Agenda – Executive Policy Committee – June 25, 2014

REPORTS

Item No. 3 Assiniboine Park Conservancy (APC) – $4.5 Million First Charge on 2015 Capital Budget

WINNIPEG PUBLIC SERVICE RECOMMENDATION

1. That subject to Recommendation 4, Council authorize the expenditure of up to $4.5 million for the Assiniboine Park Conservancy (APC) – Capital Development Plan (per Appendix A) prior to the adoption of the 2015 Capital Budget as a first charge against the General Capital Fund, in accordance with Subsection 288(2) of the City of Winnipeg Charter, to address APC's budget overage and cash shortfall relative to the Journey to Churchill project;

2. That payments to APC of up to $4.5 million will be made on a reimbursement basis upon submission of invoices to the Winnipeg Public Service for the Journey to Churchill over-budget expenses, not as a lump sum advancement.

3. That the Winnipeg Public Service request that APC provide an updated 2015 – 2017 Operating Plan and a 2015 and 2016 – 2020 Capital Development Plan by September 1, 2014 including actual and projected funding sources for consideration during the 2015 Operating and Capital Budget deliberations;

4. That the City and APC enter into a supplemental funding agreement with respect to the terms and conditions of the City's contribution as set forth in Recommendation 1, and that the Chief Financial Officer be authorized to negotiate and approve the terms and conditions of such supplemental funding agreement including, without limitation, such reporting requirements deemed necessary by the Chief Financial Officer and such other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City.

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

ADMINISTRATIVE REPORT

Title: **Assiniboine Park Conservancy (APC) – $4.5 Million First Charge on 2015 Capital Budget**

Critical Path: Executive Policy Committee; Council

AUTHORIZATION

Author	Department Head	CFO	CAO
C. Fernandes	C. Wightman	M. Ruta	M. Jack A/CAO

RECOMMENDATIONS

1. That subject to Recommendation 4, Council authorize the expenditure of up to $4.5 million for the Assiniboine Park Conservancy (APC) – Capital Development Plan (per Appendix A) prior to the adoption of the 2015 Capital Budget as a first charge against the General Capital Fund, in accordance with Subsection 288(2) of the City of Winnipeg Charter, to address APC's budget overage and cash shortfall relative to the Journey to Churchill project;

2. That payments to APC of up to $4.5 million will be made on a reimbursement basis upon submission of invoices to the Winnipeg Public Service for the Journey to Churchill over-budget expenses, not as a lump sum advancement.

3. That the Winnipeg Public Service request that APC provide an updated 2015 – 2017 Operating Plan and a 2015 and 2016 – 2020 Capital Development Plan by September 1, 2014 including actual and projected funding sources for consideration during the 2015 Operating and Capital Budget deliberations;

4. That the City and APC enter into a supplemental funding agreement with respect to the terms and conditions of the City's contribution as set forth in Recommendation 1, and that the Chief Financial Officer be authorized to negotiate and approve the terms and conditions of such supplemental funding agreement including, without limitation, such reporting requirements deemed necessary by the Chief Financial Officer and such other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City.

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

REASON FOR THE REPORT

On June 19, 2014, APC requested that the City of Winnipeg advance $4,500,000 to address APC's budget overage and cash shortfall relative to the Journey to Churchill project (Appendix B).

Council approval is required to approve a first charge on the 2015 Capital Budget.

IMPLICATIONS OF THE RECOMMENDATIONS

A first charge on the 2015 Capital Budget could result in increased internal financing charges for the City of Winnipeg.

This first charge on the 2015 Capital Budget is considered within the City of Winnipeg's total commitment of 25% of the APC Capital Development Plan to a maximum of $50 million over the ten year period 2010 – 2019.

The total APC Capital Development Plan is $200 million to be cost shared 25% by the City of Winnipeg, 25% Province of Manitoba, 25% Government of Canada, and 25% from private sector donations.

With the $4.5 million advancement of funds, paid on submission of invoices, to APC in 2014, the City will have contributed a total of $33.103 million since 2010 to the APC Capital Development Plan, representing 66% of the City's $50 million commitment, and 30% of the total APC Capital Development Plan to date.

The Journey to Churchill project is the main project within the current APC Capital Development Plan. With the APC request of a further $4.5 million, the City will have contributed $ 28.1 million (29% of the total) towards the Journey to Churchill project. The Province has contributed a total of $34 million (35% of the total) towards the Journey to Churchill project, including a further approved contribution of $3.0 million in December 2013 as requested by APC, $2.3 million of which has been received to date. The remaining cash flow from this grant is expected in July 2014.

The Lease and Funding Agreement between the City of Winnipeg and APC effective October 1, 2010, Section 3.01 (b) states that the City's commitment to the Development Plan improvements is subject to a maximum contribution by the City of 25% of the capital costs outlined in the Development Plan for Assiniboine Park. In the event that such calculation shows that the City's contribution exceeds 25% of the total capital contributions to the date of such calculation from all sources, APC is, within the following three years (i.e. by July 2017), required to obtain sufficient contributions from sources other than the City such that the City's proportionate share of the resulting aggregate funding contributions for capital costs does not exceed 25%. This early payment of $4.5 million will result in an approximate 30% contribution from the City.

Further Capital Development Plan grants to APC, due to exceeding this 25% contribution level, will need to be considered and approved by Council.

HISTORY

APC has said that the Journey to Churchill budget estimate will be exceeded by $4.5 million. The grand opening is scheduled for July 3, 2014. This budget overage has created a serious cash shortfall such that APC is unable to manage without this advance. Most of this overage of $4.5 million was created as a result of the cold and enduring winter experienced through 2013 – 2014, resulting in excessive heating, hoarding and related costs. Winter temperatures and the amount of snow slowed progress on the project and has resulted in the need for overtime in order to meet the July 3rd grand opening. The advance is critical to the completion of the Journey to Churchill project. See Appendix A.

The City of Winnipeg and APC entered into a 50-year Lease and Funding Agreement on October 1, 2010. Included in the agreement are clauses specifically addressing delivery of park and ownership of assets and improvements and the funding commitment of the City to APC. According to this Lease and Funding Agreement, "The Park (including Land and Facilities) and all roads, pathways, trees, plants, fixtures, zoo animals, operating equipment, underground, built and green infrastructure are and will continue to be public assets which are owned by the City and which will continue to be owned by the City, other than the International Polar Bear Conservation Centre where ownership and financial responsibility resides with the Province of Manitoba.

The following table shows the capital grants from the City of Winnipeg for the APC Capital Development Plan including prior first charge payments:

	Capital Development Plan Grant	Percentage % of the City's Contribution to the APC Capital Development Plan
2010	$ 2,849,000	
2011	4,500,000	
2012	4,500,000	
2013	7,503,000	
2014	9,251,000	
Total Paid as of June 23, 2014	$ 28,603,000	25%
First Charge on 2015 Capital Request	4,500,000	
Total	$ 33,103,000	30%

Council approved the following first charges on the Capital Budget:

- October 2011 a first charge on the 2012 APC Capital Development Plan for $800,000;
- January 2012 a first charge on the 2012 APC Capital Development Plan for $2.25 million;
- February 2012 a first charge on the 2012 APC Capital Development Plan for $1.45 million;
- March 2012 a first charge on the 2013 APC Capital Development Plan for $4.5 million;
- April 2013 a first charge on the 2014 APC Capital Development Plan for $4.5 million.

Further to the above, the City provided a loan guarantee in the amount of $17 million to help cash flow construction of the Journey to Churchill project and has included in its capital budget a

sewer siphon project for the Assiniboine River Crossing in the amount of $1.7 million. In addition, the City administratively allowed APC to enter into an agreement with Manitoba Hydro in the amount of $3.1 million for improvements to its electrical service which will be repaid from its Infrastructure and Sustainability capital allocations.

FINANCIAL IMPACT

Financial Impact Statement

Date: June 23, 2014

Project Name:

Assiniboine Park Conservancy (APC) - $4.5 million First Charge on the 2015 Capital Development Plan Budget

First Year of Program

	2014	2015	2016	2017	2018
Capital					
Capital Expenditures Required	$ 13,751,000	$ 4,500,000	$ -	$ -	$ -
Less: Existing Budgeted Costs	9,251,000	4,503,000	-	-	-
Additional Capital Budget Required	$ 4,500,000	$ (3,000)	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ 4,500,000	$ (3,000)	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other	-	-	-	-	-
Total Funding	$ 4,500,000	$ (3,000)	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 4,500,000				
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:

A first charge on the 2015 Capital Budget has been requested by the Assiniboine Park Conservancy. The Five-Year 2015 - 2019 Capital Forecast from the 2014 Adopted Capital Budget included $4,503,000 as a capital grant to APC for the Capital Development Plan. A first charge on the 2015 Capital Budget would result in only $3,000 Capital Development Plan funds being available to APC in 2015.

Original signed by:

Cindy Fernandes, B. Comm (Hons), CMA
Manager of Finance and Administration
Community Services Department

CONSULTATION

In preparing this report there was consultation with:

Legal Services Department
Corporate Finance Department

SUBMITTED BY

Department:	Community Services
Division:	Finance and Administrative Services
Prepared by:	Cindy Fernandes, Manager
Date:	June 24, 2014
File No.	



Appendix A



Appendix B