



STAFF REPORT

Title: 4 Wing Cold Lake Golf and Winter Club

Meeting Date: September 15, 2020

Executive Summary:

The City of Cold Lake (the “City”) held a Public Open House on September 2, 2020 in relation to the future of the Cold Lake Golf and Winter Club. The City hosted 100 people at the Open House which included users of the facility and members of the public. We’ve attached a copy of the presentation made by CAO Nagoya for reference purposes.

During the meeting, the feedback was overwhelmingly positive in relation to the operations of both the golf and curling activities since the City took over services in 2013 following execution of an agreement whereby the City would operate the Cold Lake Golf and Winter Club on 4Wing Cold Lake (the “Agreement”). Users of the curling facility advised that there was immediate improvement in ice conditions and ice maintenance while users of the golf course described a tremendous improvement in turf conditions, after the irrigation system was approved and the city took over the turf maintenance from the Grande Centre Golf and Country Club. Several positive comments were also received in regards to facility itself. An overall summary is included in the presentation.

Further to the Public Open House, the City held a meeting with the M.D. of Bonnyville and 4 Wing Cold Lake on September 4, 2020. The purpose of the meeting was to debrief from the Public Open House and seek to understand options in moving forward. The City also held a meeting with the Cold Lake Curling Club on September 7, 2020 to debrief from the Public Open House and seek to understand what opportunities exist for a potential partnership with third party organizations.

In March 2020, City Council passed a resolution directing administration to give notice to terminate the Agreement effective September 30, 2020 to give enough time for 4 Wing to deal with the issue and/or execute a new agreement or new arrangement. City Council passed this resolution after several extensions were provided to 4 Wing Cold Lake to deal with the issue of the federal government not fulfilling its commitment(s) in the Agreement.

We understand that 4 Wing Cold Lake will not request a further extension of the Agreement due to the “Crown” been exposed to liability to the Crown under the Agreement. We also understand that 4 Wing Cold Lake doesn’t have any options (e.g. coming up with the funds) to compensate the City for the commitments under the



Agreement. The City was advised that any solution must include the termination of the Agreement.

Regardless of the outcome of any discussions, the City will need to consider the damages that should be recovered from the “Crown” prior the statute of limitations period.

Council has been briefed in “in-camera” on the various initiatives involving 4 Wing Cold Lake and/or the DND:

- Update of 4 Wing Cold Lake MOU for the Provision of Municipal Services (Negotiations Commenced on August 27, 2020):
 - Playground Maintenance
 - Grass Cutting for Parks and Open Spaces
 - Roadway Maintenance
 - Street Light Utilities
 - Waste Management and Recycling
 - Transit System
 - Policing Services
 - Fire Services
 - Animal Control (Bylaw Services)
 - JJ PARR Funding \$363,055
- 4 Wing Cold Lake Commercial License Agreement (Ongoing Negotiations since 2017)
- 4 Wing Cold Lake Golf and Winter Club – Concession Agreement
- 4 Wing Cold Lake Franchise Fees
- Payment in Lieu of Taxes (DAP and Federal Court Judicial Reviews)

Despite the ongoing issues and 4 Wing advisement that they cannot extend the Agreement, 4 Wing Cold Lake is requesting for the City reconsider its position in relation to the operations of Cold Lake Golf and Winter Club and initiate a new agreement. The Municipal District of Bonnyville is also supporting the City in the continue operations of the Cold Lake Golf and Winter Club.

Administration has been advised that a petition has been signed with over 160 signatures in support of the Cold Lake Golf and Winter Club. It should be noted that Administration has not received or reviewed the petition for compliance under the Municipal Government Act at the time of this report.



The Corporate Priorities Committee (CPC) of Council should review the issues and, if necessary, provide a recommendation to City Council in relation to its position on the operations of the Cold Lake Golf and Winter Club.

It is administrations advice that the best outcome would be to establish either Part 9 Company or Municipally Controlled Corporation to operate the Cold Lake Golf and Winter Club, if Council expectation to provide continued financial supports to the Golf and Winter Club.

Background:

In late summer of 2012, 4 Wing Cold Lake issued a “Request for Proposals” to seek an operator to operate the Cold Lake Golf and Winter Club. Subsequently, in October, the Wing Commander advised the City that they did not receive any reasonable responses and if no solutions were found; DND would need to close the Golf and Curdling Club due to a directive of the Department of National Defense. On October 26, 2020, the Wing Commander issue a letter to the City confirming the discussions and looked to pursue negotiations in relation to the future of the facility. We have attached a copy of the letter and presentation received by City Council on November 20, 2020.

The City entered into a “Concession Agreement” on December 18, 2012 to operate the Cold Lake Golf and Winter Club on 4 Wing’s behalf. The agreement is essentially a service agreement. The City was advised at the time that 4 Wing Cold Lake could not enter into a “lease” type of agreement in order to maintain its commitments such as the Payment in Lieu of Taxes.

Between 2012 and 2018, the Government of Canada made the necessary PILT payments relating to the Cold Lake Golf and Winter Club Concession Agreement.

Administration will need direction from City Council on whether it believes that the City should be involved with the services surrounding the Cold Lake Golf and Winter Club on behalf of the owner being the “Crown” as represented by the Department of National Defense.

In January 2019, the City was advised by the Government of Canada that it was considering exempting 4 Wing Cold Lake’s Golf and Winter Club which would mean that they would no longer be making PILT Payments. This advisement was finalized once the Government of Canada made its “final” payment of the 2019 PILT.

It is administration’s advice that Council discuss the principles of the City being involved in the services surrounding the Cold Lake Golf and Winter Club. As the Committee of Council reviews the matters surrounding the concession agreement the following should be considered:



- *“Under the Municipal Government Act (MGA), municipalities are charged with the responsibility to provide good government; to provide services, facilities or other things that, in the opinion of council, are necessary or desirable for all or a part of the municipality; and to develop and maintain safe and viable communities. These are broad and important responsibilities, and their implementation involves managing and balancing resources to meet a multitude of both current and future community needs.”*

- *Alberta Municipal Affairs Website*

- Section 3 of the MGA specifically articulates that *the purposes of a municipality are (a) to provide good government, (a.1) to foster the well-being of the environment, (b) to provide services, facilities or other things that, in the opinion of council, are necessary or desirable for all or a part of the municipality, (c) to develop and maintain safe and viable communities, and (d) to work collaboratively with neighbouring municipalities to plan, deliver and fund inter-municipal services.*

- *Municipal Government Act*

- The facility is owned by the “Crown” of which the use and operations thereof are under the direction and control of the Department of National Defense. Any improvements made to the facility and the grounds would be turn back to the “Crown” upon lease expiry, termination, or non-renewal.
- Based on the existing agreement, the 2020 Budget articulates to estimated revenue of \$500,000 and estimated expenses of \$927,960 of which the estimated deficit funded by municipal taxes is \$427,960. It should be noted that these figures do not include the expense of the P.I.L.T which was agreed to be paid by the Department of National Defense (Order of Magnitude of \$300,000 annually). The attached presentation summarized the actual revenues and expenses since 2015.
- Should the City’s involvement in Cold Lake Golf and Winter Club be in whole or in part?
- Historically, the City has been able to maintain a separation between the litigation issues with the federal government and its relationship with the 4 Wing Cold Lake (specifically Wing Commander). More recent actions by the federal government has closed this gap.



- As noted above, 4 Wing Cold Lake is requesting that the City of Cold Lake to reconsider its position in relation to the operations of Cold Lake Golf and Winter Club despite the City's ongoing issues surrounding PILT and the existing agreement.
- As noted above, Municipal District of Bonnyville is also supporting the City of Cold Lake in the continue operations of the Cold Lake Golf and Winter Club.
- As noted above, the City is in receipt of what seems to be an informal petition that is currently being reviewed by administration.
- Regardless of the above, we understand that 4 Wing Cold Lake is committed to continue curling operations, at least for the 2020/2021 season. The City has proceeded to develop the ice for the curling season. It is anticipated that the operations would be similar to the service delivery model prior to the City taking over the day-to-day operations. The City has received several concerns in relation to this approach as many users have indicated that the operations prior to the City takeover was froth with challenges and minimal customer service. That being said, curling would be still be available.

Further to the above, concerns raised by the Curling Club included:

- The Club provided \$94,000 donation to 4 Wing Cold Lake as contribution to the facility development of the curling centre. This is the further to the City's commitment to \$20,000 per year for 30 years (or \$600,000).
- What does the future of the facility look like without golfing being part of the programming. Golfing is a significant component of the facility (both inside and out) and without golfing will create a very uncertain future.
- Should the City be considering the development of its own curling facility?

Alternatives:

If the Corporate Priorities Committee of Council (CPC) is supportive of the City's involved in the Cold Lake Golf and Winter Club (and is recommending to City Council as such), or parts thereof, the following are briefing of options that could be considered in the CPC's deliberations:

1. City of Cold Lake - New Agreement(s)

It is understood that the 4 Wing Cold Lake is requesting for the City to execute two (2) separate agreements inclusive of curling operations and related parts of the facility and Golfing operations and related parts of the facility. It is understood that the curling agreement would be a ten (10) year concession



agreement that is extendable by an additional ten (10) years by 4 Wing Cold Lake. On the other hand, the golfing agreement would likely be an annual agreement.

This option is essentially consistent with current operations however 4 Wing Cold Lake back out language associated to PILT commitments by 4 Wing Cold Lake.

2. Operated by Not-for-Profit Society

- a. Curling – Firstly, 4 Wing Cold Lake could enter into a user agreement or operational agreement with an entity for the curling operations and related parts of the facility. It is anticipated that the society would request City financial (or in kind) support for ice maintenance.
- b. Golfing – The second component to this (which will need to be addressed by spring) will be the need for 4 Wing to establish a contract with a society (or the same society that is operating the curling) to operate the Golfing Operation and related parts of the facility. It is anticipate that the society would request City financial (or in kind) support for things like grounds maintenance.

This option or parts thereof would be an alternative service delivery model. The City understands that there is interest in the concept however ongoing support would be needed from the municipality.

3. Municipally Controlled Corporation or “Part 9” Company – “Municipally Controlled Corporations (MCCs) are for-profit corporations where a municipality (or group of municipalities) holds more than 50% of the votes in electing directors of the corporation. A controlled corporation may be formed to provide facilities or municipal services such as water and waste management, electricity, and gas distribution. Controlled corporations are similar to other privately owned business corporations, but must comply with specific requirements under the Municipal Government Act and the Control of Corporations Regulation. Although municipalities maintain the controlling interest in these corporations, day-to-day operations occur at arm’s length.”

Further to the above, the City could also consider an organization under Part 9 of the Companies Act which also allows for the incorporation of not-for-profit organizations, similar to a society. Part 9 companies can, however, engage in business activities. Profits from business activities may only be used for the purpose of promoting the objects of the organization and must not be paid to members.



This option would see the “company” operate the facility and the day-to-day operations (separate to that of the City). This option or parts thereof would also be an alternative service delivery model. It should be noted that the company would need to see revenue from the City to help offset operations. The organization could include members of either, or both, of the curling and golfing activities and even 4 Wing Cold Lake. The organization could use volunteers as part of the service delivery model.

4. **Request for Proposal** – The City of Cold Lake could request 4 Wing Cold Lake attempt to find a third party organization to operate the facility thru a call for proposals from any interested organizations. It should be noted that if any proposals include an expectation with fees; 4 Wing Cold Lake would look to the City to cover the costs associated with the proposal and any resulting contract.

As it stands, as of October 1, 2020 there is no agreement for any organization to operate at the Cold Lake Golf and Winter Club. If no solutions present itself, it is understood that 4 Wing Cold Lake is committed to operating the curling operations for the 2020/2021 winter season.

Recommended Action:

Administration foresees opportunities when looking at alternative service delivery models that still provide quality service and programs, being cost effective and making an attempt to separate the dispute and legal issues between the City and the Federal Government.

It is administrations advice that the best outcome would be to establish either **Part 9 Company** or **Municipally Controlled Corporation** to operate the Cold Lake Golf and Winter Club. This private company could include members (of the board) from the City, DND (if desired), perhaps members of the community (if desired). The forward vision and successes would be collaborative with the users of the facility and can be built upon the success already realized in the transition to the City. It should be noted that it would take the winter season to establish and operate the legal entity.

It would be recommended that 4 Wing Cold Lake establish an agreement with the Curling Club whereby the City could provide assistance (either financially or in-kind) to maintain the ice for the season.

Pending the CPC deliberations, perhaps a resolution recommending that City Council attempt to establish a Part 9 Company or Municipally Controlled Corporation to operate the Cold Lake Golf and Winter Club and that some form of support (whether financial or in-kind) should be considered for the 2020/2021 curling season.



Budget Implications (Yes or No):

Yes

Submitted by:

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