REPORT OF THE

EXECUTIVE POLICY COMMITTEE

DATED JULY 26, 1995

On motion of Her Worship Mayor Thompson, the Report of the Executive Policy Committee, dated July 26, 1995, was considered.

Her Worship The Mayor and Councillors:

Gifts to The City - Endowment Fund - Funding Costs of Constructing an Entertainment Complex
File F-5.1 (Vol. 4)

979 - 1. The Executive Policy Committee has been advised that a basic structure for fund raising the costs of constructing an entertainment complex should be approved by Council in advance of the formal fund-raising campaign.

The Executive Policy Committee recommends:

I. THAT the City confirm that, should the Jets purchase close as proposed on August 15th, 1995, according to the final terms approved by City Council on August 9th, 1995, then the arrangements will include an Endowment Fund held by a wholly-owned subsidiary of MEC Facilities Ltd. which, is in turn owned by The City of Winnipeg and the Province of Manitoba;

THAT the objects of the Endowment Fund will be:

(a) to assist MEC Facilities Ltd. ("Facility Company") if so required, with funding the costs of constructing the entertainment Complex;

(b) to subsidize the operation of the entertainment Complex by paying to Facility Company, to the extent that the income earned, less any expenses and costs and required deductions and withholdings incurred in respect of the operation of the Endowment Company, from an amount equal to that part of the capital of the Endowment Fund resulting from the acquisition of shares of the subsidiary by Facility Company permits, the operating costs of the Entertainment Complex;

(c) to promote the widest possible use of and access to the Entertainment Complex by the citizens of Manitoba on a long term basis by investing in or making loans to tenants and prospective tenants, by payment of subsidies to tenants in order to obtain lower admission prices for patrons of the event staged by the tenant, by purchasing and distributing admission tickets for events staged by tenants and by such other means as the subsidiary deems advisable, and

(d) to assume the responsibility of Manitoba and Winnipeg as it pertains to their guarantee under the 1991 Interim Agreement of promissory notes issued by Jets Private Sector Inc. ("Private Sector Notes");

THAT Endowment Company will enter into a standby credit arrangement with the Spirit of Manitoba Limited Partnership in return for a standby fee; the amount of the standby facility and loans shall not exceed the lesser of $30 million and 25% of the fair market value of the Team. Limited Partnership, as security for such loans, will assign to Endowment Company all amounts payable to it by the NHL as the Limited Partnership's share of fees paid to the NHL in respect of the transfer of existing franchises or the issue of new franchises. Such security shall be in addition to satisfactory security interests in other assets of the Limited Partnership being put in place.

THAT in order to capitalize the said Endowment Fund, the City invites donations from the public for which a receipt for income tax purposes will be issued, said income tax receipt to be issued subject to and to the extent covered by a Revenue Canada ruling to which the City will be a party;

Report of the Executive Policy Committee dated July 26, 1995

THAT the City authorize Montreal Trust to act as Trustee of the funds pending closing of the purchase of the Jets and receipt of a favourable income tax ruling by Revenue Canada, with responsibility on closing to deliver to the City Treasurer all funds received by Montreal Trust together with the names and addresses of donors and to provide a report summarizing the total amount of donations and that should the purchase not proceed and a favourable income tax ruling from Revenue Canada is not received, to return all gifts to the donors;

THAT the City Treasurer is directed to pay all funds received from Montreal Trust to MEC Facilities Ltd. to capitalize the Endowment Fund through the purchase of subsidiary shares; and

THAT Spirit of Manitoba Inc. be encouraged, at its expense (including any expenses related to Montreal Trust), to conduct a fund-raising campaign for this purpose.

"That the City ask the Province of Manitoba to reconsider its involvement in the provision of tax status to the Endowment Fund." (amendment adopted)

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

Moved by Her Worship Mayor Thompson,
Adoption of the clause.

In amendment,

Moved by Her Worship Mayor Thompson
Seconded by Deputy Mayor Fraser,

WHEREAS the recommendations contained within Clause 1 of the Report of the Executive Policy Committee address an arrangement whereby an Endowment Fund shall be held by a wholly owned subsidiary of MEC Facilities Ltd. which, in turn, was to be owned by the City and the Province of Manitoba;

AND WHEREAS the arrangement contemplated capitalizing the Endowment Fund with gifts made to the City for which the City would, subject to a favourable tax ruling from Revenue Canada, issue official tax receipts;

AND WHEREAS Revenue Canada has indicated that it will likely not provide a favourable tax ruling under the current proposal which, in particular, includes an arrangement where funds donated to the City are to be directed to an entity which is separate from the City;

AND WHEREAS it would be advantageous in any event for the City to hold and administer the Endowment Fund as contemplated in the recommendation of the Executive Policy Committee;

THEREFORE BE IT RESOLVED THAT Clause 1 of the Report of the Executive Policy Committee be amended as follows:

1. The following paragraph within recommendation I:

> "THAT the City confirm that, should the Jets purchase close as proposed on August 15th, 1995, according to the final terms approved by City Council on August 9th, 1995, then the arrangements will include an Endowment Fund held by a wholly-owned subsidiary of MEC Facilities Ltd, which, is in turn owned by The City of Winnipeg and the Province of Manitoba;"

be amended to read:

> "THAT the City confirm that, should the Jets purchase close as proposed on August 15th, 1995, according to the final terms approved by City Council on August 9th, 1995, then the arrangements will include an Endowment Fund held by the City;"

Report of the Executive Policy Committee dated July 26, 1995

2. Clause (b) within recommendation I (objectives of Endowment Fund) be amended to read as follows:

> "(b) to subsidize the operation of the entertainment complex by payments to Facility Company, to the extent of the income earned from the capital of the Endowment Fund, less any expenses and costs and required deductions and withholdings incurred in respect of the administration of that fund;"

3. The following paragraph within recommendation I:

> "That Endowment Company will enter into a standby credit arrangement with the Spirit of Manitoba Limited Partnership in return for a standby fee; the amount of the standby facility and loans shall not exceed the lesser of $30 million and 25% of the fair market value of the Team. Limited Partnership, as security for such loans, will assign to Endowment Company all amounts payable to it by the NHL as the Limited Partnership's share of fees paid to the NHL in respect of the transfer of existing franchises or the issue of new franchises. Such security shall be in addition to satisfactory security interests in other assets of the Limited Partnership being put in place;"

be amended to read:

> "That the City will enter into a standby credit arrangement with the Spirit of Manitoba Limited Partnership in return for a standby fee; the amount of the standby facility and loans shall be subject to the availability of capital in the Endowment Fund and shall not exceed the lesser of $30 million and 25%of the fair market value of the Team. Limited Partnership, as security for such loans, will assign to the City all amounts payable to it by the NHL as the Limited Partnership's share of fees paid to the NHL in respect of the transfer of existing franchises or the issue of new franchises. Such security shall be in addition to satisfactory security interests in other assets of the Limited Partnership being put in place, including a first charge on the Team"

4. That the following paragraph within recommendation I:

> "THAT the City Treasurer is directed to pay all funds received from Montreal Trust to MEC Facilities Ltd. to capitalize the Endowment Fund through the purchase of subsidiary shares; and"

be deleted and replaced with the following paragraph:

> "THAT Council approve the manner in which the Endowment Fund is to be structured and administered prior to any expenditures from that Fund; and"

In amendment,

Moved by Councillor Golden
Seconded by Councillor Hyman,

THAT Clause 1 of the Report of the Executive Policy Committee dated July 26, 1995 be amended by adding the following words:

A. The City of Winnipeg will issue receipts for gifts to the City of Winnipeg;

B. The City of Winnipeg shall use these gifts to create an endowment fund;

C. The disposition of funds from the endowment fund shall be subject to the approval of City Council and within guidelines pre-approved by Revenue Canada.

On request of Councillor Clement, with the concurrence of the seconder, Councillor Hyman, and with the permission of Council, Councillor Golden amended the amendment by deleting the prefix "pre" in the last phrase "pre-approved by Revenue Canada".

Moved by Councillor Boychuk,
Seconded by Councillor Thomas,

WHEREAS all the circumstances have constantly been changing since the original May 17, 1995 Council vote;

AND WHEREAS no sale of the Winnipeg Jets has yet to be completed and August 15, 1995 is now the deadline for a sale to proceed;

THEREFORE BE IT RESOLVED THAT the motion be amended that the City of Winnipeg grant Charitable Tax Status only on the condition:

A) The sale of the Jets to Spirit of Manitoba must be signed, sealed, and delivered and a copy forwarded to the City of Winnipeg by 4:00 PM on August the 15th, 1995, and;

B) Failing to meet the condition in above clause (A) the City of Winnipeg will immediately withdraw the use of the Charitable Tax Status and withdraw the support given through the motion from the May 17th, 1995, meeting of City Council.

Moved by Councillor Murray,
Seconded by Councillor Thomas,

WHEREAS the City has much more limited authority than the Province of Manitoba and does not have the same legislative powers to protect the public purse;

BE IT RESOLVED that the City's granting of use of its tax status to Spirit of Manitoba be undertaken on the condition that if the Province brings forward legislation or undertakes other measures to limit provincial obligations or subsidies of losses of the NHL Hockey Franchise in Winnipeg, Spirit of Manitoba or its subsidiary corporations or the construction or related costs of a new arena/entertainment complex that the legislation or initiative would be extended to include the same protections and limitations to the City of Winnipeg's obligations;

Moved by Councillor Boychuk,
Seconded by Councillor Thomas,

WHEREAS it is becoming increasingly clear that the Endowment Fund will not only be responsible for the losses of the Jets Franchise but also losses involving cost overruns with the Construction of the Arena and any losses from the Operation of the new Building;

AND WHEREAS the City of Winnipeg voted on May 17th, 1995, not to expose itself to further long term losses from either the Jets or a new Arena;

AND WHEREAS the City of Winnipeg and the Province of Manitoba may be responsible for the Endowment Fund and the Facility Company, and therefore may place itself in a financially liable position;

THEREFORE BE IT RESOLVED THAT the motion be amended that the City of Winnipeg not enter into any agreement which it will be directly or indirectly responsible for :

A) Any losses from the Jets Franchise; and,

B) Any losses from the Operation of the new Arena; and,

C) Any cost overruns with the construction of the new Arena.

BE IT FURTHER RESOLVED THAT to ensure the above clauses (A), (B), and (C), the City of Winnipeg will not be responsible for the management or ownership of both the Endowment Fund/Company or the Facility Company, or any entity which may conflict with the above stated clauses.

AND BE IT FURTHER RESOLVED THAT the City of Winnipeg maintain the full ownership of Winnipeg Enterprises Corporation, including the management of all Winnipeg Enterprises' facilities;

Report of the Executive Policy Committee dated July 26, 1995

AND BE IT FURTHER RESOLVED THAT they not enter into an agreement that would involve the sale of gifting of the 36% shares that Winnipeg Enterprises Corporation now holds in the Winnipeg Jets Franchise.

Moved by Councillor Boychuk,
Seconded by Councillor Thomas,

WHEREAS the question of the City of Winnipeg granting a Charitable Tax Status for the Endowment Fund was already defeated by Council on Wednesday, July 27, 1995;

AND WHEREAS the Spirit of Manitoba has never supplied City Council with a complete Business Plan to address concerns regarding the long term viability of the Winnipeg Jets Franchise;

AND WHEREAS the private sector has given no official guarantees that the City of Winnipeg will not be liable for any future Winnipeg Jet losses after 1997, any cost overruns from the construction of a new arena, and any losses due to the operational costs of the new arena;

AND WHEREAS the City of Winnipeg is already contributing far more to the total costs of the new arena then any other level of government;

AND WHEREAS there has been no guarantees that the team would remain in Winnipeg and be the main tenant at the new arena for at least 20 years;

AND WHEREAS there has been no guarantees Winnipeg's 36 per cent shares in the Jets will be protected or that the City will receive fair market value for the shares;

THEREFORE BE IT RESOLVED THAT the motion be amended to place the question of the Charitable Tax Status on the Autumn Civic Election Ballot for the people of Winnipeg to decide on this matter;

AND FURTHER BE IT RESOLVED the question on the Ballot should read:

"Do you support the City of Winnipeg granting Charitable Tax Status for the Spirit of Manitoba and the Winnipeg Jets/Arena Endowment Fund?"

Moved by Councillor Thomas,
Seconded by Councillor Murray,

WHEREAS Council voted on May 17th, 1995, with the intent that the City of Winnipeg would no longer be responsible for any further losses experienced by either the Winnipeg Jets Franchise or from the construction and operation of a new facility;

AND WHEREAS Council also voted with the intent that its commitment will guarantee the Winnipeg Jets will remain in Winnipeg and in the new facility for a minimum of a least 20 years;

THEREFORE BE IT RESOLVED that the motion be amended to ensure that the City of Winnipeg will not enter into any agreement which does not guarantee the Winnipeg Jets must remain in the new facility for a Minimum of 20 years;

AND BE IT FURTHER RESOLVED that the City of Winnipeg will not be responsible during the 20 year lease agreement for any losses of the Winnipeg Jets Franchise, any losses due to the operation of the new building, and any cost overruns from the construction of a new building.

Moved by Councillor Murray,
Seconded by Councillor Boychuk,

BE IT RESOLVED that the City prepare for August 16, 1995 an initial plan of the possibility of redeveloping the existing site at Polo Park as well as a strategy to minimize City of Winnipeg exposure for losses whether or not the arena at the Forks is built;

AND BE IT FURTHER RESOLVED that the City immediately research potential options for earliest possible sale of the team to another market should the sale become necessary;

Report of the Executive Policy Committee dated July 26, 1995

AND BE IT FURTHER RESOLVED that the proceeds of any sale of the Winnipeg Enterprises/ government held shares of the Winnipeg Jets Hockey Franchise be divided equally between the Provincial and City governments after previously agreed to obligations are met.

The Speaker ruled the motion proposed by Councillors Boychuk and Thomas regarding the date of sale of the Jets, out of order in that the matter of "charitable status" was out of the jurisdiction of Council.

The Speaker ruled the motion proposed by Councillors Boychuk and Thomas pertaining to the management or ownership of the Endowment Fund/Company out of order in that the subject matter had already been addressed in other amendments.

The Speaker ruled the motion proposed by Councillors Boychuk and Thomas regarding a plebiscite on the Jets, out of order, in that the issue of plebiscite/referendum has already been considered by Council.

The Speaker ruled the motion proposed by Councillors Thomas and Murray regarding the City's responsibilities to Jets' losses, out of order, in that this matter is outside the subject matter as described in the notice of Special Meeting.

The Speaker ruled the motion proposed by Councillors Murray and Boychuk regarding the Polo Park site, out of order, in that this matter is outside the subject matter as described in the notice of Special Meeting.

The Speaker called Councillor Boychuk to the Chair and left the Chamber.

The Speaker returned to the Chamber and resumed the Chair.

Moved by Councillor Prystanski,
That the question be now put.

The motion was put.

Councillor Prystanski called for the yeas and nays, which were as follows:-

Yea: Councillors Prystanski, Silva, Her Worship Mayor Thompson and Councillor Angus. 4

Nay: Councillors Reese, Boychuk, Clement, Duguid, Eadie, Golden, Hyman, Lazarenko, Murray, O'Shaughnessy, Thomas and Fraser. 12

and the motion that the question be put was declared lost.

The amendment proposed by Councillors Golden and Hyman was put.

Councillor Reese called for the yeas and nays, which were as follows:-

Yea: Councillors Reese, Clement, Duguid, Eadie, Golden, Hyman, Lazarenko, O'Shaughnessy, Prystanski, Silva, Fraser, Her Worship Mayor Thompson and Councillor Angus. 13

Nay: Councillors Boychuk, Murray and Thomas. 3

and the amendment was declared carried.

Report of the Executive Policy Committee dated July 26, 1995

The amendment proposed by Her Worship Mayor Thompson and Deputy Mayor Fraser was put.

The Speaker called for the yeas and nays, which were as follows:-

Yea: Councillors Clement, Eadie, Golden, Lazarenko, O'Shaughnessy, Prystanski, Silva, Fraser, Her Worship Mayor Thompson and Councillor Angus. 10

Nay: Councillors Reese, Boychuk, Duguid, Hyman, Murray and Thomas. 6

and the amendment was declared carried.

The Speaker ruled automatic referral of the amendment proposed by Councillors Murray and Thomas regarding Provincial Legislation to the Executive Policy Committee.

The motion for the adoption of the clause, as amended, was put and declared carried.