



**The Corporation of the Municipality of Wawa  
Staff Report**

**Office of Community Services and Tourism**

<b>Prepared For: Corporate Planning Committee</b>	<b>Report No.: AP 2017-16</b>
<b>Agenda Date: November 28, 2017</b>	<b>File No.: 8.5.2, 9.30, 9.31, 9.32</b>

**Subject**

This report concerns the renewal and changes to the Wawa Ice fishing Derby Event Contract for 2019 and future years.

**Summary of the Recommendation**

That the Municipality of Wawa waive the fees of the Wawa Ice Fishing Derby as well as provide a 25 cent bar donation per drink sold.

**Summary of the Issues**

The Wawa Ice Fishing Derby has been subject to different agreements over the last several years that lacked alignment with Municipal policy. Staff have endeavoured to align new agreements with existing Municipal policy causing a potential difference in expenses that threatens the success of the Derby. There is also a requirement to have a letter of credit for the purposes of the lottery licence that represents another critical barrier in the continued operation of the Derby.

**List of Stakeholders**

- Ratepayers
- Municipal Council
- Municipal Staff
- Wawa Ice Fishing Derby
- Local Businesses, service clubs and organizations

**Respectfully Submitted By:**

**Prepared By:**

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## Purpose of Report

This report originates from the changes made for the 2018 and future seasons to the Wawa Ice Fishing Derby (Derby) event contract for the use of Municipal facilities. The reasons for these changes are outlined in the **Analysis** section of the report. A copy of the 2018 Event contract can be found in **Appendix A**. This change prompted a letter from the Derby requesting a waiver of fees as well as a Municipal donation from the Bar profits. This letter can be found in **Appendix B**. This request was granted for the 2018 season by staff to ensure the security of the 2018 Derby. This report will explore the historical situation, the update to current policy implemented by staff, as well as future issues and consideration of future derbies.

## Analysis

### Historic Situation and Agreement

Over the last several years, the Derby has enjoyed the use of Municipal facilities in an agreement unique to this event. In effect, the Municipality has been paying the Derby for the use of the MMCC throughout Derby weekend. Parkland and beach house use are not charged for any event and will not be covered in this Report. This creates a situation that the current schedule of fees and Municipal policy does not account for. The Municipality has run the bar over the past several years, taking full control of all aspects of its operation. Revenue was collected for all of the operations of this bar and split the following ways:

- Door Sales: 100% of revenue to the Derby
- Alcohol Sales: 50% of *profits* to the Derby, 50% of *profits* to the Municipality

All revenue was collected by the Municipality, and was subject to an event reconciliation. Profits of the bar were calculated by subtracting all event expenses from the revenue generated. All event expenses included the following:

- Bar Resale Items (Alcohol, Cups, Mix, etc.)
- Bar Staff Expenses
- Ticket Sales HST
- Facility Rental
- Security Expenses

This creates a significant exception to policy where the facility rental fees, and all expenses, are removed from the Municipal bar profits and not billed to the event. This was outlined in previous event agreements between the Derby and Municipality. It is this discrepancy that prompted staff to review the agreement.

### **Current Situation – Policy Review**

With the intent of aligning the agreement with current Municipal Policy, staff reviewed past agreements and made the following changes:

- The door be completely run by the Derby, with all revenue and expenses remaining there.
- The bar be completely run by the Municipality, with all revenue and expenses remaining there. This includes staffing, product, and security.
- The facility be charged to the Derby as per the Schedule of Fees

This creates a significant difference in revenue for the Derby, changing what was historically a revenue item into an expense item. For the Municipality, it realigns the agreement within Municipal policy. With this, the Derby has the opportunity to request a waiver of fees as well as a donation of bar profits subject to Municipal policy. This has been granted by Staff for the 2018 season to ensure the security of the Derby and relates to past practice. This waiver is normally not under the authority of staff as it does not qualify on the basis of being a fundraising event. Therefore, this report and the decision of Council will constitute the appeals process to determine if the event receives these same subsidies in future years.

### **Insurance Requirements**

As with any event or activity occurring on Municipal property or in a Municipal facility that runs programming, there is an absolute need for the party to obtain liability insurance that names the Municipality as additional insured. This is reinforced by the Municipal insurance company.

### **Lottery Licence Requirements**

The Municipality, as the lottery licence issuer for our community, is required by law to acquire an irrevocable letter of credit for all lotteries with a prize over \$10,000. In the past, this letter has been waived, which puts the Municipality in contravention of the Law. This puts undue risk on the Municipality as this can affect Municipal services, such as the Municipal liquor licence, as well as open the Municipality to litigation and civil claims. As this irrevocable letter of credit is subject to the Derby purchasing it in a similar manner as an insurance policy, and at a rate that would not have a significant effect on the operation budget in the opinion of staff, it is essential that this be secured moving forwards. This is another critical barrier to successful operation of the Derby where the Municipality has a responsibility to follow the Law. This is also explored in the **Financial/Staffing Implications** section.

### **Future Considerations**

The Wawa Ice Fishing Derby is the most significant yearly event for this community. Its economic benefit is discussed in the **Financial/Staffing Implications** section of this report. Socially it is of great benefit to the community, both as an excellent source of

notoriety for Wawa as well as a recreation opportunity for residents. One of the key features of the event is the reinvestment of all surplus funds back into the community. This is of great benefit to many important community organizations, as outlined in the letter attached (**Appendix B**). The continued support of this event is one that, in the opinion of staff, is extremely important to the continued success of the community, particularly in winter months that prove difficult for many local businesses.

With these considerations, it is also important to the community that the Municipality accommodate these events fairly and equitably. That is the reason for Municipal policy in the first place. The recognition that Municipal facilities have a cost to run, and that this cost is subsidized a great deal by the ratepayer, is the primary consideration for many of these policies. Fundamentally, staff has the responsibility to follow these policies and Council has the responsibility to change and determine these policies, and both are held accountable by the ratepayer.

The current fee waiver process is simple: Staff have a narrow scope to allow for a fee waiver, and denied requests may be presented to Council for review. This process allows Council to have the final say in expenses incurred on behalf of events where a fee waiver is in effect. This also reinforces that Municipal facilities have a cost to operate, and all costs that are not paid by the user are then borne by the ratepayer. As a recreation facility, we use guidelines to determine the level of subsidization by the ratepayer to recommend a schedule of fees that reflects a mix of user and ratepayer costs for the operation of the facility. Similar to policy, it is this schedule that staff have the responsibility to enforce and Council has the responsibility to set. These costs will be explored further in the **Financial/Staffing Implications** section of this report.

## Financial/Staffing Implications

### Consideration of Fee Waiver

The fee waiver would remove the fees associated with the rental of the facility as outlined below:

Facility	Rate/Day	Days	Total
Arena Surface	\$750.00	3	\$2,250.00
Banquet Room	\$300.00	3	\$900.00
Lounge	\$75.00	3	\$225.00
<b>Total</b>			<b>\$3,375.00</b>

\*The facility waiver administration fee of \$25.00 would still apply.

It is important to note that these fees are representative of the Community Adult Fundraising fees as outlined in the schedule of fees. These fees are subsidized at a rate that encourages these types of events and are cheaper than regular commercial rates. It

is also important to note that this represents a scenario where all rooms are needed – in past years only the Arena surface has been rented.

### **Sponsorship Opportunity**

As a fee waiver by Council represents a roughly \$3,000 financial commitment on behalf of the Municipality to further subsidize the facility use, an opportunity for a sponsorship agreement exists to recognize this potential contribution. This can further the goals of both the Derby and Municipality in a continued partnership to improve the tourism capacity of the community.

### **Economic Impact of the Derby**

The Derby has a significant impact on the community throughout a critical time in the winter months. In a rough staff estimate, using the TREIMS model, a standard for events of this type, an outcome of roughly \$500,000 of direct and indirect economic impact is the result. This is on the same scale of the Wawa Drag Races. This represents what many motels and restaurants consider to be an extremely important influx of dollars into the community from external sources.

### **Lottery Licence Requirements**

As the Municipality is bound by law to acquire an irrevocable letter of credit, there is no opportunity here for a waiver as has been past practice. Therefore, the only solution to this issue is for the Derby to acquire this letter of credit. The Municipality has investigated these requirements and has determined that to acquire this letter of credit would be feasible for the Derby financially. As the requirement for the derby would be a \$35,000 letter of credit, and at a quoted rate of 2.75% for a three month period, this would amount to a cost of \$962.50 to the Derby to satisfy these requirements. This cost may be lower if the Derby is able to secure a different deal with their bank.

## **Policies Affecting Proposal**

### **Municipal Business Plan**

The Municipal Business Plan directs staff to Build Tourism Capacity. To this effect, the continued support of the Derby, and its positive effect on both the community as well as its regional and international draw supports this development.

### **Municipal Policy MM-010 Waiver of Facility Fees**

The Waiver of Facility Fees policy limits staff in the decision making of these requests – and they are then appealed to Council as part of this process. Staff recommend that this policy be reviewed and updated to better show the financial effects of fee waivers on the community and municipal business.

**Comments from Relevant Departments/Community and Corporate Partners**

None.

**Alternatives****Option 1 – Do not accept the fee waiver request; do not help with the lottery licence**

This option will see the Municipality enforce current policies and the Derby will be subject to all appropriate fees and regulations. This will cause financial hardship on the Derby and will result in a reduction of community donations as well as the potential failure of the Derby should they not be able to secure a letter of credit. For these reasons, this option is **Not Recommended**.

**Option 2 – Accept the Fee Waiver Request; waive the lottery licence requirements**

This option will see the Municipality accept the fee waiver request and waive the lottery licence requirements. The fee waiver will support the Derby in its continued operation and will have a similar effect to past practice. Waiver of the lottery licence as has been done in the past however as this is a legal requirement for the Municipality, it opens up an undue risk. For this reason, this option is **Not Recommended**.

**Option 3 – Accept the Fee Waiver Request, Enforce Lottery Licence Requirements**

This option would see the Municipality provide a fee waiver to the Derby subject to an agreement outlining the terms of rental. Staff would also seek to include a sponsorship provision as well as verify the insurance requirements as with other rentals. While the fee request waiver will put the Derby and the agreement for use of municipal facilities squarely within Municipal policy, it may set a precedent for other events of this type. Staff would also seek a review of the facility waiver policy to be completed in 2018. This would also have the Municipality support the lottery licence requirements of the Derby in the form of assistance to ensure that all legal requirements are met. This would ensure the continued functionality of the Derby within the applicable laws and Municipal policies. Staff recommend that this be subject to a yearly agreement to be ratified by Council before the summer break to allow the Derby to plan accordingly.

**Conclusion**

In waiving fees and working to satisfy the lottery licence requirements of the the Wawa Ice Fishing Derby, the Municipality is supporting a community event critical to the economic and tourism success of the community. By supporting this event within policy and the legal requirements of lottery licencing, the Municipality is creating a fair and

equitable environment for the delivery of these events while also protecting our ratepayers from undue costs and liability.

### **Recommendation**

**WHEREAS** the Municipality of Wawa supports the continued development and success of large community events for the benefit of the community as a whole;

**AND WHEREAS** the Municipality of Wawa recognizes the importance of these events and wishes to use the existing Municipal frameworks to support their continued success;

**NOWHEREFORE BE IT RESOLVED** that the Municipality of Wawa does hereby grant a Waiver of Facility Fees for the use of the Michipicoten Memorial Community Centre to the Wawa Ice Fishing Derby including a Municipal Donation for Bar Sales;

**AND FURTHER** that this Waiver and Donation be subject to the receipt of a signed Contract.

### **Attachments**

**Appendix A – Event Contract**

**Appendix B – Letter from Wawa Ice Fishing Derby**