



CITY OF ST. ALBERT ADMINISTRATIVE BACKGROUNDER

TITLE: MEMORANDUM OF UNDERSTANDING – ACTIVE COMMUNITIES

On May 23, 2018 Councillor Hansen provided notice in accordance with Section 23 of Procedure Bylaw 3/2018 that she intended to bring forward the proposed motion below.

In order for Council to debate the motion, the motion must be formally moved.

That a Memorandum of Understanding (MOU) be prepared with Active Communities by xxxx (date) that will serve to support the concept of a Sport and Wellness Campus. Further, that the MOU contain therein a statement that the City of St. Albert has interest in providing \$20 million towards the project, conditional on \$10 million in federal funding and \$10 million in provincial government funding being secured for the project.

That Active Communities work in collaboration with St. Albert Soccer Association to explore solutions to shared space.

BACKGROUND:

Active Communities Alberta (ACA) have shown commitment through their project for enhancing recreation opportunities in St. Albert. It is admirable to have a community group like this formed and focused on recreation facility development in the city. Recreation amenities provide public good in any community but, focusing limited public resources requires prioritization. ACA is helping the City further its strategic goals for recreation as the work done by ACA to date has sparked conversation and discussion.

Administration has engaged in several meetings with ACA to discuss the project. ACA was also involved in the Collaboration for Facility Partnerships meeting, and the City has provided the group with a Letter of Support (attached). However, there are many factors that need to be considered prior to entering into an MOU and committing to funding.

Factors for Consideration:

Agreements with Other Partners

- As per the ACA presentation, the land identified is currently owned by the City of Edmonton. The City of St. Albert would be at risk entering into a MOU with ACA for a project on land that is outside of the city's jurisdiction, and potentially not have ownership of the asset, would require at least a three-party MOU between ACA, St. Albert, and Edmonton.
- The City of St. Albert currently has a MOU, signed in 2017, with the City of Edmonton and the St. Albert Soccer Association (SASA) to explore the feasibility of partnering on the development of a regional field house/Sportplex on the lands identified by ACA for their project. The MOU is not legally binding; however, entering a MOU with a different group on the parcel of land identified in the MOU would be construed as contradicting the nature of the signed MOU and could cause ill will with our other partners. In accordance with the terms of the signed MOU, the City must give thirty days written notice to terminate its participation with the other parties. Practically speaking, it is hard to gauge Edmonton's willingness to enter into another MOU for the same parcel of land with another partner (ACA) after terminating the current MOU with SASA.
- The City of St. Albert has been approached by other organizations looking to provide third party capital and operational options towards a recreational space. The YMCA of Northern Alberta and the City have continued to have conversations and discussions on a long-term facility project.

Per the 2018-2021 City of St. Albert Corporate Business Plan, Activity 4.3 is intended to bring clarity to regional partnerships, specifically with Sturgeon County, the City of Edmonton, and others regarding frameworks for collaboration for recreation. This initiative is still in the project planning stages, but once initiated and implemented, should provide Council with options for regional partnerships, and a framework to consider requests such as the ACA. In the meantime, City Administration continues to meet with regional partners, but is looking to adopt a holistic and standardized approach (if possible) to planning for shared recreation needs, on an inter-municipal level as mandated by the province.

Financial Model

- In order for the City to commit funding for a project, the standard process is approval of a project charter detailing the scope of work, project justification, issues, opportunities, risks, strategic plan alignment, stakeholder identification, timelines, and financial information including capital costs and operational impacts. Currently the City has not approved this project; therefore, commitment of any funding would be premature.
- Should Council resolve to approve this project, a funding source or mechanism would need to be identified. Given the financial scale of this project, some or all of the funding would likely require the securing of debt through a borrowing bylaw with a corresponding tax impact to service the

debt payments. A decision of this nature should be managed through the established budget process.

- From a legal standpoint, Council should not give assurance for a project that has not been approved. If the perception of support is provided without a project being approved, there is a risk to the City if the City does not then end up supporting the project later. The risk is reputational, but additionally, the City does not have a formalized relationship with ACA.
- Though the proponent is a non-profit organization, and thus exempt from applicable trade agreements, sound procurement practice suggests that for a project of this nature and scale, process fairness and best value may best be attained by implementing a (binding or non-binding) process that allows other qualified parties to submit proposals. Once the project receives conceptual support and a scope is defined, an Invitation to Tender (ITT) or similar offering would be posted for vendor consideration – the result may be that the City receives multiple proposals having varying degrees of viability and merit from prospective third-party operators.
- An MOU typically articulates a common understanding between parties which, by design, is of no legal effect. ACA appears to be seeking a binding arrangement with the City; that is, ACA seeks the City's commitment to fund the endeavor, conditional on ACA receiving grant funding from other levels of government. In fact, it is possible that other granting authorities will require this level of binding commitment from the City as a pre-requisite of any grant issuance. For the various reasons noted above, that level of commitment may not be warranted at this time.

Research on non-profit partnerships in the operations of public recreation facilities indicates the following:

- There are facilities in Calgary that are operated by non-profit groups at a \$0 operational subsidy; these facilities operate in markets of up to 150,000 users that are “willing to pay” for services.
- The City of Calgary still has to pay for capital costs and maintenance (major repairs and life cycle/asset management; there is a cost to the taxpayer).
- The operations of ice arenas in particular in Calgary has drawn some “community feedback” recently about high fees and lack of available ice: <https://globalnews.ca/news/2931867/minor-sports-vs-mens-league-for-prime-ice-time-at-new-great-plains-recreational-facility/>
- The incidence of non-profit or private operated recreation facilities in the province is much less common than publicly owned and operated facilities.

- Non-profits need to break even (or better); this means that they need to find a way to offer a public service at a lower cost than a municipality. Efficiencies can, and do, occur in non-profit operations as they can:
 - Hire non-union or lower paid staff
 - Leverage expertise across multiple venues (for groups that operate in multiple markets)
 - Leverage volunteer involvement in operations and programming
 - Leverage donations and sponsorship efforts in operations.
- “Break even on operations” for non-profit groups does not typically include required life cycle/asset management or even minor repair and maintenance budgeting.
- Partnerships can take a variety of forms; most include some form of municipal asset ownership.
- All entail risk; municipalities should always be prepared for worst case scenario (turn over keys?, inability to fundraise, public access to facilities is limited/compromised, etc.).

Recommendation

It is Administration’s recommendation not to enter into a MOU with Active Communities Alberta at this time. However, Administration will:

- Continue to engage in dialogue with ACA as a stakeholder in the process as we plan for future facility development.
- Facilitate a meeting with the City of Edmonton, SASA, and ACA to determine if there is a desire by all parties to collaborate on a facility that meets the vision and needs of all partners.
- Continue to work with regional partners to establish a holistic framework for recreation collaboration, per Corporate Business Plan Activity 4.3.

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