



Cold Lake Golf & Winter Club

Open House

Presented by:

His Worship Mayor Craig Copeland and
Chief Administrative Officer Kevin Nagoya

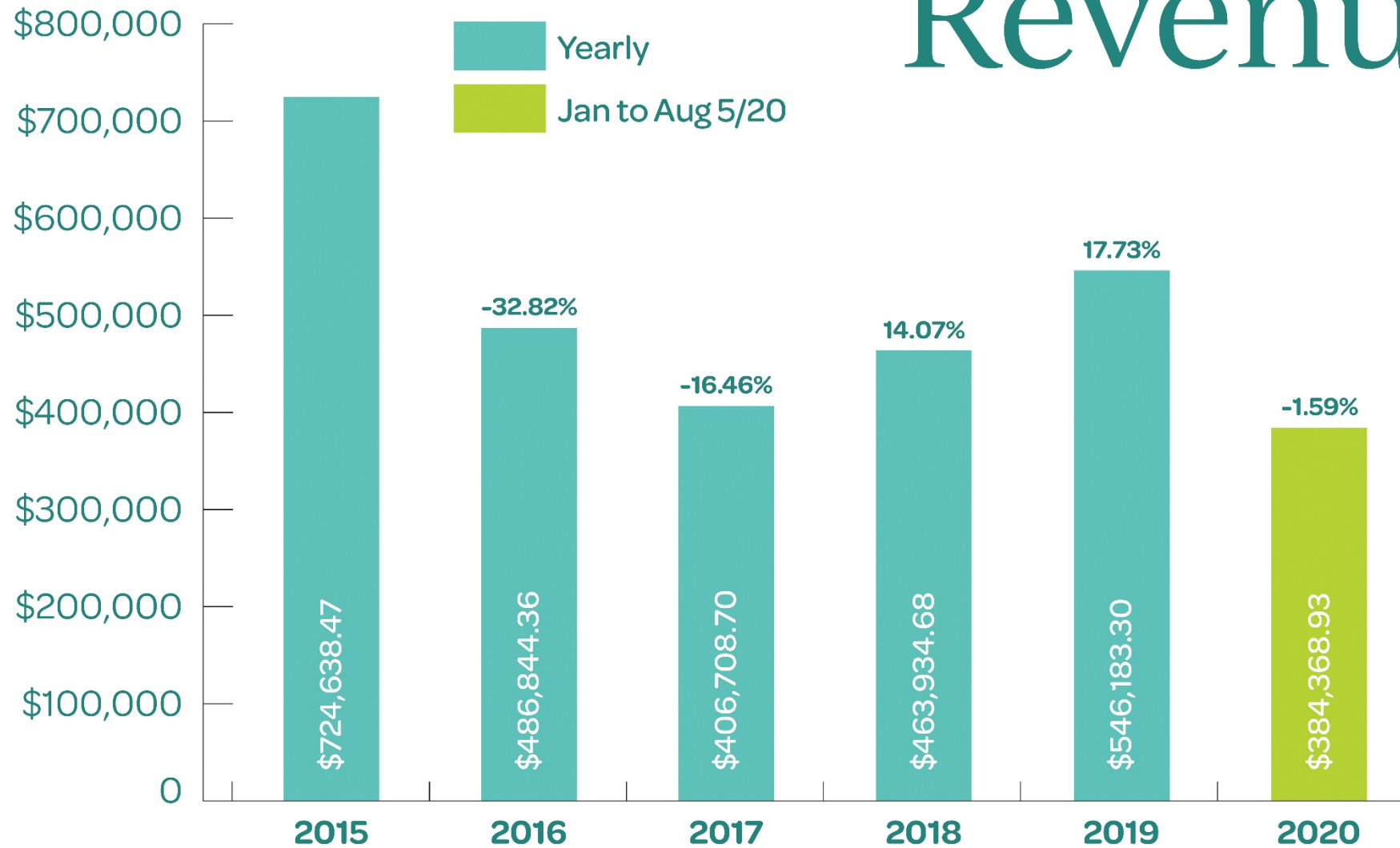
Cold Lake Golf & Winter Club



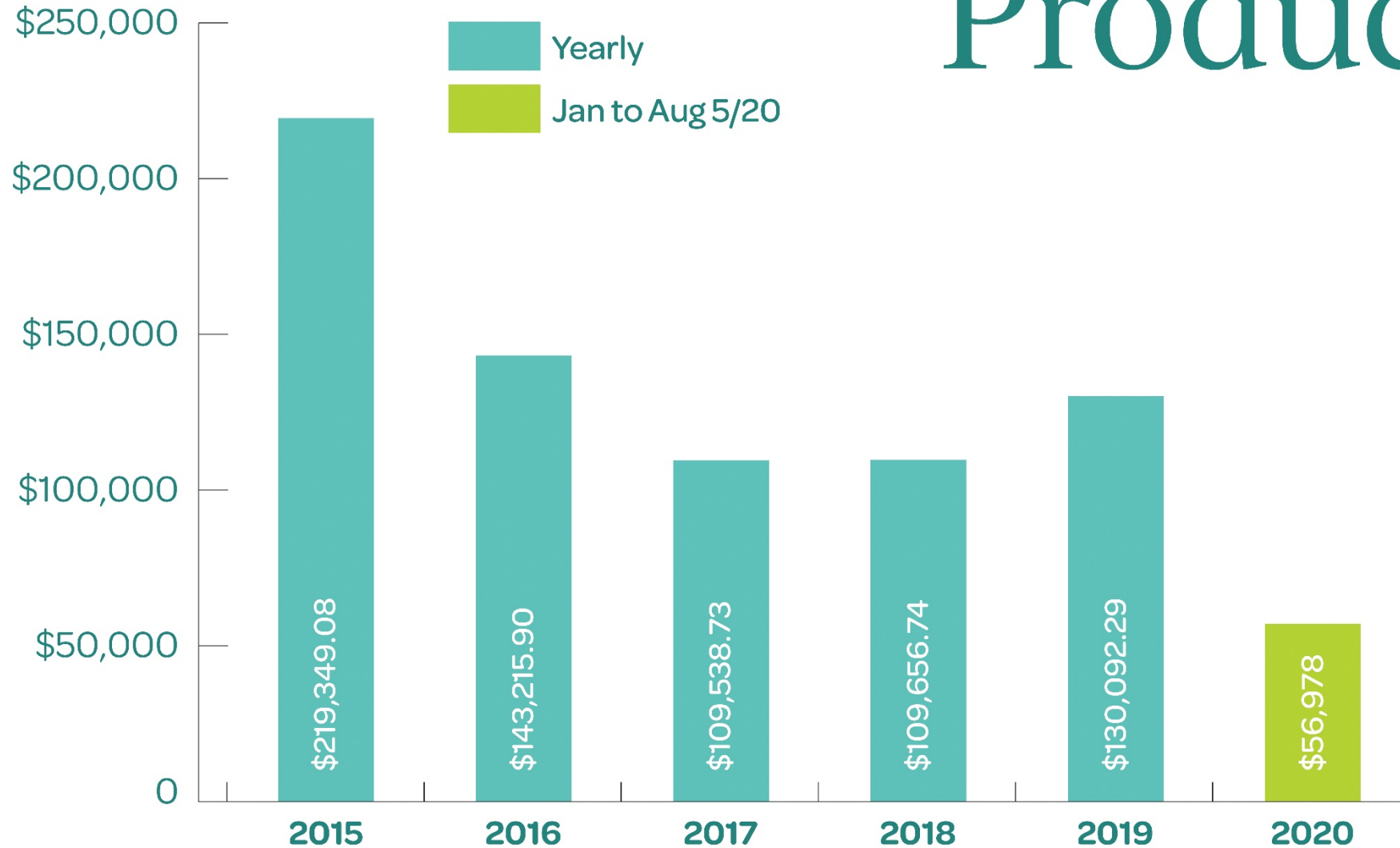
Introduction

- The City of Cold Lake began operating the Cold Lake Golf and Winter Club in 2013 after arriving at a Concession Agreement with 4 Wing late in 2012.
- Three (3) full-time staff members with approximately 17 seasonal employees in the summer.
- Operations include: Club house, 18-hole golf course, 6 sheets of curling ice, pro shop, food and beverage service (by contractor), driving range, meeting room, tournament services.
- 2020 Budget:
 - \$500,000 in revenue
 - \$927,960 in expenses
 - \$427, 960 funded by municipal taxes

Revenue

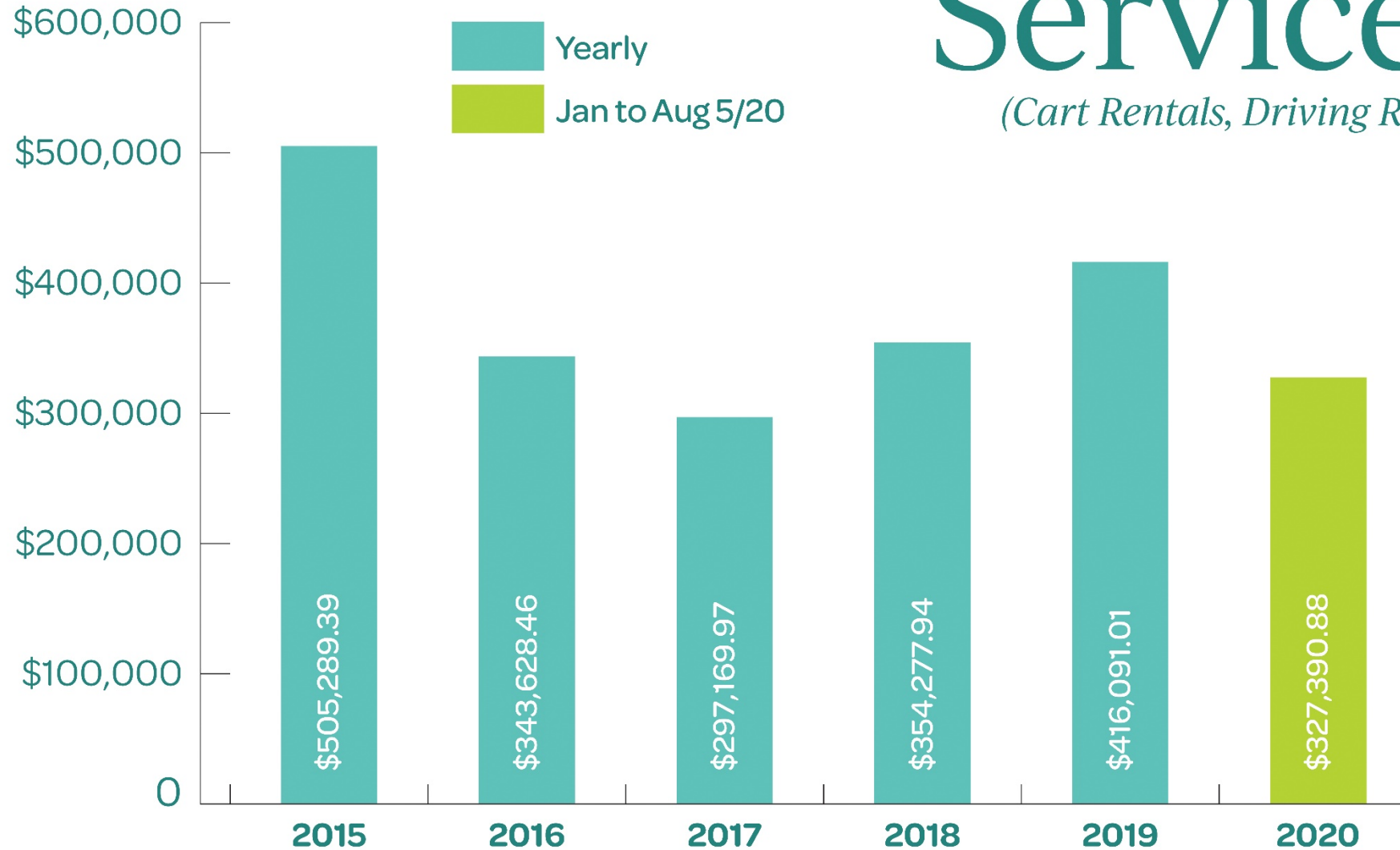


Product

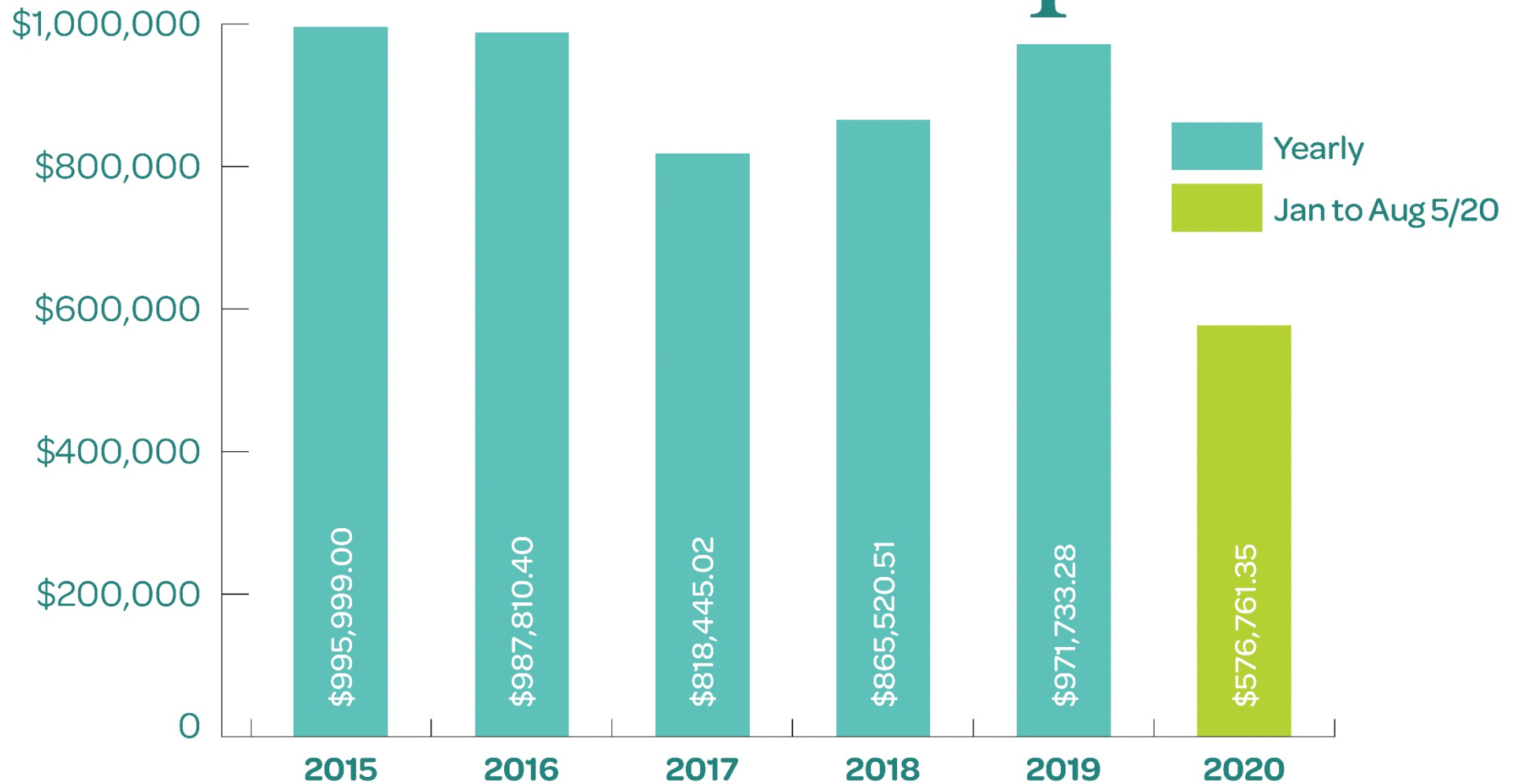


Services

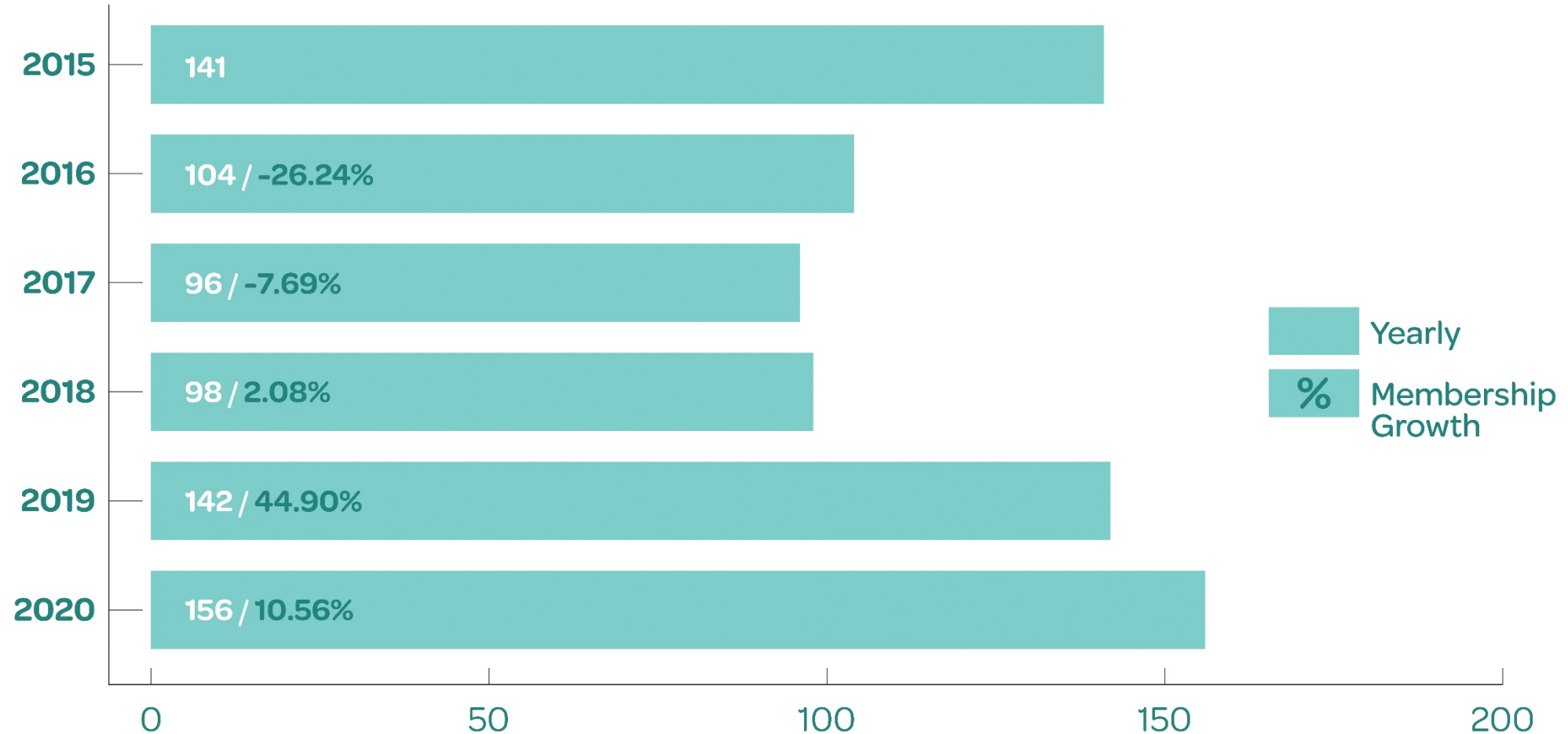
(Cart Rentals, Driving Range)



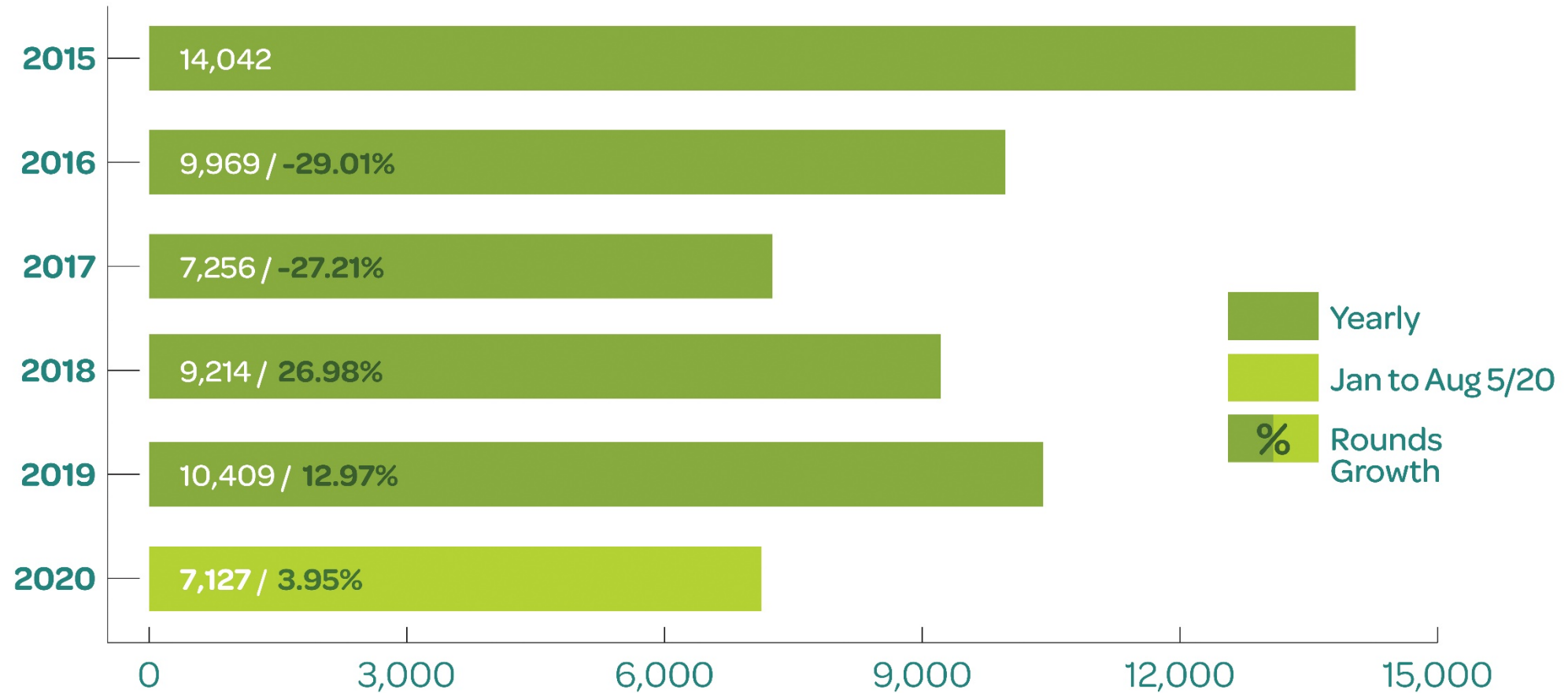
Expenses



Membership



Rounds Played





Achievements

SINCE 2015

- Frequent positive feedback about course condition
- Frequent positive feedback about curling ice condition
- Partnered with the Curling Club to replace carpet
- Steadily increasing services revenue since maintenance takeover
- Course conditions improving since maintenance takeover
- 2015: Mixed Curling Provincials Host
- 2016: 5-Year Cart Lease (*40 carts*)
- 2016: Palm Creek Water Diversion License (*Revised 2018*)
- Doubled membership since maintenance takeover (*2017*)
- 2019: 55+ Senior Games Curling/Ski Host
- 2019: Valour Place Golf Charity Event
- 2019: Hole 3 and 4 drainage completed
- 2015/17/19: Canex Payment Plan Agreement
- 2020: Re-painted Pro Shop
- 2020: Hole 9 bridge relocated for safe use
- 2020: Phone lines installed
- 2015,17,18,19,20: Ronald McDonald Charities Golf Classic Host
- 4 Recurring event prize sponsors
- 3 New sponsorships secured during coronavirus, one of them a 5-year commitment
- Over \$500,000 in new equipment purchased

Challenges

- The future of the dam.
- The future of the irrigation system and water supply.
- Hole # 9 bridge.
- Coordination with PSP, RPOps and Wing Environment.
- Municipal programming, budget and service levels.
- Concession Agreement (Between the City and DND)
- Payment in Lieu of Taxes dispute.

Payment in Lieu of Taxes (PILT)

Why does the Government of Canada pay PILT?

“We make payments in lieu of taxes to recognize the services we receive from municipal governments and to pay our share of the costs to municipalities where our property is located. However, in light of our constitutional exemption from taxation, these payments are made at the discretion of the Minister of Public Services and Procurement or the heads of Crown corporations.”

- Public Works and Government Services Canada Website

Payment in Lieu of Taxes (PILT)

What is PILT?

Under the authority of the Payments in Lieu of Taxes Act, RSC 1985, c M-13 (the “PILT Act”) the key features of the PILT program include:

- *Payments are based on the principle of fairness respecting both the taxing authorities and the federal government. They are equitable in comparison to those made by other property owners.*
- *Payments are calculated on the basis of values and rates which would apply to federal property if it were taxable.*
- *Payments respect the property tax due dates established by taxing authorities and supplemental amounts reflecting interest charges may be made if payments are late.*
- *The Government of Canada receives equal access to services provided to other property owners by the host municipality.*

- Public Works and Government Services Canada Website

Payment in Lieu of Taxes (PILT) (1 of 2)

What is the issue?

- Since 2012, the City of Cold Lake has been in a dispute with the Federal Ministry of Public Works and Procurement Canada (PSPC) in relation to the payment of PILT for CFB Cold Lake. The Government of Canada is short paying its share of the municipal taxes (over \$1 million) annually.
- The outstanding PILT for the years 2013 to 2020 totals over \$13 million, plus penalties and interest to date, which itself totals another \$10 million. Over \$23 million in arrears.
- Included in the \$13 million is roughly \$3.2 million for the Government of Alberta's School Board Requisition. This is deferred annually by the Minister of Education (Province of Alberta). This annual approval process for the deferral is not guaranteed.
- PSPC continues to short pay the PILT.

Payment in Lieu of Taxes (PILT) (2 of 2)

What is the issue?

- The Payment In Lieu of Taxes (PILT) is not “optional.” The Supreme Court of Canada in the Halifax versus Canada (Halifax v. Canada (Public Works and Government Services) and Montreal City v. Montreal Port Authority that stated:
 - The Minister has an obligation to make a fair and equitable determination of the valuation of federal property.
 - Fairness to municipalities demands that the Minister’s determination of valuation be informed by the tax system that would apply to the federal property if that property were taxable.
 - The Minister cannot base his or her determination on a “fictitious tax system.”
- The City has been in litigation against the Government of Canada since 2012 due to unpaid PILT

PILT & the CLG&WC (1 of 2)

How does the PILT dispute relate to the Cold Lake Golf & Winter Club?

- In 2019, the City was advised by the Government of Canada that 4 Wing Cold Lake will no longer be making PILT payments for 4 Wing Cold Lake's Golf and Winter Club despite DND agreeing to continue to make such payments along with covering the utility costs for the facilities as a partnership.
- When the City negotiated the "Concession Agreement" with 4 Wing Cold Lake to operate the Cold Lake Golf and Winter Club on behalf of 4 Wing Cold Lake, it was on the basis that PILT would continue to be paid and 4 Wing would cover the utility bills.
- The payment of PILT was specifically addressed in the agreement.
- The City was advised by the Government of Canada that 4 Wing Cold Lake did not have the authority to enter into such an agreement. This would result in an impact in the order of magnitude of \$300,000 to the operations of the City of Cold Lake.

PILT & the CLG&WC (2 of 2)

How does the PILT dispute relate to the Cold Lake Golf & Winter Club?

- In 2019, the City initiated litigation against the Government of Canada (via Judicial Review), for the 2019 PILT as it relates to the CLG&WC.
- In 2020, the City initiated a second litigation against the Government of Canada (via Judicial Review), for the 2020 PILT as it relates to the CLG&WC.
- The City is holding back (or delaying) the litigation via a Statement of Claim for damages due to the DND not adhering and/or misrepresenting the “Concession Agreement”; to the limits of the statutes of limitations. The City is hoping that the issues can be resolved without further litigation.
 - Based on the City’s investments, successes, and unpaid PILT, the damages could be significant.

Concession Agreement: The History (1 of 3)

- 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.
- On November 20, 2012, 4 Wing Cold Lake advised the City that they did not receive any reasonable responses and if no solutions were found; DND would need to close the Golf Course due a directive of the Department of National Defense (as it relates to Golf Courses on military bases).
- Between November 20 and December 17, 2012, the City of Cold Lake and 4 Wing Cold Lake entered into negotiations to operate the facility on behalf of 4 Wing Cold Lake.
- 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.
- Between 2012 and 2018, the Government of Canada made the necessary PILT payments relating to the Cold Lake Golf and Winter Club Concession Agreement.

Concession Agreement: The History (2 of 3)

- In January 2019, the City was advised by the Government of Canada that it was considering exempting the 4 Wing Cold Lake's Golf and Winter Club which would mean that they would no longer be making PILT Payments.
- In June 2019, Wing Commander met with the City of Cold Lake Council to advise that DND has options to have the P.I.L.T. reinstated and resolved quickly. The City articulated a deadline of November 1, 2019 to resolve (5 months).
- On December 6, 2019, the 4 Wing Cold Lake provided a new draft agreement however did not address the PILT issue. The agreement also called on the City to potentially pay additional costs such as utilities.
- In January 2020, in good faith the City provided an additional extension to 4 Wing Cold Lake to seek for a solution. The City provided an extension until March 15, 2020 (additional 4 ½ months from November, 2019); prior to the start of the Golfing Season.

Concession Agreement: The History (3 of 3)

- In March 2020, the Wing Commander requested for a further extension to deal with the issues and find a solution so that the Government of Canada would meet its commitments to the City.
- In March 2020, Council passed a motion and gave notice to terminate the agreement effective September 30, 2020 (additional 6 ½ months) to give enough time for 4 Wing to deal with the issue and execute a new agreement/arrangement.
- To date no agreement has been provided to the City and the issue is still unresolved as the legal issues progress thru their prospective litigation processes.
- The City was advised that any solution must include the termination of the existing Concession Agreement.

Where to from here?

- The Government of Canada (PSPC) continues to pressure the City in regards to PILT issues.
- The City has provided several extensions to 4 Wing Cold Lake to facilitate solution to the issue.
- The City was hopeful that a solution could present itself to resolve the PILT issues. Several extensions were provided in order to achieve something however the City felt it needed to place limits on the long drawn out dispute.
- The City will need to consider its “Statement of Claim” against the Crown in the coming months.
- The City of Cold Lake will not have an agreement to operate the facility on behalf of 4 Wing Cold Lake beyond September 30, 2020.
- In order for the City to operate the facility, it must have an agreement to do so.
- The Cold Lake Golf and Winter Club (and the land of which it is operated on) is owned by the Crown of which the Department of National Defense is the authority to direct all operations and the use of the land. This is not an issue that City Council may decide or has complete jurisdiction to direct outcomes.

Where to from here?

What are the alternatives for 4 Wing to consider?

- The following are some solutions, however, DND must advise what it wants to do:
 - DND could make a request for Council to reconsider the termination of the Concession Agreement dated September 30, 2020 (perhaps to a later date).
 - The federal government could reinstate the PILT payment for the Cold Lake Golf and Winter Club (Council would still need to reconsider its termination notice of September 30, 2020).
 - Execute an alternative agreement that resolves the PILT issue (4 Wing Cold Lake has been seeking solutions since early 2019 with no resolve) prior to September 30, 2020.
 - 4 Wing could maintain operations of the Cold Lake Golf and Winter Club.
 - ❖ Operate the facility in a similar fashion as prior to 2013.
 - ❖ Initiate another “Request for Proposal” for interested parties to operate the facility.
 - ❖ Have a service agreement(s) with another organization (e.g. not-for-profit) for the operations of the Cold Lake Golf and Winter Club; or parts thereof.
 - 4 Wing could close the facility or parts thereof.

QUESTIONS?

His Worship Mayor Copeland and CAO Nagoya are here to answer questions. Please note that many aspects of this issue are in litigation. The City will do its best to answer questions, however, please understand that certain issues are confidential and many not be answerable in this venue