Agenda – Executive Policy Committee – December 12, 2012

REPORTS

Item No. 6 Repayment of Debt in Winnipeg Enterprises Corporation using Entertainment Funding Tax Revenue by the Winnipeg Football Club

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

- That commencing in 2012, Council approve a request by the Winnipeg Football Club to defer and retain further payments relating to the outstanding balance due to the City for five years with the balance plus accrued interest to be repaid by the end of 2017.

- That the Proper Officers of the City do all things necessary to effect the intent of the foregoing.

ADMINISTRATIVE REPORT

Title: **Repayment of Debt in Winnipeg Enterprises Corporation using Entertainment Funding Tax Revenue from Regular and Pre-Season games held by the Winnipeg Football Club**

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

AUTHORIZATION

Author	Department Head	CFO	CAO
M.Ruta	P. Sheegl	Mike Ruta, CFO	P Sheegl, CAO

RECOMMENDATIONS

- That commencing in 2012, Council approve a request by the Winnipeg Football Club to defer and retain further payments relating to the outstanding balance due to the City for five years with the balance plus accrued interest to be repaid by the end of 2017.
- That the Proper Officers of the City do all things necessary to effect the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required to vary the terms of its lease with the Winnipeg Football Club. Section 5 of City of Winnipeg By-law 125/2006 requires those who collect the entertainment funding tax to remit the tax collected to the City. The above recommendation will allow the Winnipeg Football Club to retain the tax collected with respect to the balance due to the City until the end of 2017.

IMPLICATIONS OF THE RECOMMENDATIONS

The Winnipeg Football Club will be able to utilize the Entertainment Funding Tax Revenue deferred to provide financial stability during its transition to the new stadium.

HISTORY

On May 18, 2005, Council approved a report titled “Canad Inns, 1465 Maroons Road - Amendment to Canad Inns Stadium Lease with Winnipeg Enterprises Corporation – Assignment to Winnipeg Football Club.” Recommendation 3 of the report states:

> ‘Authorize the Administration to prepare a schedule setting out the total debt incurred by Winnipeg Enterprises Corporation (WEC) for the Winnipeg Football Club (WFC) including the book value of the investment made by WEC in WFC via an income debenture with a view to

applying the Entertainment Funding Tax revenue collected from regular and pre-season WFC games at Canad Inns Stadium as a funding source for repayment first against the income debenture. Interest to be based on the City's cost of long-term borrowing.'

The amount owing WEC by WFC for this purpose was approximately $4.5 million. Since then, with the application of Entertainment Funding Tax as approved by Council, the amount owing has been reduced by approximately $3.5 million and at the end of 2011, approximately $972,000 remains unpaid bearing annual interest of 5%.

On December 15, 2010, Council approved a report titled "Amendment to the Economic Development Initiative for the redevelopment of the existing Stadium site and the new Stadium Development at the University of Manitoba." Recommendation 6 of the report states:

> That all entertainment funding taxes remitted to the City in relation to the New Stadium be used to reduce any amount owing by the Winnipeg Football Club ("WFC") to the City relating to an agreement approved by Council involving Winnipeg Enterprises Corporation (the "WEC Agreement"). Following the repayment of the amount owing on the WEC Agreement, the City will pay to the WFC an amount equivalent to all entertainment funding taxes (EFT) remitted in respect of the operation of the New Stadium. The EFT will be paid in each fiscal year to WFC on the condition that WFC use that part of the EFT equal to the entertainment funding tax payable on regular season and exhibition Blue Bomber football games, together with facility fees payable on regular season and exhibition Blue Bomber football games, as follows:
>
> > A. the first Two Million ($2,000,000) dollars shall be paid by WFC to BBB to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC;
> > B. the next Five Hundred Thousand ($500,000) dollars shall be paid by WFC to BBB to be applied by BBB to a Stadium Capital Fund.
> > C. the balance, if any, shall be paid by WFC to BBB to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC.

In its letter dated October 30, 2012 the Winnipeg Football Club is seeking to confirm deferral of the balance due to the City with respect to Entertainment Funding Tax Revenue. If Council agrees to this request the Winnipeg Football Club will be able to retain the Entertainment Funding Tax Revenue deferred to provide financial stability during its transition to the new stadium. The City will be repaid the balance outstanding plus annual interest at 5% during the deferral period by the end of 2017.

FINANCIAL IMPACT

Project Name: **First Year of Program** **2012**

Repayment of Debt using Entertainment Funding Tax Revenue from the Winnipeg Football Club

	2012	2013	2014	2015	2016
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 relating to the recommendations in the report

Original signed by M. Ruta

Michael Ruta
Chief Financial Officer

CONSULTATION

In preparing this report there was consultation with:

Corporate Finance
Legal Services

SUBMITTED BY

Department:	Chief Financial Officer
Division:	
Prepared by:	M. Ruta
Date:	December 4, 2012
File No.	