Report of the Executive Policy Committee dated May 15, 2002

Request for Loan Guarantee for the Granite Curling Club
File FC-2.2 (Vol. 2)

3. The Executive Policy Committee has been advised that on May 9, 2002, the Director of Planning, Property and Development received a letter from the President of the Granite Curling Club advising that "the Club cannot arrange financing to restore the entire roof because it does not own the building." In addition, the letter states "it seems the only way that the Club can award a contract for restoration of the entire roof of this City owned structure is if the City guarantees a loan on behalf of the Granite for $85,000.00 to $100,000.00."

Section 313 of The City of Winnipeg Act reads as follows:

> "Subject to the approval of the Minister of Finance, the City, may on such terms and conditions as the Minister of Finance may approve, make loans and grants for, and guarantee indebtedness incurred for, any community undertaking not otherwise authorized under this Act, and the Minister of Finance may refer any application for approval under this section to The Municipal Board for its advice and recommendation."

The City had been concerned about the number of requests for loan guarantees in the past, as loan guarantees do, in fact, constitute meaningful commitments by the City. 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 one of the factors in determining the City's credit rating. As a result of its ongoing concern, 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. As at December 31, 2001, the City of Winnipeg was the guarantor of sixteen (16) different loans for a total amount of $15.7 million.

In response to the policy and criteria related to requests for loan guarantees, as adopted by Council on June 17th, 1992, the following information should be noted, namely:

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.

   In order to expedite the process, the Corporate Finance Department has performed an analysis for the loan guarantee, including a review of the Granite Curling Club's financial statements, should this information be needed.

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 Granite Curling Club provides sports and recreation activities for residents from across Winnipeg. It also hosts events which attract national and international visitors. However, the services provided by the Granite Curling Club do not fall directly within the mandate 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 there were already more than enough hockey arenas for the City's population, the City would not guarantee a loan for the purpose of constructing a hockey arena.

The project is not in conflict with City policy as it involves repair and restoration of an existing building, which is owned by the City. The City has entered into a lease arrangement with the Granite Curling Club allowing them to operate the facility. The Club's lease with the City requires it to maintain and repair the building. The current lease arrangement expired on July 18, 2000, and the Granite Curling Club has not yet exercised its option to renew the Lease Agreement. In the letter received by the Director of Planning, Property and Development, the Granite Curling Club requested that discussions commence regarding renewal of the lease. The Planning, Property and Development Department will be discussing various options with the Granite Curling Club in the near future, including renewing the lease agreement as originally contemplated (to 2005), renewing the lease agreement for the term of the loan, or other options with respect to this asset.

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 organization advises there are no unreasonable restrictions on membership or user fees.

E. The organization must be non-profit (as defined within the City of Winnipeg's Fees and Charges Policy).

The President of the Granite Curling Club confirmed that they operate as a not for profit organization.

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 Granite has provided copies of their financial statements for the past four years (1998 - 2001). The statements indicate that they have been able to generate a positive cash flow position in each of the last four years averaging in excess of $28,000.00. In

addition the 2001 statements indicate retained earnings of approximately $116,000.00. There is no reason to suggest that they would not be able to continue to generate a positive return after servicing the loan. The Granite advises that the Cambrian Credit Union has indicated they are prepared to advance the funds provided they are secured with this loan guarantee.

G. The organization structure and the principles of the organization must be judged by the City of Winnipeg as competent to independently implement the business plan of the organization.

The Granite Curling Club has been in continuous operation since 1880 and has generated positive net cash flow from its operations for at least the last four years.

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 loan guarantee being requested is for a maximum of $100,000.00. The Granite Curling Club does not have any other loan guarantees with the City.

I. The loan that the City is being asked to guarantee should not represent more than fifty (50%) per cent of the total funding of the project. The organization requesting the loan guarantees must have raised at least twenty (20%) per cent 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 twenty (20%) per cent down payment.

The loan guarantee being requested represents fifty (50%) per cent of the total project costs of $200,000.00. The Granite has secured a Manitoba Designated Heritage Building Grant ($17,500.00 for Phase I and $17,500.00 for Phase 2, with Phase 2 approval expected in June) and a Manitoba Community Places Grant ($20,000.00). The Club has approximately $60,000.00 of its own money available for the project. Therefore, the organization has raised more than the required twenty (20%) of the total project cost from non-City of Winnipeg sources.

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

The loan to the Granite is for the restoration of the roof on an existing City owned facility.

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

Both the City and the Granite have insurance in place on the facility. The Chief Financial Officer will ensure adequate insurance is in place if the project is approved.

The Granite Curling Club has been able to generate a positive cash flow in each of the last four years. There is no reason to suggest they could not continue to generate a positive cash flow even after the anticipated debt servicing costs are considered. The Curling Club has raised enough money to cover half of the project including $60,000.00 of their own cash. The loan guarantee being requested is for half of the cost of the project and the guarantee is required in order for the Curling Club to obtain funds from their bank. The building is owned by the City and the Granite is allowed to operate out of the facility as a result of a lease arrangement they have with the City. The risk of default to the City appears to be low.

The Executive Policy Committee recommends:

I. That City Council guarantee a loan in the amount of $100,000.00 to the Granite Curling Club to allow them to proceed with a restoration project on the roof of their facility.

II. That the Proper Officers of the City be instructed to do all things necessary to implement the foregoing, including obtaining approval from the Minister of Finance in accordance with Section 313 of The City of Winnipeg Act.

Attachment “A” referred to in Clause 3 of the Report of the Executive Policy Committee dated May 15, 2002

Financial Impact Statement **Date:** May 13, 2002

There is no direct financial impact to the City. The indirect financial impact is that it increases the City's exposure to a default on the loan.

"Original signed by Carrie Erickson"
Carrie Erickson
Manager of Finance & Administration