Agenda – Executive Policy Committee – April 21, 2010

REPORTS

Item No. 9 Loan Guarantee Request – Glenwood Community Centre
eFile FC-2.2

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council approve a loan guarantee for the Glenwood Community Centre for the purchase of a Zamboni in the amount of $44,000.

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: **Request for Loan Guarantee - Glenwood Community Centre**

Critical Path: **Standing Policy Committee on Finance - Executive Policy Committee - Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Adams, Superintendent of Treasury	J. Ferrier, City Treasurer	M. Ruta	G Laubenstein

RECOMMENDATIONS

1. That Council approve a loan guarantee for the Glenwood Community Centre for the purchase of a Zamboni in the amount of $44,000.

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.

Glenwood has purchased a Zamboni to upgrade their existing ice resurfacing equipment. The total cost of the Zamboni is as follows:

Zamboni Model 445	$ 89,910
PST	6,294
GST	4,495
Total	$100,699

A breakdown of the sources of funding follows:

Community Incentive Grants (approved)	$ 30,000
Glenwood Community Centre Cash Contribution	26,699
Glenwood Community Centre Loan	44,000
Total	$100,699

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 financial and other information from the Glenwood Community Centre to support their request for a loan guarantee for the purchase of a Zamboni.

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 Glenwood Community Centre provides community-based sports and recreation activities for residents of Winnipeg in the Southeast 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.*

The services are available to the community at large, without restrictive membership policies or user fees.

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

Glenwood Community Centre 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 financial statements presented by Glenwood Community Centre indicate positive cash flow from operations for the years 2007 and 2008 and to the end of August 2009. Glenwood has been paying $2,168 per month since 1999 on their existing loan for arena expansion. In addition, Glenwood has demonstrated the ability to run a profitable bingo operation. Cash in the bank from bingo profits is over $60,000 and the organization's

executive are prepared to utilize this cash in the event that cash flows from operations are insufficient to cover the Zamboni loan.

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.*

Glenwood Community Centre currently has an outstanding loan guarantee with the City of Winnipeg that commenced in 1999. The current balance at the end of 2009 is $170,000. Glenwood has demonstrated the ability to meet its obligations with respect to the current outstanding loan guarantee and show a positive cash flow to meet the future payments of the Zamboni loan.

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 requested loan guarantee is for an amount of $44,000. The amount of outstanding loan guarantees for Glenwood Community Centre would approximate $214,000 should the loan guarantee request be approved.

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 guarantee 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 amount is $44,000 and represents 43.6% of the total cost of the Zamboni. The financial plan indicates that Glenwood will make a cash contribution of $26,699, representing 26.5% of the cost of the Zamboni. Glenwood will also make payments on the loan of $44,000, which is the subject of the loan guarantee request. Glenwood has received the balance of $30,000 from the Community Incentive Grant program.

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

The loan is for the purchase of a Zamboni for Glenwood Community Centre and is integral to maintaining the ice surface and associated ice rentals.

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

The facilities operated by Glenwood are owned by the City and are currently insured by the City.
The Zamboni is also 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. As at December 31st, 2008, the City of Winnipeg was the guarantor of 14 different loans totaling just over $7.3 million.

FINANCIAL IMPACT

Financial Impact Statement

Date: March 18, 2010

Project Name: Loan Guarantee Request from Glenwood Community Centre

	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

R. Abeysekera, Campus Controller

CONSULTATION

In preparing this Report there was consultation with:

Legal Services
Community Services

SUBMITTED BY

Department: Corporate Finance
Division: City Treasurer's Division
Prepared by: Bob Adams, Superintendent of Treasury
Date: March 18, 2010
File No.