



BACKGROUND

Fraser Valley Sports & Entertainment and Global Spectrum Supply Agreement

In 2005 the City of Abbotsford made the important decision to build an entertainment and sports centre. This visionary undertaking by residents and Council was an important decision in moving the City forward and bringing to the City of Abbotsford and the Fraser Valley an essential dimension of entertainment, community gathering, community pride, vision and visibility. A key component of the vision for the Centre was the inclusion of a significant hockey team as the major tenant.

The Abbotsford Entertainment and Sports Centre opened in May 2009 with the Calgary Flames American Hockey League (AHL) affiliate team, the Abbotsford Heat as the major tenant.

The AHL is a 29-team professional ice hockey league that serves as the primary developmental circuit for the National Hockey League (NHL). Every AHL team has an agreement with an affiliate NHL team to supply approximately 86 per cent of their roster.

Why did the City decide to pursue an AHL level team?

The Abbotsford Entertainment and Sports Centre is a significant investment for the City of Abbotsford. To ensure the Centre's long term success and profitability a major tenant was required. The AHL is the most significant hockey league next to the NHL, and prior to the Abbotsford Heat, there were no AHL franchise teams west of Winnipeg in all of North America. The acquisition of an AHL franchise provided the best opportunity for success as the high caliber hockey will attract fans, foster economic development opportunities and build community pride for years to come.

How did the City attract the AHL to Abbotsford?

The City conducted a market research study, an economic impact study and gathered local investors to spearhead the initiative. In March 2009, City Council was presented with a proposal from the local investors (now the ownership group) for the relocation of the Calgary Flames AHL franchise team to Abbotsford. The key elements of the proposal were:

- that the relocation be cost neutral for the AHL team
- the Calgary Flames and the ownership group form a partnership and sign an agreement for a 10 year period
- the Calgary Flames retain control over the operations of the Abbotsford Heat team
- the day-to-day operations of the Abbotsford Entertainment and Sports Centre continue to be managed by Global Spectrum on behalf of the City
- the Abbotsford Heat and Global Spectrum enter into a Supply Agreement that sets out the supply fee for the Abbotsford Heat and the profit sharing formula between the Heat and the City.

The City agreed to the terms and conditions of the proposal and the AHL Board of Governors subsequently approved the relocation of the Calgary Flames AHL franchise to Abbotsford.

What is a Supply Agreement?

The Supply Agreement between the Abbotsford Heat and Global Spectrum sets out the terms and conditions under which the Abbotsford Heat hockey team agrees to play their home games and any play-off games at the Abbotsford Entertainment and Sports Centre.

Some of the highlights of the Abbotsford Heat Supply Agreement include:

- Global Spectrum, on behalf of the City of Abbotsford, will provide the use of the facilities in the Abbotsford Entertainment and Sports Centre to the Abbotsford Heat hockey team for its use during the AHL hockey season and the balance of the year. The use of the facilities includes things like the floor and ice, dressing rooms, press box, score clock, training rooms, event staff, security etc.
- The ownership group will provide the Abbotsford Heat hockey team (and all required coaches, trainers, equipment etc.) to play its home games and any playoff games at the Abbotsford Entertainment and Sports Centre.

- The ownership group will receive a supply fee for providing the Abbotsford Heat hockey team to play in the Centre, \$5.7 million from Global Spectrum.
- In return, Global Spectrum will receive annually from the ownership group, all revenues collected from the operations of the Abbotsford Heat hockey team up to the sum of \$5.7 million; plus 40 per cent of any net income before tax; as well as an annual ice rental fee of \$200,000.
- The agreement is for a 10 year period with the opportunity to review the financial terms after five years, or on mutual agreement of both Global Spectrum and the Abbotsford Heat ownership group.

How was the Supply fee determined?

The supply fee is based on actual expenditures and is drawn from revenues generated by the Abbotsford Heat hockey team. The Supply fee includes ongoing reconciliation and year end reconciliation.

So, basically the agreement is break-even if the Abbotsford Heat generate \$5.7 million in revenues per year?

At a high level, that is what the agreement sets out, yes.

Will the Abbotsford Heat generate \$5.7 million in 2009/10?

At 3,000 fans per game, the supply fee is met through hockey revenue without any cost to the City.

The 2009/10 season is the inaugural year for the Abbotsford Heat. Due to the short timeframe from the Board of Governor's approval of the relocation to Abbotsford to the start of the season, for this first year it is anticipated that there may be a shortfall for 2009/10. The anticipated shortfall is \$275,000, however, actual attendance figures combined with the attendance during play-offs may result in this figure being less.

Conversely, the 2010/2011 hockey season is projected to see a positive revenue of approximately \$283,070 to the Abbotsford Entertainment and Sports Centre based on an anticipated attendance at 3,645 sold seats per game.

So attendance at Abbotsford Heat games at the Abbotsford Entertainment and Sports Centre drives the success of this agreement for the City?

Yes. The greater the attendance at Abbotsford Heat hockey games, the greater the revenue generation for the City. At 3,000 fans per game, the supply fee is met through hockey revenue without any cost to the City. It is anticipated that the 2010/2011 season will more than meet this expectation.

Are Supply Agreement's typical for AHL hockey teams?

Yes. Supply Agreements form the basis for most AHL hockey teams playing in different cities. Supply Agreements are very common in sports and entertainment fields. Typically supply fees are paid to teams or entertainers for their performance and the supply fee is then off-set against the revenues generated by the performance/event.

So having an AHL Hockey team is beneficial for Abbotsford?

Yes. Some of the ongoing benefits include:

- Being home to an AHL franchise team positions the City of Abbotsford in Canada and the entertainment market with a premium product to build upon which will provide for short and long term economic and community benefits.
- The Abbotsford Heat generates approximately \$20 million in economic activity for Abbotsford on an annual basis with additional significant indirect benefits.
- The Abbotsford Heat provide for community, family and social gathering at an extremely reasonable price – which is community building at its best.
- The Abbotsford Entertainment and Sports Centre along with the Abbotsford Heat are components of a larger community success story as the City of Abbotsford continues to emerge as one of Canada's best cities.

Summary

The City of Abbotsford undertook the development the Abbotsford Sports and Entertainment Centre to generate economic activity, provide enhanced entertainment and sports opportunities for the region, provide a community gathering place, advance community pride and increase visibility for Abbotsford.

Attracting the AHL franchise the Abbotsford Heat has solidified the vision and the goals of this centre for the City.

Copies of the Report to Council and the Agreement are available from the City of Abbotsford website at www.abbotsford.ca.