Report – Executive Policy Committee - April 18, 2007

Item No. 5 Charleswood Broncos Football Club Inc. – Loan Guarantee
File FC-2.2

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 18, 2007, the Executive Policy Committee concurred in the administrative recommendation and submits the following to Council:

1. That a loan guarantee for the Charleswood Broncos Football Club Inc., be approved in order to allow the Club to finance a portion of their plan to expand/renovate the facility at 535 Oakdale Drive which they are currently leasing from the City.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report – Executive Policy Committee - April 18, 2007

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 18, 2007, the Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council.

COMMUNITY COMMITTEE RECOMMENDATION:

On February 13, 2007, the Assiniboia Community Committee requested the Administration to report directly to the Executive Policy Committee on the request from the Charleswood Broncos Football Club Inc. for a loan guarantee in the amount of $50,000.00.

RE: $50,000.00 LOAN GUARANTEE-CHARLESWOOD BRONCOS FOOTBALL CLUB Inc.

FOR SUBMISSION TO: EXECUTIVE POLICY COMMITTEE

ORIGINAL REPORT SIGNED BY: ACTING CHIEF FINANCIAL OFFICER

REPORT DATE: April 3, 2007

RECOMMENDATION(S):

(1) That consideration be given to approving a loan guarantee for the Charleswood Broncos Football Club Inc., in order to allow the Club to finance a portion of their plan to expand/renovate the facility at 535 Oakdale Drive which they are currently leasing from the City.

(2) 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.

Report Summary

Key Issue(s):

Involves approving a $50,000.00 loan guarantee for the Charleswood Broncos Football Club Inc.

Implications of the Recommendation(s):

General Implications

	None
	For the organization overall and/or for other departments
X	**For the community and/or organizations external to the City**
	Involves a multi-year contract

Comment(s):

The Charleswood Broncos Football Club Inc. requires a loan guarantee in order for them to finance a portion of their plan to expand/renovate their leased facility from the City.

Policy Implications

[X] **No**
[ ] **Yes**
Comment(s):

Regulatory Implications

[ ] **None**
[ ] **Eliminates or reduces regulatory impact**
[ ] **Proposes regulatory impact**
Comment(s):

Environmental Implications:

[X] **No**
[ ] **Yes**
Comment(s):

Human Resources Implications:

[X] **No**
[ ] **Yes**
Comment(s):

Financial implications

[X] **Within approved current and/or capital budget**
[ ] **Current and/or capital budget adjustment required**
Comment(s):

The granting of a loan guarantee does not affect the City's operating or capital budget unless there is a default in the payments on the loan.

Report

REASON FOR THE REPORT:

At the February 13, 2007, meeting of the Assiniboia Community Committee, the following recommendation was made: "The Assiniboia Community Committee requested the Administration to report directly to the Executive Policy Committee on the request from the Charleswood Broncos Football Club Inc. for a loan guarantee in the amount of $50,000.00."

HISTORY:

Section 218(1) of The City of Winnipeg Charter allows Council to provide financial assistance "(b) to aid sports and recreation;". Section 218(2) outlines the form of financial assistance Council may provide, one form being a loan guarantee.

The City adopted a Policy and Criteria to be used as a Guideline in the Consideration of Requests for Loan Guarantees on June 17th, 1992. Loan guarantees constitute meaningful commitments by the City and 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 considered by the City's credit rating agencies. As at December 31st, 2006 the City of Winnipeg was the guarantor of 15 different loans totalling just over $11.8 million.

DISCUSSION:

The following is an evaluation of the business plan as provided by the Charleswood Broncos Football Club Inc. (the Football Club) based on the policy and criteria related to requests for loan guarantees as adopted by Council on June 17th, 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 February 13, 2007 meeting of the Assiniboia Community Committee, a package of information was forwarded to Corporate Finance for consideration in completing an evaluation of the loan guarantee request. The package included a detailed plan of the extent of the renovations and expansion planned as well as copies of the Football Club's financial statements. Corporate Finance Department staff were in contact with representatives from the Football Club to request additional information and to clarify any concerns arising from the 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 Charleswood Broncos Football Club Inc. provides community-based sports and recreation activities for residents of Winnipeg in the Southwest 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.*

The request for this loan guarantee is not in conflict with City policy.

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's Fees and Charges Policy).*

The Charleswood Broncos Football Club Inc. is an incorporated organization with non-profit status.

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.*

The number of kids playing football in this area has grown steadily over the past few years and currently there are more than 200 boys and girls between the ages of 7 and 14 playing tackle football through the club. With a continuing increase in tackle football and the addition of flag football, over the next few years, the Football Club expects to have in excess of 300 players based out of their club.

The Football Club has provided copies of their financial statements for the last four years. The financial statements show the club has been able to operate with an excess of revenue over expenditures for each of the last four years. At the end of 2005 they had set aside $4,000.00 in a building fund and they had just over $24,000.00 in their operating fund. They were able to achieve this while at the same time incurring relatively sizable expenditures related to football equipment purchases which will not be as significant a recurring expenditure each year. In 2006, they expect to be able to add in excess of $13,000.00 to their operating fund

and their projections for 2007 anticipate being able to generate an excess of revenue over expenditures of more than $19,000.00.

The Football Club has held discussions with the local TD Canada Trust bank and anticipate being able to contribute $12,700.00 annually toward servicing a loan of $50,000.00. The bank has agreed to lend the Football Club the money subject to them receiving this loan guarantee.

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*.

The Charleswood Broncos Football Club Inc. has demonstrated the ability to implement the business plan for the expansion and renovation of their facilities.

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 is for a maximum of $50,000.00.

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 guarantees 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 amount of the loan guarantee being requested is $50,000.00. This represents less than 50% of the total cost of the project of $130,161.00. The Football Club has raised $19,000 towards the project which represents approximately 15% of the total cost.

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

The loan the City is guaranteeing is for the expansion/renovations to an existing city owned facility.

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

The property at 535 Oakdale Drive is owned by the City and is currently insured by the City.

FINANCIAL IMPACT STATEMENT

No Financial Impact

There is no financial impact to the City in the granting of a loan guarantee unless there is a default in the payments on the loan.

"Original signed by Carrie Erickson"
Carrie Erickson

IN PREPARING THIS REPORT, THERE WAS:

Internal Consultation With and Concurrence By:

Legal Services

External Consultation With:

THIS REPORT SUBMITTED BY:

Corporate Finance Department
Financial Services
Prepared by: Garry Steski, Manager of Financial Services
File No.