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 Mayor Thompson and Councillors:

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

976 - 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;

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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.

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 Councillor Eadie,
Seconded by Councillor Silva,
THAT Clause 1 of the Report of the Executive Policy Committee dated July 26, 1995 entitled "Gifts to the City - Endowment Fund - Funding Costs of Constructing an Entertainment Complex" be amended by deleting all of the words in the paragraph that begins with the words: *"That in order to capitalize the said Endowment Fund, the City invites donations from the public . . . "* and substitute therefore with the following:

> "THAT in order to capitalize the said endowment fund, and in recognition of the fact that all Manitobans are being asked to participate, the City of Winnipeg requests the Province of Manitoba to invite donations from the public, for which a receipt for income tax purposes would be issued by the Province of Manitoba, said income tax receipt to be issued subject to and to the extent covered by a Revenue Canada ruling to which the Province of Manitoba will be a party;
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> AND FURTHER THAT the proper officers of the City amend the wording in the remainder of these clauses to reflect the intent of the foregoing."

Moved by Councillor Murray,
Seconded by Councillor Thomas,
WHEREAS the only way to ensure the City is not committing itself to a plan that is not likely to succeed or have significant and excessive financial obligations;

BE IT RESOLVED that Council insist Spirit of Manitoba produce a comprehensive business plan and submit it to Council at least a week prior to any further granting of approvals, concessions, or funds to Spirit of Manitoba.

The Speaker ruled the motion out of order, in that it was not directly related to the subject matter as indicated in the meeting notice letter.

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Moved by Councillor Murray,
Seconded by Councillor Thomas,

WHEREAS Council only received the motion for a charitable endowment fund this morning;

AND WHEREAS Council should have at least 24 hours to consider any proposal;

THEREFORE BE IT RESOLVED THAT Clause 1 of the Report of the Executive Policy Committee dated July 26, 1995, be laid over for at least 48 hours so Council has time to properly review the matter and consider alternatives.

Moved by Councillor Duguid,
Seconded by Councillor Hyman,

WHEREAS Revenue Canada has not ruled on whether the endowment fund "Order of Good Cheer" will have charitable status under the Income Tax Act;

AND WHEREAS it is unclear what will happen to donations should charitable status be denied;

AND WHEREAS it is important that City Council protect the interests of the public who are donating and the City not be part of any action or initiative that could mislead the public;

AND WHEREAS a detailed business plan has not been presented to Council by the Spirit of Manitoba;

THEREFORE BE IT RESOLVED THAT Clause 1 of the Report of the Executive Policy Committee dated July 26th, 1995 be tabled until such time as Revenue Canada makes a ruling on the charitable status of the endowment fund "Order of Good Cheer" and Council is presented with a business plan;

AND BE IT FURTHER RESOLVED that a written independent legal opinion be provided to Council; and as well, an opinion from an independent tax consultant on the likelihood of charitable status being granted.

In amendment,

Moved by Councillor Lazarenko,
Seconded by Councillor Prystanski,

THAT the clause be amended by adding at the end of Recommendation No. I, the following:

"THAT the City ask the Province of Manitoba to reconsider its involvement in the provision of tax status to the Endowment Fund."

The motion proposed by Councillors Murray and Thomas to lay over the clause for at least 48 hours, was put.

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

Yea: Councillors Reese, Boychuk, Duguid, Golden, Hyman, Murray and Thomas. 7

Nay: Councillors Clement, Eadie, Lazarenko, O'Shaughnessy, Prystanski, Silva, Fraser, Her Worship Mayor Thompson and Councillor Angus. 9

and the motion to lay over was declared lost.

The motion proposed by Councillors Duguid and Hyman to table the clause indefinitely was put.

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

Yea: Councillors Reese, Boychuk, Duguid, Golden, Hyman, Murray and Thomas. 7

Nay: Councillors Clement, Eadie, Lazarenko, O'Shaughnessy, Prystanski, Silva, Fraser, Her Worship Mayor Thompson and Councillor Angus. 9

and the motion to table the clause was declared lost.

Moved by Councillor Golden,
That Council go into Committee of the Whole.

The motion that Council go into Committee of the Whole was put.

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

Yea: Councillors Reese, Golden, Murray, Prystanski, Silva, Thomas and Angus. 7

Nay: Councillors Boychuk, Clement, Duguid, Eadie, Hyman, Lazarenko, O'Shaughnessy, Fraser and Her Worship Mayor Thompson. 9

and the motion was declared lost.

The Speaker called the Deputy Speaker, Councillor Reese, to the Chair in order to participate in the debate, and after speaking, resumed the Chair.

Moved by Councillor Clement,
That Rule 6.1 of the Procedure By-law be suspended to allow Council to continue its deliberations beyond the hour of 6:00 p.m.

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

Yea: Councillors Reese, Clement, Golden, Lazarenko, O'Shaughnessy, Silva, Fraser, Her Worship Mayor Thompson and Councillor Angus. 9

Nay: Councillors Boychuk, Murray, Prystanski and Thomas. 4

and the motion to suspend the rule was declared carried.

The Speaker called the Deputy Speaker, Councillor Reese, to the Chair.

The Deputy Speaker called Councillor Boychuk to the Chair in order to participate in the debate.

The Speaker here resumed the Chair.

Moved by Councillor Golden,
Seconded by Councillor Duguid,
THAT the City of Winnipeg agree to issue receipts for gifts to the endowment fund if the Spirit Limited Partnership removes the requirement for priority for a 5% rate of return and that the limited partners receive only profits on a rate of return.

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Moved by Councillor Silva,
That the clause be referred back to the Executive Policy Committee.

The motion to refer was put.

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

Yea: Councillors Clement, Eadie, Golden, Hyman, Murray, Silva, Thomas and Angus. 8

Nay: Councillors Reese, Boychuk, Duguid, Lazarenko, O'Shaughnessy, Prystanski, Fraser and Her Worship Mayor Thompson. 8

and the motion to refer was declared lost in accordance with Rule 58 of the Procedure By-law.

The Speaker ruled the motion proposed by Councillors Golden and Duguid out of order.

Councillor Golden challenged the ruling of the Chair.

The question, “Shall the ruling of the Chair be sustained?" was put and the ruling of the Chair was sustained.

The amendment proposed by Councillors Lazarenko and Prystanski was put.

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

Yea: Councillors Clement, Duguid, Eadie, Golden, Hyman, Lazarenko, O'Shaughnessy, Prystanski, Silva, Her Worship Mayor Thompson and Councillor Angus. 11

Nay: Councillors Reese, Boychuk, Murray, Thomas and Fraser. 5

and the amendment was declared carried.

The motion proposed by Councillors Eadie and Silva was put.

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

Yea: Councillors Reese, Duguid, Eadie, Golden, Hyman, Murray, Silva and Thomas. 8

Nay: Councillors Boychuk, Clement, Lazarenko, O'Shaughnessy, Prystanski, Fraser, Her Worship Mayor Thompson and Councillor Angus. 8

and the motion was declared lost in accordance with Rule 58 of the Procedure By-law.

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

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

Yea: Councillors Clement, Lazarenko, O'Shaughnessy, Prystanski, Silva, Fraser, Her Worship Mayor Thompson and Councillor Angus. 8

Nay: Councillors Reese, Boychuk, Duguid, Eadie, Golden, Hyman, Murray and Thomas. 8

and the motion for the adoption of the clause, as amended, was declared lost in accordance with Rule 58 of the Procedure By-law.