REPORT OF THE

STANDING COMMITTEE ON FISCAL ISSUES

DATED MAY 19, 1998

On motion of Councillor Angus, the Report of the Standing Policy Committee on Fiscal Issues, dated May 19, 1998, was considered.

Loan Guarantee - Dakota Community Centre File FC-2.2 (Vol. 1)

672 - 1. Council, at its adjourned meeting held on April 30, 1998, ruled automatic referral of the following motion to the Standing Committee on Fiscal Issues, under Rule 16.1 of the Procedure By-law No. 5400/90:

Moved by Councillor Angus,
Seconded by Councillor Golden,

WHEREAS City Council recently approved a loan guarantee for Dakota Community Centre based on a comprehensive business plan;

AND WHEREAS the business plan called for 100% rebate of the GST, which has been the practise for other Community Centres;

AND WHEREAS the Federal Government has recently "clawed" back the GST even beyond the 50% the club is entitled to receive;

AND WHEREAS the Dakota Community Club had intended to pay contractors utilizing their GST refund;

AND WHEREAS the Dakota Community Club can "bank" finance a short term low interest demand loan to pay their contractors while they resolve this problem with the Federal Government;

AND WHEREAS the Dakota Community Club cash flow and business plan will allow for this bank loan to be paid off in a reasonable time;

AND WHEREAS the bank requires the City's authorization as owners of the facility to secure the loan;

THEREFORE BE IT RESOLVED that the Standing Committee on Fiscal Issues review the amount of the loan, and the repayment plan and make a recommendation to Council for the May 27, 1998, Council meeting on the advisability of securing this loan for the Dakota Community Club."

On May 19, 1998, the Standing Committee on Fiscal Issues considered a report from the Chief Financial Officer dated May 19, 1998, in which Committee was advised that on June 19, 1996, City Council approved a loan guarantee to Dakota Community Centre for $2,960,000.00 related to the construction of a twin arena project.

In 1996, the Corporate Finance Department reviewed the business plan and financial information as submitted by the Dakota Site Development Committee and recommended to City Council that the loan guarantee request for $2,960,000.00 be approved. City Council approved the loan guarantee on June 19, 1996.

Under the original loan guarantee review, the Corporate Finance Department identified certain risks associated with the guarantee. The following two items require the Dakota Community Centre to obtain additional bank financing and require a City guarantee, namely:

1. Dakota assumed a full 7% GST rebate of $266,000.00 associated with the construction. Revenue Canada just issued a ruling that community centres were not entitled to a full 7% rebate. The impact is that additional financing of $139,000.00 is required. In addition, Revenue Canada is withholding $52,000.00 of refundable GST which will reduce the bank loan once received.

Report of the Standing Committee on Fiscal Issues dated May 19, 1998

2. During construction, additional expenditures of $46,000.00 were required to ensure appropriate land drainage for the facility. The Dakota Community Centre was able to finance $21,000.00 from their operation, but requires an additional $25,000.00 to fully finance the project.

The Corporate Finance Department has reviewed the August 1997 financial statements, March 1998 unaudited statements and projection from August 1998 to August 2000. Based upon the review of this information and discussions with management and members of the Board, the Community Centre is deemed to be self-sustaining. The Community Centre is well managed with a strong commitment to the operation.

The Dakota Community Centre has scheduled repayment of the additional $216,000.00 in under five years. This demonstrates the financial commitment of the Centre to pay off this amount as quickly as possible.

The Standing Committee on Fiscal Issues recommends:

I. That City Council give consideration to an additional loan guarantee in the amount of $216,000.00 to the Dakota Community Centre related to the financing of a twin arena project. The original guarantee was approved by Council on June 19, 1996.

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.

Moved by Councillor Angus,
Adoption of the clause.

Carried.

Councillor Silva asked to be recorded as having voted against the clause, in accordance with Rule 50.7 of the Procedure By-law.

STANDING COMMITTEE ON FISCAL ISSUES

CONSIDERATION OF BY-LAWS

673 - On motion of Councillor Angus, the following By-laws were read a first, second and third time, the rule being suspended for the third reading of each by-law, and were passed and ordered to be signed and sealed, namely:

By-law No. 7200/98, a by-law of The City of Winnipeg to establish a program of property tax credits to encourage and assist in the renovation and improvement of designated structures in the downtown area of the City of Winnipeg. File G-3 (Vol. 8) c/r G-3.1 (Vol. 7)

By-law No. 7224/98, a by-law of The City of Winnipeg for the enactment of changes to By-law No. 7155/98, being The Heritage Conservation Tax Credit By-law.
File G-3 (Vol. 8) c/r G-3.1 (Vol. 7)

STANDING COMMITTEE ON FISCAL ISSUES

QUESTION PERIOD

674 - Councillor Steek requested an update on the Assessment Department, specifically the need for future hiring in preparation for the 2002 general assessment.

Councillor Angus responded that the City Assessor was completing a business plan which would be ready by the second to third week in June which will identify the number of people to hire, and the training program for the summer. Councillor Angus also advised that he was assured that the money was in place, the business plan was coming together and that they were ready to start hiring the people to do the job.

Councillor Steek suggested that the City Assessor meet with the Real Estate Board to hire local assessment persons rather than bring persons in from Ontario as suggested.

Councillor Angus noted the suggestion was reasonable and would be discussed with the City Assessor. He advised that the City Assessor does have continuing discussions with the Real Estate Board, and is also working with the unions, CUPE in particular, on hiring practices, and further advised that people could be retrained from within the service to fill those positions.