**Agenda – Executive Policy Committee – May 18, 2011**

## REPORTS

**Item No. 5 Loan Guarantee – Garden City Community Centre (Old Kildonan Ward)**

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council approve a loan guarantee for the Garden City Community Centre (GCCC) in the amount of up to $125,000 to cover the cost of renovations to the Centre and Soccer Plex.

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 - Garden City Community Centre**

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

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| B. Adams,<br>Superintendent of Treasury | J. Ferrier,<br>City Treasurer | M. Geer<br>Acting CFO | M. Ruta<br>Acting CAO |

## RECOMMENDATIONS

1. That Council approve a loan guarantee for the Garden City Community Centre (GCCC) in the amount of up to $125,000 to cover the cost of renovations to the Centre and Soccer Plex.

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## 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.

In 1999, the City of Winnipeg approved a loan guarantee request from Garden City Community Centre for the construction of an indoor soccer facility (Soccer Plex). Recently, Garden City Community Centre has completed renovations to the Soccer Plex. The project consisted of removing the side boards, replacing the turf, installing air conditioning, and completing electrical upgrades to the Soccer Plex so the facility could be used year-round. The total cost of the renovations including GST is $438,543.

A breakdown of the sources of funding follows:

| | |
|---|---|
| The City of Winnipeg - Community Incentive Grants | $158,840 |
| Province of Manitoba - Community Places Grant | 15,000 |
| Western Economic Diversification Canada Grant | 85,926 |
| Garden City Community Centre - Cash Contribution | 53,777 |
| Garden City Community Centre - Loan | 125,000 |
| Total | $438,543 |

It was the intent of Garden City Community Centre to complete these renovations in two phases over a three-year period, with phase one consisting of the field turf upgrades and phase two consisting of the installation of air conditioning and electrical upgrades. The Western Economic Diversification Grant required that both phases be completed. The Western Economic Diversification grant was for the field turf work. The Board of Directors of Garden City Community Centre thought it was in the best interest of the facility, the community and the City of Winnipeg to have these upgrades completed to take full advantage of the Federal Government grant money.

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 Garden City Community Centre to support their request for a loan guarantee to cover the cost of replacement of the turf, electrical upgrades and installation of air conditioning to the Soccer Plex.

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 Garden City Community Centre provides community-based sports and recreation activities for residents of Winnipeg in the Northwest 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.*

Garden City Community Centre's unaudited financial statements indicate that they are 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 provided by Garden City Community Centre indicate positive cash flow from operations for the years 2003 to 2009. In 2010, due to the upgrades to the Soccer Plex and Community Centre, the club showed a loss of $21,632. The revenue projections provided for the next five years demonstrate the ability to service the 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.*

Garden City Community Centre currently has an outstanding loan guarantee with the City of Winnipeg that commenced in 1999. The current balance at the end of 2010 is $370,000. Garden City Community Centre has demonstrated the ability to meet its obligations with respect to the current outstanding loan guarantee and projects positive cash flows to meet the future payments of the new 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 up to $125,000. The amount of outstanding loan guarantees for Garden City Community Centre would approximate $495,000 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 requested is up to $125,000 and represents 28.5% of the total cost of the upgrades. The financial plan indicates that Garden City Community Centre and other non-City of Winnipeg sources have already made contributions equivalent to $154,703, representing 35.3% of the cost of the project. Garden City Community Centre will also make payments on the loan of $125,000, which is the subject of the loan guarantee request.

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

The project is related to a city-owned 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 Garden City Community Centre 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. As at December 31st, 2009, the City of Winnipeg was the guarantor of 15 different loans totaling just under $6.3 million.

## FINANCIAL IMPACT

# Financial Impact Statement

**Date: March 29, 2011**

## Project Name: Loan Guarantee Request from Garden City Community Centre

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **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:**

Community Services
Legal Services

## SUBMITTED BY

Department: Corporate Finance
Division: City Treasurer's Division
Prepared by: Bob Adams, Superintendent of Treasury
Date: March 29, 2011
File No.