

## **COMMITTEE OF THE WHOLE, MAY 2<sup>ND</sup>, 2005**

### **UPLANDS GOLF COURSE AND SKI CENTRE, MANAGEMENT AGREEMENT**

#### **Recommendation**

The Commissioner of Community Services, in consultation with the Uplands Working Committee recommends:

- i. That the option to renew the management contract with Smirnov Golf Management Inc. be approved and;
- ii. That the Uplands Working Committee and the Legal Department finalize the details of the extension;
- iii. That the Mayor and Clerk be authorized to sign the necessary documents.

#### **Economic Impact**

There is no financial impact as it relates to the City of Vaughan's operating or capital budget. It is the intent of the Uplands Golf and Ski Centre to be revenue neutral.

#### **Purpose**

To respond to Council with respect to their comments on the Uplands Golf and Ski Centre and to obtain authorization from Council to renew the management contract with Smirnov Golf Management Inc.

#### **Background - Analysis and Options**

The Budget Committee at its meeting of April 16, 2004 requested that staff review the Uplands Golf Centre contract and provide a report addressing the ongoing operations of the Uplands Golf Centre.

The City of Vaughan entered into an agreement with Smirnov Golf Management Inc. (Facility Manager) effective November 1, 2000 for 5 years with a further 5 year renewal option. The City granted the Facility Manager exclusive right to maintain manage and operate the facilities comprised of the Uplands Golf Course and Ski Centre.

Under the terms of the agreement, the Facility Manager provides and is responsible for the cost of all site operation and maintenance, including but not limited to:

- i. All utility costs;
- ii. Minor Maintenance and repairs to all ski and golf course maintenance equipment as well as snow making equipment;
- iii. Minor Repair and maintenance to chair lift;
- iv. Carry out any minor construction, maintenance or repairs necessary on the premises required for public safety.

The City's obligation under the same agreement is:

- i. To provide for quiet enjoyment of Uplands by the Facility Manager, subject to the provisions set out in the agreement between the City and the Facility Manager;
- ii. To provide a reliable water system to Uplands;
- iii. To pay municipal property taxes, if applicable;

- iv. To repair major defects in the structure of the buildings, including exterior walls and roofs, major defects in the electrical mechanical, plumbing heating ventilation and air conditioning systems;
- v. That all revenues received from the Facility Manager are deposited in a reserve account and that all future capital projects, as appropriate, are funded from the Uplands Revenue Reserve.

Pursuant to the financial terms of the agreement, the Facility Manager pays the City a License Fee and a contribution towards a Course Improvement Fund:

#### License Fee

- i. 12% of Gross Revenue as reported by the Facility Manager for the preceding calendar month; or
- ii. In the event that Gross Revenue for the current management year exceeds \$1,000,000, the Facility Manager pays the City 20% of Gross Revenue as reported by the Facility Manager for the preceding calendar month.

In any event the license fee paid by the Facility Manager shall not be less than \$50,000.

The total license fee collected during the first four (4) years of the management agreement totals \$615,082. These monies are deposited in the Uplands Revenue Reserve and are committed to major capital improvements to the Uplands site such as providing a reliable water system (water pond).

#### Course Improvement Fund

The Facility Manager pays the City the following amounts:

- i. \$1.00 for each 18 hole round of golf played
- ii. \$0.50 for each 9 hole round of golf played
- iii. \$1.00 for each two or ski lift ticket purchased
- iv. \$0.50 for each junior ski lift ticket purchased

The funding received for the Course Improvement Fund is not to be used for any purpose other than the repair, maintenance or improvement of Uplands.

The Course Improvement fee collected during the first four (4) years of the Management Agreement total \$66,632. These monies are allocated to various capital course improvements and approved as part of the yearly capital budget presented to Council.

All capital expenditures funded from the License Fee and/or the Course Improvement Fund is submitted for Council approval during the Capital Budget deliberations.

The management agreement with Smirnov Golf Management Inc. is subject to a renewal for one further period of five (5) years commencing November 1, 2005 on the same taxes and conditions, save and except for any changes which are agreed upon by both parties. The Manager has proposed to keep the same terms and conditions with the exception of the license fee calculation. He proposes the license fee calculation of 12% on the first \$1,000,000 of gross revenue be changed to 12% on the first \$1,200,000 of gross revenue. This reflects the inflationary costs over the past five (5) years and could have a potential reduction in revenues of \$16,000 per year.

The partnership between Smirnov Golf Management Inc. and the City of Vaughan has been very positive both financially and in providing benefits and services to the community and the residents of the City of Vaughan.

During its five years, Uplands will have provided approximately 40,000 ski lessons (1,000 lessons x 8 weeks x 5 years) and 3,250 golf lessons (650 lessons x 5 years).

By the end of its initial five (5) year term of the contract, Smirnov Golf Management Inc. will have contributed on estimated \$795,000 in revenue to the Uplands/Revenue Reserve based on their proposed revised terms. Council approved a \$1,000,000 in 2003 to provide a permanent water source (ponds) for the snow making operation attributed to the ski centre which accounts for the slight deficit. The revenue for the period November 1, 2005 to October 31, 2010 is estimated to be \$899,000 from the license fee.

### **Relationship to Vaughan Vision 2007**

This report is consistent with the Vaughan Vision 2007; in that it encourages public private partnerships throughout the organization (2.4) as well it strengthens the ongoing management of partnership agreements (2.4.3).

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

### **Conclusion**

Staff recommend that the management contract with Smirnov Golf Management Inc. be renewed for a further five (5) years and that the license fee calculation will be based on 12% of the first \$1,200,000 of gross revenue.

### **Attachments**

None

### **Report prepared by:**

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Respectfully submitted,

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