Agenda – Executive Policy Committee – November 18, 2009

REPORTS

Item No. 5 Gateway Recreation Centre Inc. – Loan Guarantee for Arena Roof Replacement (North Kildonan Ward) eFile FC-2.2

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council approve a loan guarantee for the Gateway Recreation Centre Inc. pertaining to replacement of the arena roof for the amount of $100,000 to expire one year from the date of Council approval.

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

ADMINISTRATIVE REPORT

ISSUE: **Gateway Recreation Centre Inc. - Loan Guarantee for Arena Roof Replacement**

Critical Path: **Executive Policy Committee - Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
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RECOMMENDATIONS

1. That Council approve a loan guarantee for the Gateway Recreation Centre Inc. pertaining to replacement of the arena roof for the amount of $100,000 to expire one year from the date of Council approval.

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

IMPLICATIONS OF THE RECOMMENDATIONS

When the City guarantees a loan, it must disclose this potential liability in the Financial Statements. If the organization is in default of the loan agreement, the City would be obligated to make payments on the loan.

The Gateway Recreation Centre (GRC) arena roof requires replacement due to leakage and the resulting strain placed on the physical structure of the facility. The project is estimated to cost $1,109,084 inclusive of taxes. The Federal government has approved funding of (1/3) of the cost under the RInC program and the Provincial Government has also approved (1/3) under this program, up to $365,833 each. The City has contributed $58,584 that was approved by the East Kildonan/Transcona Community Committee for design, engineering and inspections from the Land Dedication Reserve. The City has also recently approved additional funding of $150,000 from the Land Dedication Reserve ($55,000) and the Community Incentive Grant Program ($95,000). GRC will be responsible for the remaining costs of $168,834. A summary of the funding for the project follows:

Federal Government	$ 365,833
Provincial Government	365,833

City of Winnipeg	208,584
Gateway Recreation Centre *	168,834
Total	$1,109,084

* inclusive of the $100,000 loan, which GRC has requested the City of Winnipeg to guarantee

GRC will pay for a portion of their funding commitment to the project in cash and will pay the balance of the loan from operations over the year following construction completion. GRC advises that lost arena rental revenue relating to the construction period is estimated at $60,000 and this has been taken into consideration in the loan request and repayment plan. The City's guarantee is inclusive of interest costs.

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 GRC to replace the existing 18 year old roof due to leakage.

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.*

   GRC is a multi purpose recreation centre which operates two indoor arenas, an indoor soccer complex, outdoor rink, banquet hall, playground, outdoor soccer pitches and ball diamonds.

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, without restrictive membership policies or user fees.

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

   GRC 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 $1,508,932 and expenses before amortization of $1,210,760 resulting in a surplus before amortization of $298,172. For comparison, the six month period ended June 30th, 2009 documents revenue of $296,677 and expenses before amortization of $129,936 resulting in a surplus before amortization of $166,741, reflecting the seasonal nature of their operations. The 2008 audited financial statements show cash and special purpose reserves, including replacement of assets, of $198,846.

G. *The organization structure and the principals of the organization must be judged by the City of Winnipeg as competent to independently implement the business plan of the organization.*

GRC has been in existence for over 40 years. Over the years, each new Executive with the assistance of the community has worked very hard to ensure the long term viability of the recreation centre. The GRC has successfully serviced all loan obligations that have been guaranteed by the City.

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

GRC has existing loan guarantees of $1,369,000 as of December 31, 2008. The amount of the loan guarantee reduces as loan payments are made. The loan guarantee recommended in this report will be in addition to the existing loan guarantee. Roof leakage is impairing the ability of GRC to operate the indoor arenas during periods of rain or melting of snow. This results in the loss of revenue pertaining to arena rentals. The facilities are owned by the City and the loan guarantee is for urgently required maintenance to ensure the long term viability of the structure. The construction is projected to be completed by November 2009 and GRC has requested a loan guarantee of $100,000 which will expire one year from date of Council approval.

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 is in an amount of $100,000 and represents 9% of the project cost. The business plan indicates that the GRC will receive funding from the Federal and Provincial governments of up to $731,666 on a combined basis, representing 66% of the estimated project cost and verified by supporting documentation. GRC is contributing $168,834 toward the project.

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.*

The facilities operated by GRC are owned by the City and are currently insured by the City.

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 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.

FINANCIAL IMPACT

Financial Impact Statement **Date:** November 2, 2009

Project Name: Loan Guarantee Request from Gateway Recreation Centre Inc.

	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 of the loan.

original signed by

R. Abeysekera, Manager of Finance and Administration

CONSULTATION

In preparing this Report there was consultation with:

Legal Services
Community Services

SUBMITTED BY

Department: Corporate Finance
Division: City Treasurer
Prepared by: Rob Provencher, Manager of Financial Services
Date: November 2, 2009
File No.