



**To:** Richmond City Council

**Date:** June 19, 2008

**From:** Jeff Day, P. Eng.  
General Manager, Olympic Business & Major  
Projects

**File:** 01-0005-01/2008-Vol 01

**Re:** **Richmond Oval Incorporation**

**Staff Recommendation**

**That** the following recommendation be forwarded to the open Council meeting on June 23, 2008:

That the Richmond Oval Incorporation report, dated June 19, 2008, confirming the incorporation of the Richmond Oval into a company under the laws of the Province of British Columbia on June, 16, 2008, be received for information.

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FOR ORIGINATING DEPARTMENT USE ONLY					
REVIEWED BY SECRETARIAT	YES	NO	REVIEWED BY CAO	YES	NO
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## **Staff Report**

### **Statutory Closed Meeting Criteria:**

This report meets the following statutory closed meeting criteria:

90(1)(k) negotiations and related discussions respecting the proposed provision of a municipal service that are at their preliminary stages and that, in the view of the council, could reasonably be expected to harm the interests of the municipality if they were held in public

### **Recommendation on Disclosure**

As the incorporation of the Oval corporation has been approved by the Inspector of Municipalities, it would now be appropriate to report to Council in open session on the matters presented in this report. It is recommended that this report be forwarded to Council to be received for information at the June 23, 2008 open Council meeting.

### **Origin**

The Richmond Oval is near completion and opening day is approaching. Post-Games, the Richmond Oval will house a delicate mix of high performance sport, community wellness and recreation, major events and commercial or retail tenants. Staff believe that the size, diversity of users, and overall complexities of this type of facility are best suited to arm's length independent governance and dedicated expert management.

### **Background**

The City has contemplated from the very beginning of its participation in the bid process to build a speed-skating venue that, if the City were successful, the operation of the facility would be handed off to a separate independent group at some point in time Pre-Games or Post-Games. Best practice research indicated that the typical municipal recreational facility business model is not compatible with the operational needs for such a large and complex facility. Given that the Oval represents a very significant investment for the City, it is recognized that all efforts must be applied to ensure long-term viability and successful operation of the Oval.

### **Findings of Fact**

The City reviewed a number of governance model options that would support the City's long-term goals and objectives concerning the overall viability of the Oval and benefit to the community. Best practice research led to the conclusion that a corporation under the BC Business Corporations Act, wholly owned by the City of Richmond, as the most appropriate entity to operate the Oval. A corporation offers maximum flexibility and provide the ability to operate at arm's length without the typical constraints of a municipal government. It allows the Oval operation to be nimble in its response to programming and operational needs.

### ***Accountability***

Council and senior staff recognize the need for accountability to Council and Richmond citizens for the success of the venue, the delivery of anticipated public benefits and the reflection of Richmond's community values in the operation of the Oval. Also, due to the somewhat complex start-up regimen which includes amongst other factors, contractual obligations to the 2010 Games Organizing Committee and the International Olympic Committee, and the ongoing financial contribution from the City to complete the Post Olympic Games conversion to the Community Legacy facility, three senior City staff (George Duncan, Andrew Nazareth and Phyllis Carlyle) will serve in senior leadership positions in the Oval corporation in addition to their leadership roles in the City. This arrangement will remain until such time as it is appropriate to hand over the operation of the Oval to a separate management team. The City's Chief Administrative Officer, George Duncan will also serve as a director of the Oval board to ensure continuity and cooperation between the City and the Oval corporation.

Accordingly, the City is the sole shareholder of the corporation and has appointed a board of directors to operate the Oval. As the sole shareholder, the City will have the ability to make decisions on material financial and governance issues if it chooses. It is important for the Oval board to be accountable to Council in an efficient and effective manner to ensure that Council is informed and apprised of ongoing management and policy decisions of the board. Requiring the board to report quarterly to the General Purpose Committee with an Accountability Report ensures the accountability of the corporation. The frequency and content of this requirement will be examined as the Oval corporation matures.

### ***Incorporation***

Approval from the Provincial Office of the Inspector of Municipalities is required to permit the City to form a corporation. The incorporation of the Richmond Oval into a company under the BC Business Corporations Act took place on June 16, 2008 after receiving approval from the Inspector of Municipalities. This is the first opportunity after the approval from the Inspector of Municipalities and the incorporation to present to Council in open session on the governance matters on the Richmond Oval.

A press release (**Attachment 1**) has been prepared to announce this formally.

### ***Oval Board***

Council approved the creation of a corporation for the purpose of operating the Richmond Oval and appointed a maximum 11-member Board of Directors of the Oval Corporation, including the Chief Administrative Officer (CAO) of the City of Richmond, to provide guidance and direction in support of the start-up and ongoing operation of the Richmond Oval. The board held its inaugural meeting on June 17, 2008. The Board of Directors (**Attachment 2**) include:

- Roger Barnes
- George Duncan
- Vic Farmer
- Olga Ilich
- Moray Keith
- Stanley Kwok
- Umendra Mital

- Anna Nyarady
- Michael O'Brien (Chair)
- Linda Sanderson; and
- David Thom

In addition, Council directed the Board of Directors of the Oval corporation "to appoint the following staff to take on duties and responsibilities concerning the Oval until such time as the interim governance and management functions have been replaced with a permanent board and senior management team:

- Chief Administration Officer, George Duncan as the Chief Executive Officer (CEO);
- General Manager-Business & Financial Services, Andrew Nazareth as Chief Financial Officer (CFO); and
- General Manager-Law & Community Safety, Phyllis Carlyle as Corporate Secretary"

### ***Remunerations***

#### **Board of Directors:**

Council approved the remuneration for the Directors "to be limited to the maximum allowed for the Board of Directors of Metro Vancouver".

The Board resolved in its inaugural meeting that the remuneration for Directors be established at \$250 per meeting up to 4 hours and a maximum of \$500 per meeting that extends beyond 4 hours. In addition the remuneration for the Chair be established at \$6,000 per annum plus \$250 per meeting up to 4 hours and a maximum of \$500 per meeting that extends beyond 4 hours.

Although allowed in the Articles of Incorporation for the company, George Duncan has requested that he not receive any additional remuneration for participation on the Oval board.

#### **Corporate Officers:**

Council directed the Board of Directors of the Oval Corporation to "establish initial compensation for each of the Officers of the Oval Corporation (CEO, CFO and Corporate Secretary) at a rate of \$60,000 per year, and that this rate be reviewed annually or as required to ensure an equitable payment by the Oval Corporation relative to the amount of staff time that is dedicated to duties and responsibilities concerning the Oval and until such time as the interim governance and management functions have been replaced with a permanent board and senior management team."

Furthermore, the Oval Corporation is to compensate the City "for the services of all other City staff who provide dedicated service to the Oval relative to the total amount of time spent and at their regular hourly rate of pay"; and that "the annual compensation paid by the City to the senior staff (CEO, CFO and Corporate Secretary) be reduced by exactly the same amount as the value of compensation provided to the same by the Oval Corporation, the result being a zero net increase in salary."

At its inaugural meeting, the Oval Board resolved to implement the above noted compensation structure as directed by Council.

**Financial Impact**

The cost for the incorporation process is approximately \$20,000 and will be funded from the Oval budget as a cost of start-up of operations. As in the case of other City owned community facilities, the Oval may not become a profit making enterprise. However, the Oval corporation will be expected to operate the facility in a fiscally prudent, entrepreneurial and business-like manner to maximize operating revenues and minimize the requirement for financial assistance from the City.

Funding sources, such as income from the Games Legacy Endowment Fund, sponsorship, business revenue and fund raising efforts, will provide the majority of the operating funds for the Oval Post-Games. As was contemplated in the initial business case and business plans, the City will provide a specified subsidy, the value to be determined by Council, to cover part of the operating costs of the Oval Post-Game, just as the City does for many other civic recreation facilities that are operated in partnership with our Community Associations. In return, the Oval corporation is expected to operate within parameters as specified in the Operating/Partnership Agreement between the City and the Oval corporation. This Agreement is currently being drafted and will be brought forward to Council shortly for consideration.

**Conclusion**

The corporate governance structure provides the best management option to oversee the transformation of the Oval from a signature venue of the 2010 Olympic & Paralympic Winter Games into a world class, multi-faceted, high performance sport and community wellness and recreation facility Post-Games.

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**Attachment 1:** Press Release titled "New corporation to operate Richmond Oval"

**Attachment 2:** Biography of Oval board directors