Agenda – Executive Policy Committee – December 8, 2017

BUDGET REVIEW

Item No. 8 Increase in Loan Guarantee on Assiniboine Park Conservancy Line of Credit and Approval of an Amendment to the Assiniboine Park Conservancy Development Plan

COUNCIL DECISION:

On July 19, 2017, Council concurred in the recommendation of the Executive Policy Committee, which included the following recommendations:

2. A. Funding of $10 million be added to the Assiniboine Park Conservancy Capital Development Plan in the 2018 Capital Budget and refer consideration of funding sources to the 2018 capital budget process in respect of Canada's Diversity Gardens.

   B. Additional capital of $4.7 million be referred to the 2018 Capital Budget process to provide temporary funding in 2019 for Canada's Diversity Garden and phase 2 of the Kids Discovery Zone thereby completing the City's obligation to fund $50 million of Capital Development improvements at Assiniboine Park.

DECISION MAKING HISTORY:

COUNCIL DECISION:

On July 19, 2017, Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That Assiniboine Park Conservancy's Development Plan, attached as Schedule "A", be approved as supplemented by the concept plan for Canada's Diversity Gardens, attached as Schedule "B", including the reconfiguration of roads as set forth therein.

2. That subject to approval of Recommendation 1 and confirmation of incremental funding from the federal and provincial governments in a form satisfactory to the Chief Financial Officer, the following be approved:

    A. Funding of $10 million be added to the Assiniboine Park Conservancy Capital Development Plan in the 2018 Capital Budget and refer consideration of funding sources to the 2018 capital budget process in respect of Canada's Diversity Gardens.

    B. Additional capital of $4.7 million be referred to the 2018 Capital Budget process to provide temporary funding in 2019 for Canada's Diversity Garden and phase 2 of the Kids Discovery Zone thereby completing the City's obligation to fund $50 million of Capital Development improvements at Assiniboine Park.

    C. A loan guarantee of Assiniboine Park Conservancy's non-revolving term loan facility ($6 million outstanding at March 31, 2017), which expires on December 31, 2018 be extended to December 31, 2020 and increased to its previous level of $17 million to facilitate: construction, the ongoing collection of charitable donation pledges and federal and provincial government grants which are the source of repayment for the loan facility.

3. That the City enter into, execute and deliver all financial documents required to implement Recommendation 2.c., and that the Chief Financial Officer be authorized to negotiate and approve the terms and conditions of such financial documents in accordance with this Report and any other terms and conditions deemed necessary by the Director of Legal Services and City Solicitor to protect the interests of the City.

DECISION MAKING HISTORY (continued):

COUNCIL DECISION (continued):

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

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 12, 2017, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

ADMINISTRATIVE REPORT

Title: Increase in Loan Guarantee on Assiniboine Park Conservancy Line of Credit
& Approval of an Amendment to the Assiniboine Park Conservancy Development Plan

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
M. Ruta	M. Ruta	M. Ruta	D. McNeil

EXECUTIVE SUMMARY

Assiniboine Park Conservancy (APC) has received commitments of funding from the Province of Manitoba ($15 million) and the Federal government ($35 million). Together with funding from the City ($10 million) and private pledges ($15 million), APC has accumulated sufficient funding to complete Canada's Diversity Gardens a $75 million capital project to replace the Assiniboine Park Conservatory. A Development Plan originally referred to in a Lease and Funding agreement dated October 1, 2010 was not formally approved by Council but projects were included and approved in the capital budget in a Capital Development Plan account. Also a Council seminar was held where APC presented its plan for Canada's Diversity Gardens. To date $35.3 million has been approved by Council towards capital projects in Assiniboine Park. With the approval of $10 million for Canada's Diversity Gardens, $4.7 million of additional City commitment will remain for other projects which will be detailed in future capital budgets for Council approval.

To facilitate construction APC has requested Council approval of:

1. The Concept Plan for Canada's Diversity Gardens as part of the Development Plan; and
2. To extend its loan guarantee to the originally approved level of $17 million that was approved to help finance construction of the Journey to Churchill capital project.

RECOMMENDATIONS

1. That APC's Development Plan attached as Schedule "A" be approved as supplemented by the concept plan for Canada's Diversity Gardens attached as Schedule "B" including the reconfiguration of roads as set forth therein.

2. That subject to approval of Recommendation 1 and confirmation of incremental funding from the federal and provincial governments in a form satisfactory to the CFO, Council approve the following:
    a. Funding of $10 million be added to the APC Capital Development Plan in the 2018 Capital Budget and refer consideration of funding sources to the 2018 capital budget process in respect of Canada's Diversity Gardens.
    b. Additional capital of $4.7 million be referred to the 2018 Capital Budget process to provide temporary funding in 2019 for Canada's Diversity Garden and phase 2 of the Kids Discovery Zone thereby completing the City's obligation to fund $50 million of Capital Development improvements at Assiniboine Park.
    c. A loan guarantee of APC's non-revolving term loan facility ($6 million outstanding at March 31, 2017), which expires on December 31, 2018 be extended to December 31, 2020 and increased to its previous level of $17 million to facilitate: construction, the ongoing collection of charitable donation pledges and federal and provincial government grants which are the source of repayment for the loan facility.
3. That the City enter into, execute and deliver all financial documents required to implement Recommendation 2.c., and that the Chief Financial Officer be authorized to negotiate and approve the terms and conditions of such financial documents in accordance with this Report and any other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City.
4. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required to include an investment in the Canada's Diversity Gardens in the City's 2018 Capital budget. Also Council approval is required to extend its loan guarantee back to $17 million to assist with financing of the project. Council approval is required for the Assiniboine Park Conservancy Development Plan and any revisions thereto.

IMPLICATIONS OF THE RECOMMENDATIONS

The Development Plan contemplates $200 million of investment in Assiniboine Park over a 10 year period ending 2019. Funding was to be divided equally between the City, Province and Federal governments with a further 25% to be raised from private gifts. After completion of Canada's Diversity Gardens, the Development Plan will be close to completion.

HISTORY/DISCUSSION

Motions and agreements

July 21, 2010

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That Appendix A to the Report of the Winnipeg Public Service dated July 13, 2010, which outlines general terms and conditions for Agreement between the City of Winnipeg and the Assiniboine Park Conservancy Inc. (APC) for the acquisition of certain assets, operation, management, restoration and redevelopment of Assiniboine Park, be approved.
2. That the Assiniboine Park Conservancy, as at December 31st of each year be permitted to carry over unspent City funded capital dollars provided for in APC Building Repairs and Upgrades Projects approved in the Capital Budget Process.
3. That, at the conclusion of each Assiniboine Park Conservancy Capital Development Plan project, residual / unspent City funded capital dollars be carried over to other Council approved APC Development Plan projects.
4. That the Assiniboine Park Enterprise Reserve Fund be eliminated effective January 1, 2011, and that any residual balance is provided to the Assiniboine Park Conservancy.

October 1, 2010

Further to Council's approval on July 21, 2010, the City approved a Lease and Funding Agreement dated October 1, 2010 which included the following:

"Development Plan" means, as approved by City Council (which is anticipated to be no later than January 21, 2011), the ten-year development plan of APC relating to the development of the Park, as may be amended from time to time, a copy of which (once approved) will be attached hereto as a replacement Schedule "B" (which schedule shall be updated and replaced, if , as and when amended) and until such time as the ten-year development plan is approved by City Council, means the development plan attached hereto as Schedule "B".

On review it would appear the capital development plan was not approved by Council. This report seeks to approve the Development Plan that is attached as Schedule B to the Lease and Funding Agreement.

December 14, 2011

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That a loan guarantee for the Assiniboine Park Conservancy Inc. be approved for the Journey to Churchill project in the amount of up to $17 million, with repayment of the loan to occur by December 31, 2016.
2. That in the event of a default on the loan guaranteed by the City, any payments required by the City to remedy the default be deducted from the City's capital commitment to the

Assiniboine Park Conservancy's capital development plan.

3. That the Assiniboine Park Conservancy's capital budget request be referred to the 2012 capital budget process.

2016 operating budget

Recommendation 1 (L) provided the following approval:

That the following with respect to the Assiniboine Park Conservancy (APC) in 2016 be approved:

i. A loan guarantee for operational cash flow management purposes in an amount not to exceed $500,000.
ii. The City's loan guarantee of APC's non-revolving term loan facility ($9,610,000 outstanding), which expires on December 31, 2016, be extended to December 31, 2018. This guarantee facilitates the ongoing collection of charitable donation pledges which are the source of repayment for the loan facility.
iii. The Chief Financial Officer be delegated the authority to negotiate and approve the terms and conditions of the loan guarantee and all supporting documentation.

Further discussion

- As noted above, the City entered into a Lease and Funding Agreement which included a capital development plan when APC was first established in 2010 for a 10 year period ending in 2019. There are two capital programs used by APC to fund capital:
    - Infrastructure and Sustainability – The City funds $5.1m annually for upgrades and park improvements to existing City structures. Currently this amount reduces to $2m in 2020, but will be subject to further discussion upon completion of the facility assessment report expected in 2017.
    - Capital Development Plan – APC embarked on a capital development plan with a goal of $200m funded equally by the province, federal and city governments together with a further 25% from private funding. The City's participation was set at $50m and to date $35.3m has been advanced. In 2015 the City decided not to disclose further commitments to the development plan until APC was able to raise 85% of the total funding required for the Canada Diversity Gardens project which is estimated to cost $75m.
- Senior management from APC has received written funding commitments from the Provincial and the Federal governments for $15m and $35m respectively. As noted in the recommendations, City funding for the Canada Diversity Gardens will only be provided once written commitments from the Province and Federal governments have been received in a form acceptable to the CFO.
- Based on the above commitment, APC has asked the City to confirm funding for Canada's Diversity Garden project in its 2018 capital budget for $10 million. In addition, a further $4.7 million is included in the recommendations for referral to the 2018 capital budget process to make up the balance of the City's $50 million commitment to APC in respect of temporary funding for Canada's Diversity Gardens project and phase 2 of the Kids Discovery Zone.
- APC advised it has exceeded its original $50 million target for fund-raising and has reached $59 million of confirmed funding. Of this total $15.5 million has been pledged to Canada's Diversity Gardens as of March 31, 2017 and $6.2 million has been collected.

- They also advised that they expected to commence construction on the Diversity Gardens in 2017 and be complete by fall, 2019. Because of expected lags in federal and provincial funding APC asked for an extension in their operating facility which has reduced from $17 million to $6 million at March 31, 2017 further to a repayment plan agreed to by Council in the 2016 operating budget as outlined above. To facilitate construction APC requested the City approve an increase in APC's operating facility back to its original limit of $17million.
- Council approval is required to extend the City's guarantee of the outstanding operating facility to $17million. In addition, the City would require the following conditions to be considered in any subsequent agreements between the City and APC:
    - The City will not be responsible for funding overages beyond budget if they occur. APC has advised they are committed to privately raise any amounts that may exceed the $75 million capital target.
    - The full amount of the operating facility must be repaid by December 31, 2020.
    - Confirmation by the CFO of pledges received towards the project with sufficient evidence of cash flow to repay the operating facility by the above date.
    - Confirmation of cash flows to be provided by the Province and Federal governments which in combination with the pledges noted above support repayment of the operating facility by December 31, 2020.
    - The City has confirmed it will not be responsible for interest on the operating facility and this will be part of construction costs.
    - That in the event of a default on the loan guaranteed by the City, any payments required by the City to remedy the default be deducted from any future capital contributions to APC.

- As of December 31, 2016, the City has advanced $35.3m towards various projects approved in the capital budget through the Capital Development Plan account including the Journey to Churchill. The break-down of City funding to date is as follows:

• **2011 to 2015 Contributions:**		
Duck Pond/Children's Garden	$	4.7
Qualico Family Centre	$	0.9
International Polar Bear Conservation Centre	$	2.0
Journey to Churchill	$	26.4
Heavy Horse Exhibit	$	0.3
2016 Contributions:		
Wolf Exhibit	$	0.5
Kids Discovery & Learning Centre (previously called Aunt Sally's Farm)	$	0.5
	$	**35.3**

- Although the Development Plan was not formally approved by Council, approval of projects was provided through the capital budgets for the amounts noted above. Further this report requests Council approval for $10 million of funding for Canada's Diversity Gardens. It should be noted that a number of Council seminars have been offered by APC with the most recent one occurring on December 7, 2015 where APC provided details of its intended expansion for Canada's Diversity Gardens.
- As noted above the remainder of the $50 million funding commitment from the City totaling $4.7 million is intended as interim funding for Canada's Diversity Gardens and phase 2 of The Kids Discovery Zone subject to Council approval in the 2019 capital budget.

FINANCIAL IMPACT -

Financial Impact Statement

Date: May 3, 2017

Project Name:

First Year of Program **2018**

Increase in Loan Guarantee on Assiniboine Park Conservancy Line of Credit & Approval of and Amendment to the Assiniboine Park Conservancy (APC) Development Plan

	2018	2019	2020	2021	2022
Capital					
Capital Expenditures Required	$ 10,000,000	$ 4,700,000	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ 10,000,000	$ 4,700,000	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 14,700,000				
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:

1. Capital Expenditures Required represent $10 million in 2018 for the APC Capital Developmental Plan in respect to Canada's Diversity Gardens, and an additional $4.7 million in 2019 to provide temporary funding for Canada's Diversity Garden and phase 2 of the Kids Discovery Zone, thereby completing the City's obligation to fund $50 million of Capital Development Improvements at Assiniboine Park.
2. Funding sources for these capital expenditures are being referred to the 2018 Capital Budget process, and are subject to confirmation of incremental funding from the federal and provincial governments.
3. There is no financial impact to the City in granting the loan guarantee of $17 million unless there is a default in the payment of the loan.

Original signed by R. Hodges

Ramona Hodges
Manager of Finance (Campus)

CONSULTATION

This Report has been prepared in consultation with:

Legal Services as to legal issues
Community Services

OURWINNIPEG POLICY ALIGNMENT

N/A

SUBMITTED BY

Department: Corporate Finance
Division: CFO
Prepared by: Mike Ruta
Date: July 5, 2017
File No:



APC Development Plan - Schedule A.pdf



APC Master Plan - Schedule B.pdf



Budget & Design Cost Summary - Shce