



# City of Moose Jaw

## COMMUNICATION # CC-2019-0224

**TITLE:** Hillcrest Golf Club – Consent to Enter Loan Agreement

**TO:** City Council

**FROM:** Department of Parks & Recreation

**DATE:** October 29, 2019

**PUBLIC:** PUBLIC DOCUMENT

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### **RECOMMENDATION**

THAT the Hillcrest Golf Club's request to enter into a financial loan agreement with RBC in the amount of 90% of the total cost of the renovation project, valued at \$400,000.00 be approved; and

THAT the City of Moose Jaw will not be held liable in any way for the repayment of the loan and will not be named in the contract with the Hillcrest Golf Club and RBC; and

THAT Administration be authorized to provide the letter of consent substantially in the form attached as Attachment i; and

THAT an amendment to the Lease Agreement between the City and Hillcrest Sports Centre Inc. to reflect the prorated value of the facility improvements be provided to City Council for consideration once the final construction costs are determined.

### **TOPIC AND PURPOSE**

The report is requesting City Council's approval regarding the Hillcrest Golf Club's request to enter into a financial loan agreement with RBC for their club house expansion project.

### **BACKGROUND**

On October 8, 2019, the City received an email from the General Manager of the Hillcrest Golf Club requesting a letter of consent to enter into a financial loan agreement with RBC for their Club House expansion project, which is scheduled to begin later this fall. (Attachment ii)

The request was made pursuant to the lease agreement between Hillcrest Sports Centre Inc. and the City of Moose Jaw dated December 20, 2018 where Section 3.2 of the agreement states:

*"Hillcrest covenants and agrees, during the Term of this Agreement, to not enter any debt obligation exceeding \$75,000 (individually or collectively), without the express written consent of the City."*

In 2018, the Hillcrest Golf Club was also granted Municipal Project Designation for the clubhouse expansion and to date have submitted \$30,500 in donations that are eligible for a charitable tax receipt. Additional fundraising efforts that are not eligible for charitable tax receipts have also occurred.

All fundraising from the 2018 season went towards completing the sewer and water project for the clubhouse expansion. Any new fundraising in 2019 and 2020 will be placed in a capital reserve account and applied to the overall project as the loan will be open-ended.

## **DISCUSSION**

The Hillcrest Golf Club has provided the following supporting documentation:

- Construction Drawings (Attachment iii)
- Construction Agreement with Leeville Construction Ltd. (Attachment iv)
- 2018 Audited Financial Statements (Attachment v)
- 2019 Income Statement YTD (Attachment vi)

The Club is also working with the Department of Planning and Development Services on obtaining the necessary building permits required for construction.

Details of the proposed loan are as follows:

- RBC is the loan provider.
- Approved for 90% of the construction cost up to \$400,000.
- The loan is open ended. (can be paid off anytime with no penalty)
- The Club is proposing a maximum 10-year repayment plan with the goal to have the loan paid off within 5 years.
- The current projected annual payment for a 5-year loan is \$84,480.

## **Club's Financial History**

In 2017 the Club generated a total profit of \$2,905 and transferred \$10,278 into Capital Reserve which resulted in an operating deficit of \$7,373.

In 2018 the Club generated a total profit of \$89,603 and transferred \$15,751 in Capital Reserve which resulted in an operating surplus of \$73,312.

In 2019 the Club's YTD Income Statement is showing net profit of \$365,115 which is an \$89,052 improvement over the 2018 amount of \$276,063 as of the same date. They are projecting a surplus of \$200,000 in 2019 which will be set aside and applied to their loan payments for the first 2 years. This will give them the opportunity to fundraise and work on increasing club profits over the next 2 years to help fund the remaining 3 years of payments. They have also indicated that any additional revenues incurred will be put towards the loan with no penalty.

Recent operational changes have led to the increased surplus in 2019 including better accountability with finances, additional corporate sponsorships and contracts, reduction of unnecessary expenses and staffing changes. It is also anticipated that the clubhouse renovations will have a positive impact on the budget as it will allow more opportunities for golfers to stay after their round or event.

The Club has also indicated that they have \$201,591 available in a low interest GIC account which can be allocated towards the project or used to fund any unexpected costs that may arise from their operation.

Based on the information provided, Administration is recommending that consent be provided with the following conditions:

- The City of Moose Jaw will not be held liable in any way for the repayment of the loan and will not be named in the contract with Hillcrest and RBC.
- The loan agreement must be payable in full before the end of the original Term of the Agreement as per Section 1.5 of the Lease Agreement which states that Hillcrest shall not enter into any contractual obligations involving the operation and maintenance of the Property for any period exceeding the unexpired Term of the Agreement.
- That the Lease Agreement be amended to include a Schedule reflecting the depreciated value of the building over the remaining term of the agreement (34 years) as per section 1.2 of the Lease Agreement which states that the Lease may be cancelled with 1-year notice subject to a payback clause on the prorated value of investment. These amendments would be brought to City Council for approval once the final value of the project is determined. (Likely in the spring of 2020.)

## **PUBLIC AND/OR STAKEHOLDER INVOLVEMENT**

The City Solicitor's Department completed the draft letter of consent.

The Financial reports were reviewed by the Financial Services Department.

The Parks & Recreation Department met with representatives of the Hillcrest Golf Club to review the plans and gather any further information that was requested from other City Departments.

## **STRATEGIC PLAN**

The proposed project aligns with the Strategic Priority of Community Wellness as outlined in the City of Moose Jaw Strategic Plan.

## **OFFICIAL COMMUNITY PLAN**

The proposed project aligns with the following objective of the Official Community Plan for the City of Moose Jaw:

- 13.1 (c) *To provide parks, open space and recreational program delivery at a level that aids in the attraction and retention of young families to and in the City.*

## **FINANCIAL IMPLICATIONS**

The loan obtained by the Hillcrest Golf Club will not impact the City's debt limit or be considered debt of the City.

An area of potential concern for the City would be if there was a default on payments by the Hillcrest Golf Club. Although the City is not liable for the loan in any way, a default could still put the City in a position where it would consider intervening if the bank were to assume ownership of the building.

## **OTHER CONSIDERATIONS/IMPLICATIONS**

There are no bylaw, policy or privacy implications associated with the report.

## **PUBLIC NOTICE**

Public Notice pursuant to the Public Notice Policy is not required.

## **PRESENTATION**

VERBAL: The Director of Parks and Recreation will present the report and be available to answer any questions. The General Manager of the Hillcrest Golf Club will also be in attendance and available to answer any questions.

## **ATTACHMENTS**

- i. Letter of Consent to Enter Loan Agreement
- ii. Email Request from Hillcrest Golf Club – October 8, 2019
- iii. Final Construction Drawings
- iv. Construction Contract – Hillcrest and Leeville Construction
- v. Hillcrest Sports Centre Inc. – 2018 Audited Financial Statements
- vi. Hillcrest Sports Centre Inc. – 2019 Comparative Income Statement as of September 30, 2019

## **REPORT APPROVAL**

Written by: Derek Blais, Director, Parks and Recreation  
Reviewed by: Tracy Wittke, Assistant City Clerk  
Approved by: Jim Puffalt, City Manager  
Approved by: Fraser Tolmie, Mayor

*To be completed by the Clerk's Department only.*

Presented to Regular Council or Executive Committee on \_\_\_\_\_.

No. \_\_\_\_\_ Resolution No. \_\_\_\_\_

## Report Approval Details

Document Title:	Hillcrest Golf Club – Consent to Enter Loan Agreement - CC-2019-0224.docx
Attachments:	<ul style="list-style-type: none"><li>- Attachment 1 Letter of Consent.pdf</li><li>- Attachment 2 Hillcrest Request Email October 8, 2019.pdf</li><li>- Attachment 3 FINAL DRAWINGS HILLCREST GOLF COURSE.pdf</li><li>- Attachment 4 CONSTRUCTION CONTRACT.PDF</li><li>- Attachment 5 2018 Audited Financial Statements.pdf</li><li>- Attachment 6 2019 Income Statement YTD.pdf</li></ul>
Final Approval Date:	Nov 4, 2019

This report and all of its attachments were approved and signed as outlined below:

### No Signature found

Brian Acker



Tracy Wittke



Jim Puffalt



Fraser Tolmie