

Appendix M: Financial Analysis – Fernie Memorial Arena Capital Spending

As shown in Table M-1, the City of Fernie had steadily grown its financial reserves during the period from 2011 to 2017 and has maintained a total reserve greater than 2 times annual spending. Capital spending by the City of Fernie overall and on facilities and buildings has been consistent year over year however spending and investment in the Fernie Memorial Arena was not maintained in 2013, 2014, 2015 and 2017.

As shown in Table M-2, the City of Fernie generally budgeted for and approved capital spending amounts and activities that were requested during initial budget deliberations. Then City of Fernie planned for and completed investments in refrigeration system aging component replacements from 2011 through 2013. In 2014 and subsequent years, budgeting and spending on the Arena changed from the refrigeration system to other types of building improvements.

Quotes received for the curling system brine chiller replacement in 2010, 2011 and 2015 were in the order of \$60,000 to \$120,000 and quotes to replace both the curling and arena system brine chillers at the same time in 2016 were in the range of \$200,000 to \$230,000.

The City of Fernie had sufficient capital available to replace the curling system brine chiller.

Table M-1: Capital Spending at City of Fernie

Capital Spending Comparison Estimates at City of Fernie

	2011	2012	2013	2014	2015	2016	2017
Capital Reserve Fund Balance	\$8,072,845	\$8,340,311	\$9,260,745	\$10,467,195	\$10,025,627	\$11,725,735	\$11,467,571
City of Fernie (1)	\$3,399,095	\$3,685,216	\$3,257,499	\$5,254,720	\$3,980,447	\$4,943,740	Not available at time of investigation
Facilities and Buildings (2)	\$182,587	\$305,982	\$842,861	\$256,996	\$299,940	\$197,791	
Fernie Memorial Arena (3)	\$97,400	\$58,598	\$25,958	\$14,653	\$2,970	\$97,500	\$0

(1) Amounts obtained from annual audited financial statements - consolidated schedule of reserves

(2) Amounts obtained from annual audited financial statements - consolidated schedule of reserves - reserve accounts known to have funded building facility maintenance, equipment repairs and replacements.

(3) Amounts obtained from City of Fernie request for arena capital spending results, contractor receipts and budgeted estimates for completed work.

Table M-2: Capital Spending at Fernie Memorial Arena

Fernie Memorial Arena - Capital Requesting, Budgeting and Spending

	2011	2012	2013	2014	2015	2016	2017
Initial Requests by Leisure Services Management (1)	\$120,000 ice plant overhaul (receiver, separators relief header)	\$75,421 new condenser ice plant overhaul (carry forward items)	\$76,540 brine tank replacement compressor replacement	\$0 City identified a Facilities Master Plan recommendation of \$800K in remedial work spending items were requested for the arena	\$82,000 penalty box upgrades accessibility lift (source: presentation to council Jan 19, 2015)	\$10,800 rebuild compressors (source: Proposed 2016-2021 Financial Plan presented to council December 11, 2015)	\$420,800 dehumidifier roof repair curling rink roof replacement curling rink radon mitigation (source: Provisional capital projects presented to council Nov 21, 2016)
Final Approved Capital Spending Budget (2)	\$120,000 ice plant overhaul (receiver, separators relief header)	\$75,421 new condenser ice plant overhaul (remaining items)	\$76,540 brine tank replacement compressor replacement	\$0	\$147,000 penalty box upgrade accessibility lift install	\$84,500 new compressor cooling system new compressor motor	\$256,000 dehumidifier roof repair
Actual Spending (3)	\$97,400 receiver replacement oil separators relief header	\$58,598 new condenser	\$25,958 brine tank replacement compressor rebuild (rather than replace)	\$14,653 ammonia sensor replacement brine pump replacement roof repair	\$2,970 tenos / repairs accessibility lift system for compressors <i>Note: the \$19K penalty box upgrades are documented as completed, but were funded from grants/accounts not accessed by this investigation. The accessibility lift is noted as being deferred/canceled.</i>	\$97,500 glycol cooling system for compressors	\$0 *dehumidifier work was deferred

(1) Amounts obtained from evaluation of initial and subsequent budget deliberation presentations to council for each year

(2) Amounts obtained from City of Fernie response to details associated with annual financial plans (approved budgets)

(3) Amounts obtained from City of Fernie request for arena capital spending results, contractor receipts and budgeted estimates for completed work.

Tables M-1 and M-2: Financial analysis of capital spending by the City of Fernie (M-1) and Capital Spending relative to initial management request, approved capital and actual spending on the arena (M-2).