POLICY TITLE	ADOPTED BY	EFFECTIVE DATE
Loan Guarantee Policy	City Council	September 28, 2016
ORIGIN / AUTHORITY	**CITY POLICY NO**	**MOST RECENT CONSOLIDATION**
Executive Policy Committee	FI-005	

1. Purpose:

The purpose of this Loan Guarantee Policy is to provide the City with an approved framework for managing loan guarantees.

The objective of this Policy is to ensure that loan guarantees are only provided to organizations that assist the City in achieving its goals while minimizing the financial risk associated with approving a loan guarantee.

This Loan Guarantee Policy supersedes the Policy adopted by Council on June 17, 1992.

2. Definitions:

"loan guarantee" A loan guarantee is a promise that the City will repay a lender (e.g., a bank or other financial institution providing credit or funding to another party) the amount guaranteed, subject to the terms and conditions of an agreement. If the borrower defaults, the City is responsible for payment of the balances outstanding on the loan. The guarantee will reduce the lender's risk and should enable the borrower to secure a loan at a lower interest rate or obtain a loan that might not otherwise have been achievable.

A. Loan guarantees do not involve cash spending by the City (unless there is a default). For this reason, they can be a more attractive tool than direct loans or grants, particularly in periods of fiscal restraint. However, they can generate sizable financial obligations and significantly affect the City's fiscal framework.

B. Loan guarantees constitute meaningful commitments by the City of Winnipeg. When the City guarantees a loan, it must disclose this contingent liability in its financial statements. In the case of a consolidated entity, the outstanding loan balance is recorded as a liability in the financial statements and forms a part of the consolidated debt of the City of Winnipeg. If the organization defaults on the loan, the City would be obligated to make payments on the loan or pay out the remaining balance of the loan.

C. This Policy covers all loan guarantees that relate to the acquisition, construction, addition, renovation or rehabilitation of a capital asset.

D. This Policy excludes front-ending agreements related to development agreements, outright loans, grants and other financial assistance.

"business plan" A business plan is a formal statement of business goals, reasons they are attainable, and plans for reaching them. It may also contain background information about the organization or team attempting to reach those goals.

"standard mortgage clause" A standard mortgage clause is a clause in an insurance Policy that protects the interest of the lender to recover the proceeds even if the borrower is at fault. This type of clause is mainly included in fire and casualty insurance.

3. Loan Guarantee Policy

3.1 Provision for Risk of Potential Default – The City does not have a separate reserve to protect itself against potential default of existing loan guarantees; however, the City's Financial Stabilization Reserve provides some protection in this regard. The purpose of this Reserve and some of the regulations related to the use of this Reserve are:

A. The Financial Stabilization Reserve can be used to fund major unforeseen expenditures, General Revenue Fund year-end deficits and one-time expenditures (subject to certain rules, once the target level of 6% of tax- supported expenditures has been reached).

B. No transfers can be made to the General Revenue Fund to fund ongoing current operations.

C. Funds above the 6% target may be used for major unforeseen expenditures and General Revenue Fund deficits. Accessing funding in any given year requires City Council approval if the required amount would reduce the Reserve's balance below the 6% target.

D. A replenishment plan shall be adopted by City Council if the Financial Stabilization Reserve Fund's equity is reduced below the 6% target of tax- supported expenditures.

3.2 Cap on Amount of Loan Guarantees

A. City Council has approved a Debt Strategy to ensure a prudent level of debt to finance its capital program. Similarly, a maximum threshold (cap) for the total amount of loan guarantee commitments made by the City is set out in this Section 3.2 to ensure a prudent level of loan guarantees.

B. As the outstanding debt of consolidated entities is included in the City's debt in its consolidated financial statements and as this debt is subject to the Council-approved maximum thresholds in the Debt Strategy, loan guarantees to consolidated entities are not subject to the cap on loan guarantees.

C. Outstanding debt on loan guarantees to other organizations is not included in the City's debt in its consolidated financial statements, nor are these considered in the Debt Strategy thresholds. These commitments are reflected as contingent liabilities in the notes to the financial statements.

D. The maximum threshold or cap on the total amount of loan guarantee commitments made by the City of Winnipeg to non-consolidated entities is capped at the lesser of the target level in the Financial Stabilization Reserve or the actual balance in the Reserve. The Reserve provides some protection in the event of default as noted above in Section 3.1. These loan guarantee commitments will be measured on the outstanding risk associated with the loan guarantee; that is, on the outstanding balance of non-revolving credit facilities or the total amount authorized of revolving credit facilities.

3.3 Loan Guarantee Criteria

The Public Service will apply the following criteria in evaluating loan guarantee requests:

3.3.1

A. The Public Service will consider requests for loan guarantees from organizations that have a direct affiliation with the City's service delivery:

i. Civic partners – examples are community centres and recreational organizations that provide services from City-owned facilities or facilities situated on City-owned land.

ii. Consolidated entities – examples are CentreVenture Development Corporation, The Convention Centre Corporation and Assiniboine Park Conservancy.

B. The organization requesting the loan guarantee must provide a service which is compatible with the City's authority to provide loan guarantees as set forth in The City of Winnipeg Charter and, in whole or in part, falls within the mandate of the City of Winnipeg.

C. The organization's services and assets must be available to the community at large without restrictions based upon ethnicity, religion, race or sexual orientation and without unreasonably restrictive membership or user fees.

D. The organization must be non-profit. The loan guarantee cannot be directly or indirectly provided to a profit-orientated organization.

E. The organization's structure and the principals of the organization must be judged by the Chief Financial Officer of the City of Winnipeg as competent to manage the project and to independently implement the Business Plan of the organization.

3.3.2 Eligible Projects

The project the loan guarantee is covering must meet the following criteria:

A. The project must not be in conflict with City Policy. For example, if City Policy stated that we have more than enough hockey arenas for our population, the City would not guarantee a loan for the purpose of constructing a hockey arena.

B. The loan that the City is guaranteeing must be related to a capital asset.

C. The capital asset must be insured to the satisfaction of the City's Chief Financial Officer both during and after construction. The City's interest is to be protected as a mortgagee on insurance policies, subject to a Standard Mortgage Clause.

Any project for which the City is requested to provide a loan guarantee may be subject to the City's Materials Management Policy and related procedures, at the discretion of the Manager of Materials. The link to the Policy follows:

http://winnipeg.ca/finance/findata/matmgt/policy/policy.pdf

D. The organization must follow the City's asset and project management processes, in particular, risk assessment and the establishment of proper budget contingencies. Additional information is available on the City's Website.

http://winnipeg.ca/finance/infrastructureplanning/camp.stm

3.3.4 Business Plan and Supporting Documentation Required

Requests for loan guarantees must be supported by a comprehensive and feasible Business Plan which includes the information necessary to make a decision with respect to approving a loan guarantee, which includes demonstrating the ability to repay the loan. Business Plan requirements are published on the City's Website.

3.4 Application and Loan Guarantee Standby Fees

A. There is a one-time application fee applied to all loan guarantee requests, whether successful or not. In addition, there is a standby fee for all outstanding loan guarantees.

B. These application and loan guarantee standby fees are in accordance with the Fees and Charges By-law 196/2008.

C. The application fee must accompany a request for a loan guarantee.

3.5 Process

A. Process for Requesting a Loan Guarantee:

Requests for loan guarantees shall be submitted through the Corporate Finance Department of The City of Winnipeg at the following address:

Attention: Treasury
The City of Winnipeg – Corporate Finance Department
Main Floor, Administration Building

510 Main Street
Winnipeg, MB R3B 1B9

Email address: FIN-Treasury-Inquiry@winnipeg.ca

Telephone Number: (204) 986-2503

B. The application will be reviewed to determine if the request meets the requirements of this Policy and that the Business Plan is viable.

3.6 Approval Process

Once sufficient information is available from the applicant demonstrating the feasibility of the Business Plan,

i. The Public Service will prepare a report with respect to the loan guarantee request.

ii. The report will be forwarded to the Executive Policy Committee for consideration.

iii. If the Executive Policy Committee recommends approval, the report would then proceed to Council for consideration.

iv. The applicant will be notified whether or not their application has been approved once the process is complete.

All loan guarantees must be approved by Council.

3.7 Requirements subsequent to approval of Loan Guarantee

A. The City will require the organization to submit financial and project reporting during the construction phase of the project (until project completion) and annual financial statements until the guaranteed loan has been repaid.

B. The City reserves the right to require that the annual financial statements be audited.

C. The City will assist qualified applicants in obtaining financing and reserves the right to require qualified applicants to comply with and implement financing structures that the City deems appropriate.

D. The applicant will be required to enter into a legal agreement with the City setting out the terms and conditions of the provision of the City's guarantee and the legal responsibilities of the applicant, as set forth in this Policy.

4. Responsibilities

4.1 Review of Loan Guarantee Policy

This Policy will be reviewed periodically by the Corporate Finance Department to ensure it continues to meet Council's goals. Any required changes shall be submitted to Council for consideration and approval.