Minute No. 671
Report – Executive Policy Committee – July 26, 2006

Item No. 2 The Manitoba Opera Association – Loan Guarantee
File FC-2.2

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That the Council Decision of May 22, 2002, approving an increase to the City Guarantee of $250,000.00 to $285,000.00, be rescinded.

2. That the Acting Chief Financial Officer be authorized to finalize a form of consent to be signed by the Proper Officers of the City in support of matters set out in the preamble hereto.

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DECISION MAKING HISTORY:

Moved by His Worship Mayor Katz,
That the recommendation of the Executive Policy Committee be adopted.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 26, 2006, the Executive Policy Committee passed the following motion, namely:

WHEREAS on July 19, 1999 Council approved a loan guarantee to The Manitoba Opera Association ("MOA") for a maximum amount of $250,000.00 (the "City Guarantee");

AND WHEREAS on May 22, 2002, Council approved an increase to the City Guarantee from $250,000.00 to $285,000.00 subject to the Province of Manitoba increasing its existing guarantee in support of the MOA to $285,000.00;

AND WHEREAS the MOA did not proceed with completing an amendment to the City Guarantee as approved by Council May 22, 2002;

AND WHEREAS the Royal Bank of Canada (the "Bank") has granted certain credit facilities to MOA pursuant to a certain credit confirmation letter dated January 27, 2000 as subsequently amended from time to time thereafter (the "CCF");

AND WHEREAS the CCF provides in part for a demand operating/revolving loan limited to the sum of $535,000.00 (the "Line of Credit");

AND WHEREAS the Line of Credit is supported by a guarantee dated February 24, 2000, as amended thereafter, executed by Manitoba Development Corporation (the "MDC") and the Government of Manitoba as represented by the Minister of Finance (the "Province") in favour of the Bank limited to the sum of $285,000.00 (the "Province Guarantee") and the City Guarantee;

AND WHEREAS the Province has or will be entering into an agreement (the "Matching Fund Agreement") with the MOA whereby the Province has agreed to provide a grant to the MOA on a dollar for dollar basis to match private sector donations obtained by the MOA (the "Province Grant"). It is a stipulation under the Matching Fund Agreement that every dollar of the Province Grant will be applied as a permanent reduction to both the Line of Credit and to the maximum amount owing under the Province Guarantee;

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DECISION MAKING HISTORY (continued):

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

AND WHEREAS the Province will be allowed to remit the matching funds pursuant to the Matching Fund Agreement directly to the Bank together with specific instructions to the Bank to apply it to the Line of Credit;

AND WHEREAS upon such advice, the Bank shall apply such amounts as a permanent reduction to the Line of Credit and also as a permanent reduction to the maximum limit under the Province Guarantee (which is currently $285,000.00);

AND WHEREAS in the event the entire sum of $285,000.00 is received from the Province, then and in that event the Bank shall return the Province Guarantee to the Province or to such office as the Province may designate;

AND WHEREAS save as expressly amended herein, all other terms of the CCF, the City Guarantee and the Province Guarantee remain in full force and effect;

THEREFORE BE IT RESOLVED

1. That the Council Decision of May 22, 2002, approving an increase to the City Guarantee of $250,000.00 to $285,000.00, be rescinded.

2. That the Acting Chief Financial Officer be authorized to finalize a form of consent to be signed by the Proper Officers of the City in support of matters set out in the preamble hereto,

and submitted the matter to Council.

COUNCIL:

On May 22, 2002, Council concurred in the May 8, 2002 recommendation of the Executive Policy Committee and adopted the following:

1. That the City of Winnipeg increase their loan guarantee to The Manitoba Opera Association in the form of a line of credit from $250,000.00 to a maximum of $285,000.00, subject to the Province of Manitoba confirming their share, and providing any necessary approval of the City's loan guarantee,

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DECISION MAKING HISTORY (continued):

EXECUTIVE POLICY COMMITTEE:

On May 8, 2002, the Executive Policy Committee passed the following motion, namely:

> WHEREAS on July 19, 1999, Council approved a loan guarantee to The Manitoba Opera Association (MOA) in the form of a line of credit for a maximum amount of $250,000.00, subject to the following:
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> a) Should Council approve the loan guarantee, and should the attempts for restructuring fail and the loan guarantee is called, the City will recover its costs over a period of five years, at a sum not to exceed $50,000.00 per year, which is approximately equivalent to the current operating grant being provided to the Manitoba Opera Association; said recovery being charged against the Amusement Tax Revenue for the following fiscal years; and further that the City's policy for Cultural Grants (C 302) regarding its guaranteed level of funding be amended accordingly.";
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> AND WHEREAS in order to help the MOA to carry its debt and still manage its cash-flow, the Province of Manitoba also provided a loan guarantee in the amount of $250,000.00;
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> AND WHEREAS shortly after the Province agreed to the line of credit (but before they had signed its agreement with The MOA), the Royal Bank converted its line of credit into a demand loan for $115,000.00, which was the amount that the MOA had charged against its bank line of credit at the time, and inasmuch as the Province had not signed the agreement, they agreed to up their guarantee to $285,000.00 in recognition of the loss of this amount on the bank side;
>
> AND WHEREAS if the City were to increase its loan guarantee to $285,000.00 to match the Province's level, it would restore the MOA's ability to manage its accumulated debt in light of the diminished loan capacity on the bank's side;
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> AND WHEREAS as the MOA begin to implement their long range plans and retire their deficit, they will be less reliant on their line of credit, however, during this transition period, an increase in the line of credit will allow them to consolidate their debt in one location and ensure they can manage the cash-flow;

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DECISION MAKING HISTORY (continued):

EXECUTIVE POLICY COMMITTEE (continued):

> THEREFORE BE IT RESOLVED that the City of Winnipeg increase their loan guarantee to The Manitoba Opera Association in the form of a line of credit from $250,000.00 to a maximum of $285,000.00, subject to the Province of Manitoba confirming their share, and providing any necessary approval of the City's loan guarantee.