REPORT OF THE

STANDING COMMITTEE ON FISCAL ISSUES

DATED DECEMBER 8, 1997

On motion of Councillor Clement, the Report of the Standing Committee on Fiscal Issues, dated December 8, 1997, was considered.

Moved by Councillor Clement,
That the Consent Agenda, Clause 3, be adopted.

Carried.

Alternative Service Delivery Proposal for Primary Material Services
File GL-5.6.1 (Vol. 1) [c/r CR-5 (Vol. 1)]

446 - 3. The Standing Committee on Fiscal Issues has been advised that on July 24, 1997, the Joint Committee of Council Members and C.U.P.E. Representatives directed that the Administration and C.U.P.E., with the assistance of the seconded Special Operating Agency (SOA) Coordinator, develop an alternative service delivery feasibility study for Primary Materials.

On January 31, 1996, Council, in adopting the 1996 Current Estimates, directed the Administration to proceed with the development of business plans to implement initiatives such as "contracting out" primary (quarry) operations.

The Streets and Transportation Department met on several occasions with the Joint Committee of Council Members and C.U.P.E. Representatives to consider the potential for contracting out the supply and delivery of treated sand and aggregates.

Subsequent to this initiative, Council on March 20, 1997, adopted the *"Reshaping our Civic Government"* document, identifying development of Special Operating Agencies (SOA's) as one of five strategic initiatives needed to create a more affordable and fundamentally better City Government.

Consistent with the foregoing processes, Primary Material Services prepared a Feasibility Study for Alternate Service Delivery and presented it to the Standing Committee on Fiscal Issues on December 8, 1997. This study is consistent with the current approach of the City towards full costing. This SOA contemplates the delivery of more than one type of service (product) and the associated costs would be separated accordingly. At the same time, this costing analysis would be conducted on a full costing basis, including direct costs, program support costs and overhead costs. In keeping with the SOA approach, discussions will have to take place regarding the content of the program support costs and overhead costs (ie. General Government Charges).

The Department is prepared to take the next step in the process and is seeking approval to proceed with the development of a business plan. Funding in the amount of $50,000 will be required to assist with the valuation of the asset, evaluation of a market survey and development of a business plan.

This funding is required to fund the development of the business plan, which is available from the retained earnings of Equipment Services Fund Retained Earnings. This is a one time cost and there are no other impacts upon the current or capital budgets. The following goals of the Financial Management Plan will be met: rebuilding reserves, reduction in expenditures and improved financial reporting.

The Standing Committee on Fiscal Issues recommends:

I. That the Primary Materials Branch be directed to proceed with the preparation of an Operating Charter and a Business Plan, consistent with the "Special Operating Agencies Initiative" development and approval process adopted by Council on September 24, 1997, said Charter and Business Plan to be in a form consistent with the Operating Charter outline and Business Plan outline identified as Appendix "A" and Appendix "B", respectively.

II. That the Business Plan to be submitted for Council's consideration be based upon, but not limited to, the following:-

Report of the Standing Committee on Fiscal Issues dated December 8, 1997

A. continuation of existing supply arrangements with City Departments for a period of two years from the final approval of SOA status;

B. competitive and non-competitive marketing scenarios, with recommendation of the best-balanced option and including discussion of market options (supply contracts, partnerships) with the private sector and others;

C. valuation for the transferring of assets and for establishing debt/equity;

D. fully costed principles and program based financial management practices be employed;

E. providing for the optional disposal of the asset in the future.

III. That the Operating Charter to be submitted for Council's consideration be based upon, but not limited to, the following:-

A. identification of the recommended reporting relationships;

B. continuing participation by union representatives during planning and start-up preparations and appointment to the advisory board;

C. 3-year effectiveness evaluation, including review of optional services and alternative delivery options.

IV. That the Proper Officers of the City be authorized to do all things necessary to prepare the Operating Charter and Business Plan for consideration by the Standing Committee on Fiscal Issues for recommendation to Council.

On June 24, 1998, Council adopted Clause 5 of the Report of the Executive Policy Committee dated June 17, 1998 which recommended that an additional extension of time of 120 days be granted for consideration of this matter.

On November 25, 1998, Council granted an additional extension of time of 120 days for consideration of this matter.

On February 24, 1999 Council adopted Clause 3 of the Report of the Executive Policy Committee dated February 17 with respect to the 1999 Alternative Service Delivery Review Agenda which included reference to Primary Materials.

On February 24, 1999 Council also adopted Clause 7 of the said Report of the Executive Policy Committee with respect to the establishment of a Committee of Council for the purpose of implementing the City's Special Operating Agency Initiative.

The Executive Policy Committee recommends that the matter be received as information and filed, inasmuch as the matter of the proposed alternative service delivery candidates was approved by Council on February 24, 1999 to progress to the next phase of development, as outlined in The City of Winnipeg Policy and Framework for Alternative Service Delivery. (Appendix "A" to Clause 3 of the Report of the Executive Policy Committee dated February 17, 1999.)

Copy of attachment referred to in the above clause is on file in the Office of the City Clerk.

Adopted by consent.

REPORT OF THE

STANDING COMMITTEE ON FISCAL ISSUES

DATED MARCH 9, 1999

On motion of Councillor Clement, the Report of the Standing Committee on Fiscal Issues, dated March 9, 1999, was considered.

Moved by Councillor Clement,
That the Consent Agenda, Clause 1, be adopted.

Carried.

Request for Loan Guarantee - Seven Oaks Life-Sport Facility
Files PR-2(34) (Vol. 1) & FC-2.2 (Vol. 2)

447 - 1. The Standing Committee on Fiscal Issues has been advised that on June 9, 1998, the Lord Selkirk-West Kildonan Community Committee recommended to the Standing Policy Committee on Property and Development to favourably consider the need aspect of the proposal to develop an Indoor Soccer Facility at Garden City Community Centre and recommended to the Standing Policy on Fiscal Issues to favourably consider the loan guarantee.

Section 313 of The City of Winnipeg Act states the following:

> *Subject to the approval of the Minister of Finance, the City, may on such terms and conditions as the Minister of Finance may approve, make loans and grants for, and guarantee indebtedness incurred for, any community undertaking not otherwise authorized under this Act, and the Minister of Finance may refer any application for approval under this section to The Municipal Board for its advice and recommendation.*

The City has been concerned that there has been an increasing number of requests for loan guarantees over the past few years, as loan guarantees do, in fact, constitute meaningful commitments by the City. These commitments have to be recorded in the notes to the City's financial statements, are factors in determining the City's potential liabilities, and are a factor in determining the City's credit rating. As a result of its ongoing concern, the City adopted a Policy and Criteria to be used as a Guideline in the Consideration of Request for Loan Guarantees on June 17, 1992. As at December 31, 1998, the City of Winnipeg was the guarantor of 13 different loans in the total amount of $8.3 million.

The following evaluates the business plan as provided by the Seven Oaks Life-Sport Facility based on the Policy and Criteria related to requests for loan guarantees as adopted by Council on June 17, 1992.

A. *Requests for loan guarantees shall be submitted to the City Treasurer for review to determine if the request meets the requirements of the policy*.

As a result of the June 9, 1998 meeting of the Lord Selkirk-West Kildonan Community Committee, representatives of the Seven Oaks Life-Sport Facility project met with the City Administration to determine what information would be required for consideration of a City of Winnipeg loan guarantee. The latest revision received of this information was dated January 25, 1999 and forms the basis of the financial analysis.

B. *The organization requesting the loan guarantee must provide a service which, in whole or in part, falls within the mandate of the City of Winnipeg.*

The Garden City Community Centre provides community-based sports and recreation activities for residents of Winnipeg in the northwest area of the City.

C. *The project for which the loan guarantee is being requested must not be in conflict with City policy. For example, if City policy stated that we already had more than enough hockey arenas for our population, the City would not guarantee a loan for the purpose of constructing a hockey arena.*

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The project is not in conflict with City policy.

At its meeting held on June 18, 1998, the Standing Policy Committee on Property and Development concurred in the need aspect of the proposal to develop an Indoor Soccer Facility at the Garden City Community Centre.

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

There are no unreasonable restrictions on membership or user fees.

E. *The organization must be non-profit (as defined within the City of Winnipeg Fees and Charges Policy).*

Garden City Community Centre is an incorporated organization with non-profit status. The Seven Oaks Life-Sport Facility will be operated by the Garden City Community Centre.

F. *The organization must produce financial records and a business plan that demonstrates the organization's long-term viability and capacity to meet the obligations of the loan that they are asking the City to guarantee.*

Garden City Community Centre has a history of operating a profitable operation. The Community Centre has provided a detailed business plan, historical financial statements and a five-year projection related to the Centre's operation supporting the long-term viability of the Seven Oaks Life-Sport Facility.

The Community Services Department has reviewed the need for such a facility and concluded in a report dated June 1, 1998, that *"additional indoor soccer facilities are required in the City of Winnipeg to meet current and future demand."* Furthermore, it is stated therein that, *"Given that additional indoor soccer facilities are required to serve the Winnipeg market and that no facility exists in the northwest sector of the City and that the Garden City Community Centre has previously demonstrated the ability to operate and maintain recreational facilities, the Department is supportive of the proposal."*

The first year projection assumes approval of the loan guarantee on March 9, 1999, and that the project will be completed by October, 1999. The projected revenues and expenditures were reviewed by Corporate Finance to verify the reasonableness of the projections. Confirmation of facility rental rates and booking dates were obtained from third parties. The projections were also compared to the Gateway Community Centre indoor soccer facility for reasonableness. The net cash flow from operations of the Community Centre, inclusive of the proposed soccer facility, is forecasted to be $110,677.00 in the 1999/2000 fiscal year and $78,799.00 for the four fiscal years thereafter.

Financing has been confirmed by the Toronto Dominion Bank subject to the City's guarantee.

Risks and Opportunities Associated with the Project:

1. The City does not have access to full year financial statements from a similar facility. However, we have compared the reasonableness of the cash flow projections and associated assumptions with the existing facility at Gateway Community Centre which has been in operation since November, 1998. It is anticipated the revenue projections may differ from what is planned, with the greatest exposure being the rental income derived from operating the facility in the non-peak season as well as canteen revenues. The financial analysis, based on conservative assumptions as to what may be achieved, would lower net cash flow by $34,000.00 related to rental income and $16,000.00 related to canteen income which would still provide a positive net cash flow.

   Proponents of the project have indicated they are planning to undertake a more aggressive approach of utilizing their canteen facility which they expect will achieve the cash flow as projected. In addition, with an aggressive approach to soliciting rentals for the facility in the non-peak period they expect to achieve the cash flow as projected for rental income from operating the facility.

2. The projected cash flow includes an amount of $10,000.00 per year from rental of board signage and $6,000.00 per year for rental income from a Pro Shop. We are not aware of any similar facilities (eg. arenas) that are able to generate this amount of revenue from signage rental but do note the Seven Oaks Life-Sport Facility is in receipt of a letter from Soccer Spectrum indicating the possibility of obtaining this level of rental income. While Soccer Spectrum has indicated they are willing to operate

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a Pro Shop at the Seven Oaks facility for the amount included in the projections, there may be some issues related to zoning variances that may prevent the establishment of the Pro Shop.

G. *The organization structure and the principles of the organization must be judged by the City of Winnipeg as competent to independently implement the business plan of the organization*.

Garden City Community Centre has demonstrated the ability to implement the business plan for the Seven Oaks Life-Sport Facility.

H. *Unless there are very special circumstances, the maximum amount of outstanding loan guarantees for any one organization will be $1,000,000.00*.

The loan guarantee being requested to complete this project is slightly below the maximum allowed at $981,865.00. However, the proponents of the project have indicated they plan on submitting a request to the Province of Manitoba for a grant in the amount of $50,000.00, which is included in the business plan, but the acceptance of which cannot be confirmed. In addition, the financial analysis indicates it may be prudent to increase the contingency of the project to $100,000.00 to provide for a structural slab floor should this be deemed necessary. These two items would increase the financing required to $1,093,000.00 or require adjustment of the plan as to costs or funding sources. The proponents have indicated there are a number of businesses in the Garden City area which have indicated a willingness to provide some financial support to the project once it has been approved. Representatives have also indicated they have a good volunteer base and expect to be able to reduce the amount of labour costs of the project by doing some of the work themselves. (ie. painting, assembling of bleachers, etc.)

I. *The loan that the City is being asked to guarantee should not represent more than 50% of the total funding of the project. The organization requesting the loan guarantee must have raised at least 20% of the total project costs from non City of Winnipeg sources as a down payment, i.e. if the organization is receiving a City grant for their project, the grant cannot be counted as part of the 20% down payment*.

The requirement that 20% of the facility costs be raised from non City of Winnipeg sources has not been met. The organization has raised $75,000.00 or 5.9% of facility costs. This excludes the $50,000.00 request for Provincial funding as discussed above. Also, as discussed above, the organization plans to solicit donations from the surrounding business community once the project has been approved.

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

The loan related to the Seven Oaks Life-Sport Facility is for an Indoor Soccer Facility.

K. The capital asset must be insured to the satisfaction of the City Treasurer both during and after construction.

The Director of Corporate Finance (City Treasurer) will ensure adequate insurance is in place if the project is approved.

The Garden City Community Centre has expended considerable effort to develop a strategy, determine the needs of the community, develop a business plan, proceeded with development of a site plan, building design and selection of a builder. The Centre has committed $75,000.00 toward the completion of this project as well as expended approximately $7,000.00 to date for building plans, etc. The proposal does exceed some of the policy and criteria as established by Council, however, the project appears to be financially viable on a self-sustaining basis. The possibility of financial exposure to the City is relatively small. The risk of any exposure to the City is mitigated due to increasing popularity of indoor soccer, the commitment of the Garden City people, and the fact this will be a first rate indoor soccer facility in the northwest section of Winnipeg.

The Standing Committee on Fiscal Issues recommends:

I. That City Council give consideration to guaranteeing a loan in the amount of $981,865.00 to the Garden City Community Centre Inc., to allow them to proceed with the development of an Indoor Soccer Facility, to be named the Seven Oaks Life-Sport Facility.

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II. That, if City Council approves the loan guarantee, the Proper Officers of the City be instructed to do all things necessary to implement the foregoing, including obtaining approval from the Minister of Finance in accordance with Section 313 of The City of Winnipeg Act.

Adopted by consent.

STANDING COMMITTEE ON FISCAL ISSUES

QUESTION PERIOD

448 - Councillor Timm-Rudolph noted that in the past, reports with a financial implication were always referred to the Standing Committee on Fiscal Issues for consideration and questioned if Clause 3 of the Report of the Standing Policy Committee on Public Works dated March 1, 1999, "Approval to Tender McPhillips Street and Fermor Avenue as a First Call on the 2000 Capital Estimates", had been considered by the Standing Committee on Fiscal Issues and, if not, why not.

Councillor Clement advised that the item was not considered by the Standing Committee on Fiscal Issues as it was brought forward as a first charge as opposed to going through the normal capital process which was just getting started. Councillor Clement further suggested that the item was dealt with outside of the normal process due to implementation time constraints.

Councillor Timm-Rudolph questioned whether the Executive Policy Committee had been referring issues with financial implications for review by the Standing Committee on Fiscal Issues.

Councillor Clement noted that Executive Policy Committee had been continuing this practise but that not every single issue with fiscal implications was flowing through the Standing Committee on Fiscal Issues, although he believed that they should. He noted that changes arising from the corporate restructuring were still being addressed.

Councillor Steek requested that Councillor Clement summarize the changes in the criteria of the Home Renovation Tax Credit program and the actual timeframe for the submission of applications.

Councillor Clement noted that the program was approved at this meeting of Council and would commence April 19, 1999. He indicated that the 1998 program ended on February 26 and triggered some amendments as it required a budget of $470,000. He noted that the new program would be capped at $975,000 for a three year period, allowing for $325,000 worth of work per year and that to qualify for the program the applicant must have a building permit, and the house must be built prior to 1974 and have a value no higher than $90,000.

Moved by Councillor Eadie,
That Council do now adjourn.

The Clerk called the roll.

Present: The Speaker Councillor O'Shaughnessy, Councillors Clement, De Smedt, Gerbasi, Lazarenko, Lubosch, Prystanski, Smith, Steek, Deputy Mayor Thomas, Timm-Rudolph, Vandal, Eadie and His Worship Mayor Murray.

The motion to adjourn was put and carried and Council adjourned at 10:34 a.m.

APPROVED AND CONFIRMED

City Clerk Speaker