

City of Richmond
2017 Annual Report Review June 25, 2018

Mayor Malcolm Brodie
Councillor Chak Au, Councillor Carol Day, Councillor Derek Dang, Councillor Ken Johnston,
Councillor Alexa Loo, Councillor Bill McNulty, Councillor Linda McPhail, Councillor Harold Steves

Richmond Olympic Oval Corporation (ROOC) Financial Performance Reporting Disclosure

2018 Oval facility assessed value \$263,163,000 (BC Assessment) - not disclosed.

Annual revenues from memberships, admissions, programs have never exceeded ROOC
employee wage and benefit expenses.

City received \$1 rent annually for the Oval facility valued at the above from ROOC.

City taxpayers have never benefitted from Fair Market rent receipts for the Oval facility from
ROOC. The City has not disclosed this cost (subsidy) to taxpayers.

ROOC received \$2,252,637 revenue (labelled "other") in 2017 from Oval facility operations.
This amount includes all Oval parking revenue, lease rent receipts and investment income
transferred to ROOC at City taxpayer expense in exchange for the \$1. The City and ROOC did
not credit City taxpayers for enabling this revenue transfer to ROOC at the expense of City
taxpayers for Oval operations.

City taxpayers have provided complete relief from property tax (municipal and non-municipal)
for the benefit of ROOC publicly annually and without providing credit or disclosure for this
cost to taxpayers. The City and ROOC did not disclose this cost reality to the public.

City taxpayers enabled annual City grants of \$3,377,148 (2017), \$3,310,927 (2016) to ROOC for
Oval operations.

The City did not inform taxpayers of alternative uses/benefits resulting from Hotel tax revenues
(currently absorbed by ROOC for the Oval).

The City and ROOC have not disclosed the contractual obligation costs (qualifications necessary)
for Games Operating Trust (GOT) grants to support the Oval facility and operation.

The Government of Canada and Government of British Columbia provided \$44 million (50%
each) to GOT. Got provides the annual investment income from this trust to the City for ROOC
use. GOT provided \$2.8 million (2016), and \$2,804, 671 (2017) to the City for ROOC. ROOC
generated \$2.05 million (2016, and \$2.15 million (2017) for the federal and provincial
government (employment income tax, CPP, EI, GST, and PST) benefit. Net risk expense of ROOC
operations and Oval facility to the federal (population 37 million 2018) and provincial

government (population 4.648 million 2016) total \$750 thousand (2016) and \$650 thousand (2017). City received no benefit from above remittances to senior levels of government.

Employer (ROOC) MSP premium costs for salaries and benefits will increase from the 2017 (\$8,916,249) cost by 1.95% in 2019. Federal CPP premium costs to employers (ROOC) will increase in 2019 and beyond at the expense of City taxpayers.

The 2010, 2014, and 2018 Winter Olympic Games hosted 82, 88, and 92 nations respectively. (Wikipedia).

Wikipedia lists 14 nations with indoor speed skating rinks. The Richmond Oval is a reconfigured rink. The United States (population 325.7 million 2017) has two. 68 nations do not have indoor speed skating facilities.

7080 River Rd (City purchased 15 February 2016 for \$37 million) generated \$1.6 million net rent revenue for the City in 2017. This property will generate \$184,122 municipal property tax and \$204,456 non-municipal tax on the \$38,086,000 (2018 assessed value). The rent revenue represents a 4.32% return on the purchase price. 4.32% return on the Oval facility value should be \$11,368,641. instead of the \$1 afforded by ROOC for the City. The municipal tax (\$184,122) represents a .00497% return on the purchase price, or an additional loss of \$1,309,570 on the 2018 Oval facility value to City taxpayers. The City and ROOC did not disclose the non-municipal property tax relief provided to ROOC at the expense of other taxpayers.

The GOT of \$44 million generated \$2,804,671 for the Oval facility in 2017 or 6.37%. A 6.37% return on the Oval facility equates to \$16,763,483 revenue. Instead, the City received \$1. The difference is a cost to taxpayers.

The City reported debt interest (3.3%) cost of \$1,676,895 for 2017 on net debt of \$37,603,000 (FIN - 43) and an expense to taxpayers. ROOC reported interest income of 1.6% to 2.1% on \$10,576,342 of investments. The City and ROOC did not disclose the additional cost to City taxpayers for City debt while ROOC receives the benefit (enabled by taxpayers) of alleged profit/surplus transferred to Oval reserves for the benefit of the Oval facility. ROOC has never transferred a profit or dividend to the City for the benefit of City taxpayers.

The City's investment portfolio average yield of 2.15% (FIN – 118), is well short of the GOT investment return and that of the City's 7080 River Rd property. Note, the 7080 revenue will be lost when this property is absorbed into the Lulu Island Park and the \$37 million purchase cost will render no investment income.

What do 81%(FIN – 26)/80% (FIN – 147) represent for meaningful membership numbers? 81%/80% of what? 6000 annual memberships represent \$3,952,800 (adult), \$3,175,200 (young adult/senior), and \$2,527,000 (youth) revenue for each category. Clearly, the reference to membership revenues is meaningless when applied to FIN – 34 (April 26, 2018 Report to George Duncan, Andrew Nazareth, and Robert Gonzalez from Rich Dusanj)

Note, - the Oval facility project risk was undertaken entirely by the City. The GOT funding (\$44 million) provided by senior government is readily available to be repatriated if the City fails to meet unknown qualification requirements for GOT funding.

It is understood, the City is the sole shareholder of ROOC and sole owner of the Oval facility. The City represented by Mayor Brodie and eight, elected Councillors represent the best interests of the City on behalf of City taxpayers. The City enabled thirteen qualified members of the public to be appointed to the ROOC Board of Directors to oversee ROOC performance. The City and ROOC have failed to disclose in a transparent way, meaningful membership numbers, meaningful and specific revenue streams and numbers. City taxpayers were not credited or informed of the full and true financial performance costs of the Oval facility.

What prevents the City from transferring the Oval facility to federal ownership with shared risk spread over 37 million instead of 220,000? The Montreal Olympic Stadium has attracted \$250 million support for a new roof from the Quebec government. Quebec is privy to \$11 billion in equalization payments from federal taxpayers. The Province of BC declined to fund a Victoria bid for the 2022 Commonwealth Games. The Province of Alberta did likewise. Edmonton and Toronto declined to bid for the 2022 Commonwealth Games. BC declined to bid for FIFA participation in 2026. Alberta did likewise.

Calgary is considering the 2026 Winter Olympics bid. Please ensure Calgary officials are fully informed of the real and true costs to Richmond for the Oval facility and the costs of meeting GOT obligations when the federal and provincial governments refused to undertake the unacceptable financial risk associated with the venture.

Options going forward include; accessing GOT contingency funding, additional federal/provincial Oval operating funding, lease/sale to federal government for elite/high performance athletic purposes, lease/sale to private enterprise for similar purposes, re-purpose the property, and sale for redevelopment. Any failure/refusal by federal authorities to provide significant additional funding/lease or purchase, represents a well-defined unacceptable risk for the project to continue.

Demonstrating strong financial management and leadership to a world suffering from ample examples of Olympic venue failures and the legacy of financial wreckage left behind is available to Richmond. Budgets do not balance themselves. Real numbers provide ample evidence of this reality. Access to other existing fitness/sports resources is readily available at no cost to taxpayers.

Prepared by

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