



City of Richmond

## Report to Committee

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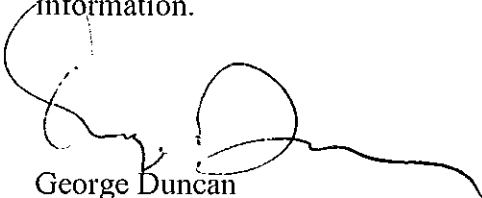
**To:** General Purposes Committee  
**From:** George Duncan  
Chief Administrative Officer  
**Re:** Legacy Endowment Fund Allocation

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*To General Purposes - May 22, 2007*  
**Date:** May 7, 2007  
**File:** 03-1075-01/2007-Vol 01

### Staff Recommendation

That Council receive the attached staff report on the Legacy Endowment Fund allocation for information.



George Duncan  
Chief Administrative Officer  
(4338)

REVIEWED BY TAG

YES



## **Staff Report**

### **Origin**

The Legacy Endowment Fund was created to support the post Games operations of venues that have generally struggled financially in former host cities. Falling into this category were venues that hosted cross country skiing, biathlon and range activity, ski-jump, bobsleigh, luge, skeleton and speed skating. As well, the 2010 Games Operating Trust Board was established to hold, direct and manage the Legacy Endowment Fund and Amateur Sport Legacy Fund which will be made up of 60% of the surplus of the Games.

The purpose of this report is to update Council on the outcome of negotiations and to provide details of the decisions made with regard to allocations from the Legacy Endowment Fund.

### **Background**

The Federal and Provincial Governments each contributed \$55 million to create the \$110 million Legacy Endowment Fund. The three qualifying venues, namely, Whistler Nordic Centre, Whistler Sliding Centre and Richmond Oval are to each receive an allocation from the fund. Thereafter, each venue will receive the annual earnings from their respective sub-funds to assist the owners to cover net operating costs. The closing market value of the Fund at March 31, 2007 was \$133.6 million for a gain of \$23.6 million since inception.

As per the Multi Party Agreement, the Legacy Endowment Fund is to be managed in accordance with the terms and conditions of endowment agreements with a provision that the calls on earnings be substantially as follows:

- a) First call to maintain the purchasing power of the Fund;
- b) Second call to support the operating expenses and related capital maintenance expenses of each of the Whistler Nordic Centre, the Whistler Sliding Centre and the Richmond Oval;
- c) Third call to be used for athletes and coach sport development programs in the above venues and;
- d) Fourth call to be used for athlete and coach sport development programs at facilities elsewhere in Canada.

As part of the City's initial best practices research, it became evident that in order to ensure success, we had to focus on building a facility for our post Games community needs that would also be flexible enough to accommodate the requirements of the Olympic Long Track Speed Skating events. Most if not all of the previous Olympic Ovals focussed on building an Olympic Long Track Speed Skating Oval and deferred the determination of the post Games uses of the facility until after the Games. Having said that, there will always be some level of retrofitting required no matter what approach is taken.

As a result of the pro-active approach taken, the City proposed the “Richmond Class Legacy Oval” which significantly exceeded VANOC’s and the International Skating Union’s requirements, while allowing Richmond to achieve numerous long term community objectives concerning wellness, diverse recreation and sport. This model is a world class (indoor and outdoor) facility with a comprehensive, accessible program that will provide opportunities from local to international, from playground to podium to enhance quality of life through sport and wellness. In consultation with local, provincial, national and international stakeholders, the City has developed a program model for the Oval that:

- inspires and motivates people to achieve their goals,
- promotes sport and physical activity for life,
- integrates sport, sports medicine and sports science,
- allows elite and recreational athletes to train in the same environment,
- hosts world-class and community special events, and
- is functionally and financially viable.

The size of the share of the legacy funding for which the Richmond Oval would qualify was very much dependant upon the post Games programming and extent to which the facility will be accessible to high performance sport. Accordingly, staff have taken much care to ensure that the two key priorities; a world class community wellness and recreation facility and a lasting legacy of the 2010 Olympic & Paralympic Winter Games for high performance sport, will be achieved through the Richmond Oval legacy design and post Games program.

The legacy funding is one of the primary external funding sources upon which the Richmond Oval proposal was built and accordingly it was also identified as one of the three most significant risk factors in the Risk Registry. The Risk Registry was established to help the City identify, track and mitigate all risk factors that could potentially impact the success of the project.

The City’s original proposal for the Olympic Oval was based on the City receiving an allocation of between \$35 million and \$55 million.

The following section of this staff report will explain the process through which staff have negotiated a final settlement of the allocation of legacy funding to the Richmond Oval and the two other eligible venues and the timeframe for the distribution of the funds.

### **Analysis**

The CAO and senior staff have participated in numerous discussions and negotiations with VANOC, Whistler Legacies Society (WLS), the Federal Government and Provincial Secretariat’s Office (Joint Group) over the last year and a half. Over this period, we prepared detailed post-Games business plans and together with VANOC and WLS, the Joint Group developed Operating and Disbursement Principles, Sports Access Guidelines, Pre-Games Operating Budgets and Trust Agreement Definitions.

This then culminated in joint presentations to the 2010 Games Operating Trust Board in January and February, 2007 where we presented a very detailed proposal for distribution of the funds. This request arose from the need to address funding certainty, sport access and collaboration,

flexibility and above all, long term success of the venues for the benefit of the community and sport.

We are pleased to report that the Games Operating Trust Board met and considered the joint request on February 23, 2007 and have confirmed in writing the following decisions of the Board:

- i. Non-capitalization of 2006 income - this means that it will be available for distribution.
- ii. Non-capitalization of 2007 income – same as above.
- iii. Distribution of 2006 and 2007 income – this income will be distributed no later than December 30, 2007 to the Whistler Sliding Centre & Nordic Centre and Richmond Oval in equal shares (50/50 split), subject to an expenditure review process to be established by the Joint Group before December 30, 2007 and that is acceptable to the Board.

Note: 2006 and 2007 non-capitalized income for pre-Games was not initially expected by the venue owners. However, after negotiations, it was added to the post Games legacy funding.

- iv. Fund Division Date – will be December 31, 2007.

Note: The Games Operating Trust Board had the option to defer the division until 2012 but accepted our proposal for an early division.

- v. Fund Division – the Legacy Endowment Fund will be divided into three separate sub-funds (not including 06/07 income which will be shared equally between Richmond and WLS):
  1. The Richmond Oval Fund - 40% representing a minimum of \$50 million;
  2. The Whistler Sliding Centre and Nordic Centre Fund - 40% representing a minimum of \$50 million; and
  3. The Contingency Fund -20% representing a minimum of \$25 million.
- vi. Pre-Games payment of Maximum Annual Distributable Amount (ADA) – for 2007, 2008 and 2009 the Whistler Sliding Centre & Nordic Centre and Richmond Oval will receive the full ADA.

Note: ADA has been set at 5% regardless of income earned in the year providing an added level of certainty to pre-Games programming.

- vii. Post Games carry-over of unspent ADA – Any unspent ADA from 2007, 2008 and 2009 distributions can be carried forward to the respective Whistler Sliding Centre & Nordic Centre and Richmond Oval Funds.

Note: Access to unspent ADA from 2007, 2008 and 2009 was not initially expected but after negotiations, it was added to our proposal and awarded to the venues by the Board.

The Contingency Fund will not be accessible pre-Games but will be available for distribution post Games based on demonstrated need by the facilities. Each venue will receive a share of the contingency fund.

Therefore, even if the Richmond Oval were to receive only half of the contingency fund, the total capital value of the fund would be approximately \$67.9 million of which the earnings could be estimated at \$3.4 million annually. This will be used to augment the annual operating funding of the Richmond Oval.

### **Financial Impact**

As a result of the Board decisions, we project the Richmond Oval's share of the Legacy Endowment Fund as follows:

	<b>Richmond 2004 Proposal</b>	<b>Dec. 31 2007</b>	<b>Dec. 31 2008</b>	<b>Dec. 31 2009</b>	<b>Mar. 31 2010</b>	<b>Total to Richmond Oval</b>
<b><u>Capitalized Value</u></b>						
Minimum Guaranteed	\$35-\$55M	\$50.0M	\$50.0M	\$50.0M	\$50.0M	\$50.0M
<b>Expected allocation based on fund performance*</b>	-	\$52.3M	\$52.7M	\$53.1M	\$53.3M	\$53.3M
<b><u>Contingency Fund (incl. growth)</u></b>						A share of
Expected allocation based on fund performance*	\$0	\$26.1M	\$27.5M	\$28.8M	\$29.2M	\$29.2M
<b><u>Annual Earnings</u></b>						
Fund earnings to be distributed**	-	\$4.4M	\$2.6M	\$2.6M	-	\$9.6M
<b><u>TOTAL</u></b>						
Minimum Guaranteed	\$35-55M	\$54.4M	\$57.0M	\$59.6M	\$59.6M	\$59.6M
<b>Expected total based on fund performance*</b>	-	\$56.7M	\$59.7M	\$62.7M	\$62.9M	\$62.9M + a share of \$29.2M

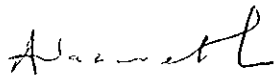
\*Amounts are approximations and based on current balances and future projections as actual allocations will be based on the December 31, 2007 endowment fund balance.

\*\*2007 earnings distribution of approximately \$4.4M consists of earned income from 2006 and ADA for 2007. 2008 & 2009 distributions of \$2.6M each year are based on ADA.

In summary, the City's proposal called for a total allocation of \$35.0 million to \$55.0 million. The minimum the City will receive by December 31, 2007 is a total of \$54.4 million. However, the expected benefit based on market performance is \$56.7 million by December 31, 2007. In addition, there will be further ADA distributions in 2008 and 2009 bringing the value of the total benefit to approximately \$62.9 million (\$53.3 million capital value and \$9.6 million pre-Games earnings distribution) by March 31, 2010. Post Games, we will have access to a share of the estimated \$29.2 million Contingency Fund and even if the Richmond Oval only receives half of the Contingency fund, total benefit will then be approximately \$77.5 million (\$67.9 million capital value and \$9.6 million pre-Games earnings distribution) based on the demonstrated need of the Oval.

### **Conclusion**

Overall, we have exceeded our initial expectations as presented in the 2004 Bid proposal with the \$62.9 million to \$77.5 million (conservatively based on receiving only half of the Contingency fund) allocation to the Richmond Oval. We have also exceeded expectations on the timing as with access three years earlier than planned, we can draw approximately \$9.6 million between 2007 and 2009.



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