Agenda – Executive Policy Committee – May 27, 2009

REPORTS

Item No. 2 Winnipeg Soccer Federation Inc. – Loan Guarantee
(River Heights-Fort Garry Ward)
File FC-2.2

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council approve a loan guarantee of up 50% of the total project cost or $521,880.00, whichever is less, to the Winnipeg Soccer Federation Inc. (WSF) to replace two existing outdoor grass soccer fields with synthetic grass fields at the Winnipeg Soccer Complex at 900 Waverley Street in Winnipeg, subject to confirmation of Federal, Provincial or other monetary funding support of at least 50% of the total project costs which are estimated at $1,181,880.00.

2. That authority be delegated to the Chief Administrative Officer to finalize the terms and conditions of the loan guarantee agreement with Winnipeg Soccer Federation Inc.

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

RE: Loan Guarantee Request from the Winnipeg Soccer Federation Inc.

REPORT DATE: April 29, 2009

AUTHORIZATION

Author	Department Head	CFO	CAO
Ramona Hodges	Jo-Anne Ferrier	M Ruta	M. Ruta Deputy CAO

FOR SUBMISSION TO: Executive Policy Committee

RECOMMENDATIONS:

1. That Council approve a loan guarantee of up 50% of the total project cost or $521,880.00, whichever is less, to the Winnipeg Soccer Federation Inc. (WSF) to replace two existing outdoor grass soccer fields with synthetic grass fields at the Winnipeg Soccer Complex at 900 Waverley Street in Winnipeg, subject to confirmation of Federal, Provincial or other monetary funding support of at least 50% of the total project costs which are estimated at $1,181,880.00.

2. That authority be delegated to the Chief Administrative Officer to finalize the terms and conditions of the loan guarantee agreement with Winnipeg Soccer Federation Inc.

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

Report Summary

Key Issues:

The Winnipeg Soccer Federation Inc. has requested a loan guarantee from the City of Winnipeg and funding from the Provincial and Federal governments to replace two existing outdoor grass soccer fields with synthetic grass fields at the Winnipeg Soccer Complex at 900 Waverley Street in Winnipeg.

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 Winnipeg Soccer Federation Inc. has requested a loan guarantee from the City of Winnipeg to purchase and install two synthetic grass fields at the Winnipeg Soccer Complex at 900 Waverley Street in Winnipeg.

Policy Implications

(X) No

( ) Yes

Comment(s):

Regulatory Implications

(X) 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:

Only Council can approve requests for loan guarantees.

HISTORY:

The City of Winnipeg has a lease agreement with the Winnipeg Soccer Federation Inc. for the Winnipeg Soccer Complex for the City owned land at 900 Waverley Street at an annual lease cost of $1.00, providing WSF with revenue generated from parking lot tenants as outlined in the Lease Agreement. The City also provided $6 million toward an indoor soccer facility under the Recreation and Leisure Facilities capital program.

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 Request 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 in determining the City's credit rating. As at December 31st, 2008, the City of Winnipeg was the guarantor of 14 different loans totaling just over $7.3 million.

DISCUSSION:

The following is 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.*

The City has received a business plan from the Winnipeg Soccer Federation (WSF) to replace two existing outdoor grass soccer fields at the Winnipeg Soccer Complex (900 Waverley Street) with synthetic grass.

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.*

WSF manages the Winnipeg Soccer Complex at 900 Waverley Street, a City-owned facility consisting of three outdoor grass fields that operate 5 months a year, a seasonal field house and a 370 stall parking lot. WSF has a relationship with the Manitoba Major Soccer League to utilize volunteers and maintenance contractors to maintain the facility.

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.*

The services are available to the community at large. The business plan proposes reducing the cost per game from $140.00 to $130.00, with the current gate admission for those viewing adult games remaining at $3.00 per person (fee not applicable to youth league games).

E. *The organization must be non-profit.*

WSF is a non-profit organization.

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.*

Financial information from the business plan shows 2008 revenue of $85,689 and expenses of $76,047, resulting in net income of $9,642. For comparison, the 2008 budgeted revenue was $71,850 and budgeted expenses were $70,800, with net

income of $1,050. This financial information represents current operations with three grass fields.

The business plan indicates that the synthetic grass project would increase income to $209,375 on an annualized basis and increase expenses (including debt repayment) to $169,800, for income net of principal and interest payments of $39,575. Principal and interest payments over 5 years, assuming an annual interest rate of 5.15%, have been calculated by the WSF's financial institution to be $10,000 per month ($120,000 annually). Assuming principal and interest payments begin in 2009, the loan will be paid off in 2014.

The business plan indicates that synthetic grass would allow a three-fold increase in the number of games that could be played. The user groups writing letters of support for the project (the Manitoba Soccer Association Inc., the Manitoba Major Soccer League, the Winnipeg Women's Soccer League, and the Winnipeg Youth Soccer Association) have indicated that they are committed to a total of 1,000 games on the new synthetic grass fields.

The business plan assumes a life cycle of 10-12 years for synthetic grass. The WSF has indicated that once the loan is repaid, the next 5-7 years of improved net revenue would go toward replacement of the asset at the end of its useful life.

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*.

WSF has leased and operated the Winnipeg Soccer Complex since November 1, 2006. WSF was involved in the Indoor Soccer Complex project at the University of Manitoba, which used synthetic grass.

H. *Unless there are very special circumstances, the maximum amount of outstanding loan guarantees for any one organization will be $1,000,000.00.*

WSF is requesting a loan guarantee of $521,880. WSF has no other outstanding loan guarantees from the City.

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 loan guarantee request for $521,880 represents 44% of the estimated project cost. The business plan indicates that the Federal and Provincial governments

have been asked to contribute $300,000 each to the project, with the remaining $60,000 raised by the WSF toward overall project cost estimates of $1,181,880.

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

The project is related to a capital asset.

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

WSF is currently properly insured to the levels stipulated in the lease agreement, as well as being covered by the liability insurance for sports groups held by Sports Manitoba.

Financial Impact Statement

Date: April 24, 2009

Project Name: Loan Guarantee Request from the Winnipeg Soccer Federation Inc.

First Year of Program **2009**

	2009	2010	2011	2012	2013
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: There is no financial impact to the City in the granting of a loan guarantee unless there is a default in the payment on the loan.

original signed by

Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With:

Planning, Property and Development, Real Estate
Community Services, Community Development and Recreation Services
Corporate Finance, Risk Management Division

THIS REPORT SUBMITTED BY:

Department: Corporate Finance Department
Division:
Prepared by: Ramona Hodges, Fiscal Planning Officer
File No.