, 2013 fees would be frozen into 2014. It was felt from a business planning perspective that any fee increase could cause additional erosion of memberships thereby negating any positive gains achieved through a fee increase.

Question: *Please answer my question about the Magna Hoedown money.*

Answer: NSC is a recipient of money raised through the Magna Hoedown. They received \$15,000 in 2013. Those funds were used in 2013 to pay down debts the Club had accrued. None of the funds received went to paying outstanding fees to the Town of Newmarket for 2013 field fees. A payment plan has been established and all 2013 field payments will be paid by May, 2014. Further, it has been stipulated that all 2014 field payments must be paid in advance of use in 2014.

Question: *Did you confirm the registration numbers with the OSA or the YRSA? Or are you just taking their word for it? The newspaper talks about referees but I read the constitution of the NSC and referees are not members.*

Answer: In the previous report it outlines the number of active players as defined by YRSA (York Region Soccer Association) as 3,289 players. This number was obtained via the YRSA Annual Report. This number refers to the number of active players only. YRSA defines voting rights for each organization by its number of active players. They do not consider coaches or volunteers. When coaches or volunteers are also considered, the NSC has a membership of closer to 4,200. However, these are paying members of the organization.

Question: *Why has the NSC not completed a draft budget for 2014?*

Answer: NSC has developed and consistently redrafted a cash flow projection that has been reviewed by staff. The cash flow projection is a preliminary budget that breaks down when credits and debits are expected over the course of the year. NSC has been extremely diligent at maintaining these cash flow projections to ensure that they are paying off all debts in as timely a manner as possible.

Question: *Please provide members of Council with a copy of minutes.*

Answer: Council will be provided with quarterly updates, as well as updates such as this, addressing all questions asked by Council. However, the NSC Board would need to agree that minutes be distributed to members of Council. This will be tabled at the next NSC Board meeting in January, 2014.

As was stated in Information Report # 2013-44, quarterly updates will be provided. At any point, if additional questions arise, they will be answered via an Information Report so that there continues to be a public record addressing all issues.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

Living Well

- Emphasis on active lifestyles and recreational opportunities

Well Balanced

- Recreational facilities and services

BUDGET IMPACT

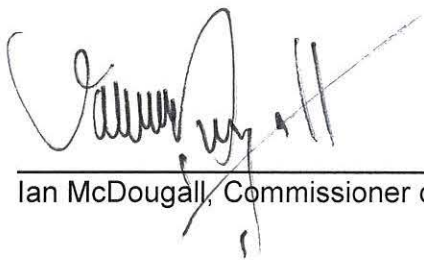
There are no budget impacts.

CONTACT

If you have any questions, please contact Colin Service, Director of Recreation & Culture at ext. 2601.



Colin Service, Director of Recreation & Culture



Ian McDougall, Commissioner of Community Services

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