

Standing Committee Report

REPORT NUMBER 368-2025-Corporate Services-Finance

DATE

PREPARED

November 10, 2025

FILE

STANDING

COMMITTEE

November 25, 2025

MEETING DATE

SUBJECT

Thunder Bay Community Tennis Centre - Update

PURPOSE

For information of Standing Committee – Finance & Administration

EXECUTIVE SUMMARY

This report provides additional information to the Finance & Administration Standing Committee related to the deputation from the Thunder Bay Community Tennis Centre (TBCTC). TBCTC has requested additional financial support from the City to address a projected shortfall of approximately \$630,000 to complete construction of the indoor tennis facility.

Administration does not recommend that the City increase its financial contribution to the project at this time. Similarly, Administration does not support the early release of the next milestone payment before it has been achieved. Neither request is aligned with prudent financial management. In order to help inform the Finance & Administration Standing Committee, Administration has identified several potential funding sources, however none are aligned with addressing this shortfall.

If the Finance & Administration Standing Committee wishes to advance a recommendation for City Council consideration, it is the position of Administration that a promissory note/loan, up to \$630,000, backed by the Stabilization Reserve, with repayment commencing within two years of signing would be an acceptable option. A promissory note/loan would support the completion of the tennis centre project while safeguarding the City's ability to recover its contribution, unlike a direct contribution.

Risks associated with the promissory note/loan option include potential repayment challenges, reputational considerations, and diminished financial flexibility for the City. These risks must be weighed against the broader benefits of supporting the TBCTC's indoor tennis facility.

KEY CONSIDERATIONS

In 2019, City Council approved up to \$1.5 million be provided to the Thunder Bay Community Tennis Centre (TBCTC) towards the construction of an air-supported structure at Chapples Park. The source of financing was the Stabilization Reserve and was contingent on the TBCTC confirming full project funding.

In November 2024, the Funding Agreement between the City and TBCTC was finalized. At that time, the total project budget was approximately \$4.1 million. The Agreement outlines payment terms for the City's \$1.5 million contribution as follows:

- 50% (less 10% holdback) payable at signing of the Agreement and confirmation of signed Lease Agreement.
- 50% (less 10% holdback) payable at confirmation of substantial completion as defined by the *Construction Act*.
- Release of the total holdback at confirmation of occupancy and submission of an updated capital cost statement and provided that any liens have expired or been satisfied, discharged, or otherwise provided for.

This approach was intended to safeguard the City's interests and facilitate the advancement of the TBCTC project.

TBCTC has informed City Administration that the estimated cost to complete the project has increased to \$4.95 million and has requested additional financial support. Confirmed funding sources total \$4.32 million, resulting in a budget shortfall of \$0.63 million. TBCTC is continuing to pursue external grant funding and support from donors to help mitigate this shortfall.

TBCTC has also shared that it is experiencing cash flow pressure and has requested that the City release the next milestone payment prior to substantial completion.

Additional Contribution Request

In general, Administration does not recommend providing additional funding to projects led by external organizations when costs exceed the original budget. However, to assist the Standing Committee in determining whether it wishes to take a position on additional funding for consideration by City Council, Administration has identified potential funding options.

It should be noted that the intended purpose for the following reserves and reserve funds, as set out in the Reserve and Reserve Fund Policy 05-01-08 and Consolidated Reserve Fund By-law 220-2023, do not align with addressing the TBCTC project budget overage. However, City Council has the authority to approve their use as funding sources, "notwithstanding" the provisions of the applicable Policy or By-law.

Stabilization Reserve

Although the Stabilization Reserve was the source of funding for the original \$1.5 million contribution, in accordance with the Reserve and Reserve Fund Policy 05-01-08 the purpose of the reserve is to provide for year-to-year variances in the tax-supported operating budget. Accordingly, using it to offset the TBCTC project budget overage would not be consistent with the reserve's stated intent under the policy. The current estimated uncommitted balance in the Stabilization Reserve is \$10.1 million which is at the low end of the target balance (4% of previous year's levy).

Municipal Accommodation Tax (MAT) Reserve Fund

In accordance with the Reserve Fund By-law 220-2023, withdrawals from the Municipal Accommodation Tax Reserve Fund are limited to Corporation projects/programs that promote tourism and benefit residents and visitors. This may not directly align with the primary function of the indoor tennis facility. Also, the current estimated uncommitted balance in the MAT Reserve Fund is currently only \$118,000 so any contribution would have to be included in the 2026 budget for City Council consideration.

Renew Thunder Bay Reserve Fund.

In accordance with the Reserve Fund By-law 220-2023, withdrawals are limited to projects that meet the following criteria:

1. Provide economic growth/benefits to the City including direct and indirect job creation.
2. Be aligned with Federal and Provincial funding/economic stimulus programs resulting in the Corporation's contribution being highly leveraged (i.e. City share not to exceed 50% of total capital cost on an individual project basis).
3. Provide community synergies and promote community partnership opportunities.
4. Be distinct from projects included in the Corporation's existing asset management plans.
5. Improve the quality of life on a City-wide basis.
6. Be highly visible and broadly supported by the community.
7. Be affordable to Thunder Bay taxpayers in terms of both the initial capital investment and impact on future operating budgets.

This also may not align with the primary function of the indoor tennis facility. The current uncommitted balance in the Renew Thunder Bay Reserve Fund is approximately \$6.9 million.

Promissory Note/Loan

Another potential option could be to provide a promissory note/loan to TBCTC. However, any loan would still need to be backed by an identified financing source.

While the Stabilization Reserve could be considered the closest option, a loan to TBCTC is not aligned with the intended purpose of the reserve.

Loan repayment costs may also create additional pressure on TBCTC's operating budget. Consideration could be given to delaying repayment for a period (e.g., two years) to allow the facility to open and establish stable operations. This would be an unsecured loan, meaning the City would have limited recourse if TBCTC is unable to repay.

However, if operational revenues and fundraising efforts do not meet TBCTC's projections, the City could face challenges in collecting the balance of the loan. Any requirement to enforce repayment or potentially impact facility operations could be perceived negatively by the community and other stakeholders. In the event the City cannot collect the outstanding loan balance, it would negatively affect the Stabilization Reserve, which is designed to safeguard the City against unanticipated unfavourable variances.

Request to Advance Milestone Payment

The City's contribution to the TBCTC project was structured with milestone-based payments to mitigate financial risk. Most of the project's other funders are also withholding partial funds based on their own milestone funding agreements. Releasing the next payment prior to substantial completion would reduce the City's risk protection, particularly given the current budget shortfall.

City Council may choose to direct Administration to amend the Funding Agreement if it wishes funding to be released earlier, recognizing the associated financial risks.

Administration continues to support the TBCTC project and recognizes its value to the community. At the same time, it is essential to maintain fiscal prudence and safeguard the City's financial position. Given the limited funding options available and associated risks, Administration is not able to recommend an additional financial contribution to address TBCTC's budget shortfall or early funding release to address TBCTC's cashflow pressures at this time.

FINANCIAL IMPLICATION

The TBCTC has identified a project shortfall of approximately \$630,000 although they are pursuing additional external grants as well as contributions from donors to mitigate this amount.

Administration does not recommend the City increase its financial contribution to the project.

BACKGROUND

The Recreation and Culture Facilities Master Plan “Fit Together” (R152/2016) in January 2017 acknowledged the development of an indoor tennis facility as a near term priority in support of the Plan’s goals to promote active recreation for all ages and abilities, especially during winter months given the anticipated decommission of the ‘College Bubble’. The erection of an air-supported structure over the Club’s existing courts was identified as a potential solution, subject to a detailed review of the draft capital and operating plans. The Plan contemplates that the facility would be developed through partnerships.

The Chapples Park Master Plan (R48/2017) supported the development of a multi-use indoor sports hub at this site as a phase 2/medium term priority (6 to 10 years) that could accommodate indoor turf and/or indoor court sports.

As part of 2018 budget deliberations and in response to a deputation from the Thunder Bay Community Tennis Centre, Council allocated a capital budget of up to \$20,500 to support the development of a Business Case/Feasibility Study for Indoor Tennis (Council Authority Amended Budget Resolution – R1/2018 – February 5, 2018).

Council approved a resolution on October 7, 2019 from the Multi-Use Indoor Sports Facility Committee that a potential of up to \$1.5 million be provided to the Thunder Bay Community Tennis Centre to work in partnership with the City of Thunder Bay on the creation of an air supported structure at Chapples Park. The City’s financial support is subject to confirmation of total project funding, due diligence review of the business plan, and future budget approval by Council. The proposed source of funding for the Project is the Stabilization Reserve Fund. Any agreements between the parties are to be created in form and content satisfactory to the City Solicitor and the City Treasurer and the Mayor and City Clerk be authorized to sign any agreements relative to the Project.

In March 2022, the Thunder Bay Community Tennis Centre made a deputation to City Council, proposing a new project concept based on successful funding grants from Fednor, NOHFC and Tennis Canada. The Thunder Bay Community Centre requested access to lands located northwest of the existing seasonal facility to erect an air supported structure for 6 indoor courts and related amenities.

On April 4, 2022, Council received an administrative update on the proposed indoor racquet facility, seeking Council direction in respect of the proposed siting of the facility within Chapples Park (R 27/2022). Council directed Administration to report back by May 9, 2022, through consultation with the Thunder Bay Community Tennis Centre, on the available capital, operating and development costs budget associated with the various site options.

In May 2022, Council approved the Thunder Bay Community Tennis Centre’s preferred location for the proposed indoor facility on City lands located northwest of the existing

seasonal tennis facility and Administration was directed to amend existing agreement or to enter into any new agreements required between the parties relative to this project. Between May 2022 and March 2023, Administration and the Thunder Bay Community Tennis Centre finalized the necessary access agreement, and the related work was completed by the Thunder Bay Community Tennis Centre in order to relocate the sliding hill to accommodate their new location for their proposed indoor facility.

In October/November 2024, the Lease, Municipal Capital Facility Agreement, and Funding Agreement were fully executed.

REFERENCE MATERIAL ATTACHED

None.

REPORT PREPARED BY

Keri Greaves, CPA, Commissioner – Corporate Services & City Treasurer

REPORT SIGNED AND VERIFIED BY

Keri Greaves, CPA, Commissioner – Corporate Services & City Treasurer

Date 11/18/2025 (MM/DD/YEAR)