Agenda – Executive Policy Committee – June 15, 2022

REPORTS

Item No. 19 Loan Guarantee for The Convention Centre Corporation

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the Convention Centre Corporation be authorized in accordance with subsection 6(1) of *The Convention Centre Corporation Act* to procure a secured borrowing facility in the amount of up to $5.0 million ("the borrowing facility") in favour of the Royal Bank of Canada upon terms and conditions determined by The Convention Centre Corporation ("CCC") and acceptable to The City of Winnipeg's Chief Financial Officer.

2. That a $5.0 million loan guarantee in favour of CCC, as permitted under subsection 6(2) of *The Convention Centre Corporation Act*, be approved.

3. That the requirement of the Loan Guarantee Policy to require the borrowing facility be related to a capital asset, be waived.

4. That in the event CCC is unable to service debt payments on the $5.0 million of the borrowing facility as demonstrated to the satisfaction of the Chief Financial Officer, that the Destination Marketing Reserve (CCC funds) be approved as a funding source for any shortfalls as determined annually by the Chief Financial Officer.

5. That once surpluses from CCC operations are identified, CCC reimburse the City for the full amount of any funds advanced by the Destination Marketing Reserve and any amounts owing under the borrowing facility, as determined by the Chief Financial Officer.

6. That the loan guarantee application processing fee and the loan guarantee standby fees applicable under the Fees and Charges Schedule be waived.

7. That the City enter into, execute and deliver all financial documents, amending agreements and such other agreements as determined necessary by the City Solicitor / Director of Legal Services to implement the foregoing (the "Ancillary Agreements").

8. That authority be delegated to the Chief Financial Officer to negotiate and approve the terms and conditions of such financial documents, amending agreements and Ancillary Agreements, in accordance with this report and such other terms and conditions deemed necessary by the City Solicitor/Director of Legal Services to protect the interests of the City.

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

ADMINISTRATIVE REPORT

Title: Loan Guarantee for The Convention Centre Corporation

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
R. Romaniuk	C. Kloepfer	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

The Convention Centre Corporation ("CCC") currently has an emergency line of credit of $7.5 million guaranteed by the City of Winnipeg, which expires July 31, 2022. This report is seeking approval for CCC to extend this secured borrowing facility of up to $5.0 million ("the borrowing facility") due to potential economic hardship and future financial uncertainty as a result of COVID-19 or future variants. In addition, the recommendations request approval for The City of Winnipeg to be a guarantor of this $5.0 million borrowing facility to December 31, 2023.

As much as event activity is returning to the CCC, albeit at a lower than 'normal' level to date, the CCC is aware of the risk of future variants and public health orders that could negatively affect their financial position.

RECOMMENDATIONS

1. That the Convention Centre Corporation be authorized in accordance with subsection 6(1) of *The Convention Centre Corporation Act* to procure a secured borrowing facility in the amount of up to $5.0 million ("the borrowing facility") in favour of the Royal Bank of Canada upon terms and conditions determined by The Convention Centre Corporation ("CCC") and acceptable to The City of Winnipeg's Chief Financial Officer.

2. That a $5.0 million loan guarantee in favour of CCC, as permitted under subsection 6(2) of *The Convention Centre Corporation Act,* be approved.

3. That the requirement of the Loan Guarantee Policy to require the borrowing facility be related to a capital asset, be waived.

4. That in the event CCC is unable to service debt payments on the $5.0 million of the borrowing facility as demonstrated to the satisfaction of the Chief Financial Officer, that the Destination Marketing Reserve (CCC funds) be approved as a funding source for any shortfalls as determined annually by the Chief Financial Officer.

5. That once surpluses from CCC operations are identified, CCC reimburse the City for the full amount of any funds advanced by the Destination Marketing Reserve and any amounts owing under the borrowing facility, as determined by the Chief Financial Officer.

6. That the loan guarantee application processing fee and the loan guarantee standby fees applicable under the Fees and Charges Schedule be waived.

7. That the City enter into, execute and deliver all financial documents, amending agreements and such other agreements as determined necessary by the City Solicitor / Director of Legal Services to implement the foregoing (the “Ancillary Agreements”).

8. That authority be delegated to the Chief Financial Officer to negotiate and approve the terms and conditions of such financial documents, amending agreements and Ancillary Agreements, in accordance with this report and such other terms and conditions deemed necessary by the City Solicitor/Director of Legal Services to protect the interests of the City.

9. 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 for all of the recommendations of this report.

IMPLICATIONS OF THE RECOMMENDATIONS

- Approval of the recommendations will enable CCC to meet its 2022 and 2023 financial obligations for expenditures that may be incurred by the RBC Convention Centre should future COVID-19 public health orders result in cancellation or postponement of events.

- CCC will secure a borrowing facility of up to $5.0M, which will be secured by an existing general security agreement and guarantee of the City of Winnipeg.

- The City of Winnipeg will guarantee the $5.0 million borrowing facility. Any payments made by the City for this borrowing facility may be paid out of the Destination Marketing Reserve Fund (CCC funds) dependent on the financial status of CCC and will be required to be repaid by CCC on a schedule, both to be determined by the Chief Financial Officer.

- Standard fees applicable to loan guarantee applications ($1,500 per application and 0.5% per year on outstanding balance) are recommended to be waived to limit financial hardship to the organization.

HISTORY/DISCUSSION

On June 26, 2020, Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That The Convention Centre Corporation be authorized, in accordance with subsection 6(1) of *The Convention Centre Corporation Act,* to secure a secured borrowing facility in the amount of $7.5 million ("the borrowing facility") in favour of the Royal Bank of Canada upon terms and conditions determined by The Convention Centre Corporation ("CCC") and acceptable to The City of Winnipeg's Chief Financial Officer.

2. That a $7.5 million loan guarantee in favour of CCC as permitted under subsection 6(2) of *The Convention Centre Corporation Act* be approved, subject to a commitment from the Board of Directors of CCC to service the borrowing facility from the annual operating income of the RBC Convention Centre facility.

3. That the requirement of the Loan Guarantee Policy to require the borrowing facility be related to a capital asset be waived.

4. That in the event CCC is unable to service debt payments on the $7.5 million of the borrowing facility as demonstrated to the satisfaction of the Chief Financial Officer, that the Destination Marketing Reserve (CCC funds) be approved as a funding source for any shortfalls as determined annually by the Chief Financial Officer.

5. That once surpluses from CCC operations are identified, CCC reimburse the City for the full amount of any funds advanced by the Destination Marketing Reserve and any amounts owing under the borrowing facility, as determined by the Chief Financial Officer.

6. That the loan guarantee application processing fee and the loan guarantee standby fees applicable under the Fees and Charges Schedule be waived.

7. That the City enter into, execute and deliver all financial documents, amending agreements and such other agreements as determined necessary by the Director of Legal Services and City Solicitor to implement the foregoing (the "Ancillary Agreements").

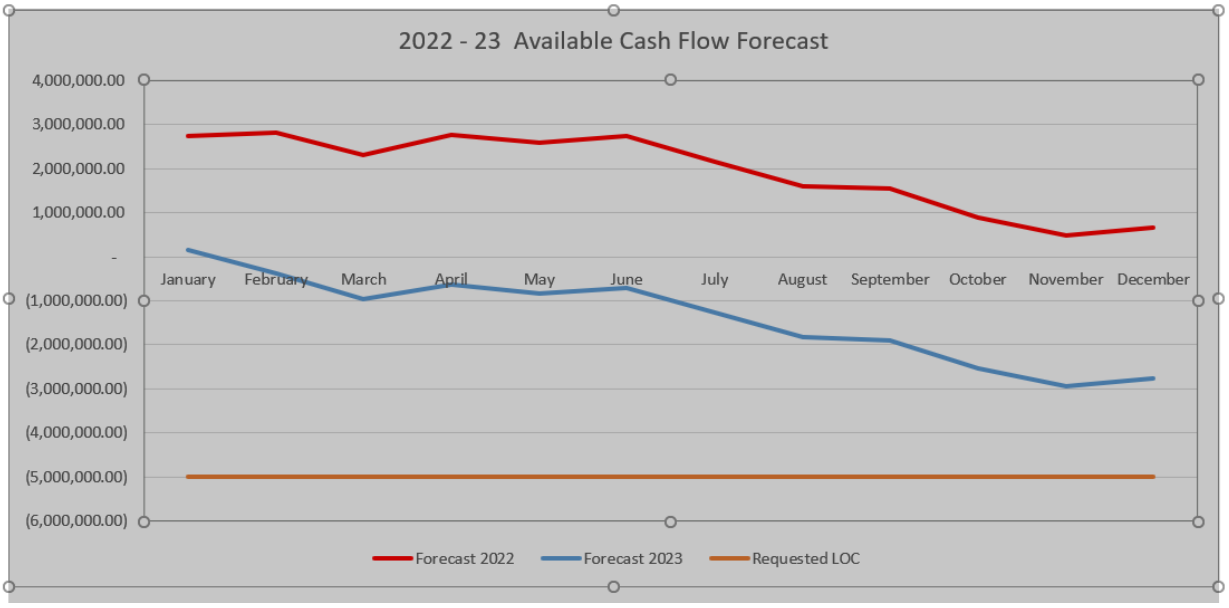
8. That authority be delegated to the Chief Financial Officer to negotiate and approve the terms and conditions of such financial documents, amending agreements and Ancillary Agreements, in accordance with this report and such other terms and conditions deemed necessary by the Director of Legal Services and City Solicitor to protect the interests of the City.

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

Public health orders resulted in size limits for gatherings that had significant impact on the CCC's business model in 2020 and 2021. It resulted in cancellation of business or postponements affecting revenues. Action was also taken to reduce operating expenses. CCC also applied for and received funds from government programs that were available at the time.

In 2022 there have been more events than the 2 years previous but there is still a need for emergency financial supports should public health orders affect future business.

The existing emergency line of credit of $7.5 million expires on July 31, 2022. The CCC is asking for an extension of the line of credit at a reduced amount of $5.0 million to expire December 31, 2023 to match the maturation of their other credit facility. This is to ensure that CCC has adequate working capital to meet the needs of the organization in case of emergency. Projected cashflows are below. The projections from 2022 are based upon confirmed and tentative event activity for the rest of the year. The 2023 projections are based upon consistent revenues and expenses from 2022. CCC is unable to project detailed event activity for 2023, however CCC is anticipating consistent or improved bookings for 2023 compared to 2022.



Authority to Borrow

Section 6(1) of *The Convention Centre Corporation Act* provides for the following borrowing powers:

> With the approval of the Council of the City of Winnipeg, the corporation, upon terms and conditions determined by the corporation may,
>
> a) Issue bond, debentures, debenture stock or other securities of the corporation, and pledge or sell them for such sums, and at such prices, as are deemed expedient;
> b) From time to time, borrow or raise money for temporary purposes by way of overdraft, line of credit, or loan, or otherwise upon the credit of the corporation from a bank, in such amounts not exceeding in the aggregate the sum of $250,000 of principal outstanding at any one time, and for such periods, as are deemed expedient;
> c) Hypothecate, mortgage, or pledge the real or personal property of the corporation or both to secure any such bonds, debentures, debenture stock or other securities, and any money borrowed from the bank.

Section 6(2) of *The Convention Centre Corporation Act* indicates:

> The City of Winnipeg may, on such terms as may be approved by the Council of the City of Winnipeg, guarantee the payment of all or any of the borrowings of the corporation, and the interest thereon, under this section.

Any debt servicing of the $5.0 million borrowing facility could be granted out of the Destination Marketing Reserve (CCC funds), the necessity of such to be determined by the Chief Financial Officer.

The City currently guarantees $33 million of external debt for CCC related to the expansion project and is presently servicing this debt out of the Destination Marketing Reserve Fund.

Loan Guarantee

Council adopted a Loan Guarantee Policy effective September 28, 2016. This policy provides the City with an approved framework for managing loan guarantees. The criteria for the loan guarantee have been reviewed and have been determined to have been met with one exception.

This loan guarantee is to support operations of CCC. The borrowing facility, therefore, is not directly associated with a capital asset or project. As such, a recommendation to waive this specific requirement has been included in the recommendations to the report.

Debt Strategy

On October 28, 2015, Council adopted a Debt Strategy for Tax Supported, Utilities and total City borrowing.

Subject to approval of the recommendations of this report, additional borrowing by CCC of up to $5,000,000 is available through this borrowing facility.

$127 million of Tax Supported and $115 million of Utilities borrowing capacity will remain if Council approves this report. (based on 2022 borrowing estimates)

The impact of this debt financing falls within the debt limits established in the Council Policy as outlined in the table below:

Tax Supported net debt as a percentage of revenue not to exceed	80%
Forecasted peak rate including proposed debt from this report	58.4%
Utilities net debt as a percentage of revenue not to exceed	220%
Forecasted peak rate including proposed debt from this report	105.4%
Total City net debt as a percentage of revenue not to exceed	90%
Forecasted peak rate including proposed debt from this report	77.5%
Tax Supported debt servicing as a percent of revenue not to exceed	10%
Forecasted peak rate including proposed debt from this report	5.3%
Utilities debt servicing as a percent of revenue not to exceed	20%
Forecasted peak rate including proposed debt from this report	9.8%
Total City debt servicing as a percent of revenue not to exceed	11%
Forecasted peak rate including proposed debt from this report	7.5%
Tax Supported Debt per Capita not to exceed	1,500
Forecasted peak rate including proposed debt from this report	1,120
Utilities Debt per Capita not to exceed	1,500
Forecasted peak rate including proposed debt from this report	1,168
Total City Debt per Capita not to exceed	2,800
Forecasted peak rate including proposed debt from this report	2,064

Source: City of Winnipeg Debt Strategy 2022 – V3

FINANCIAL IMPACT

Financial Impact Statement

Date: May 10, 2022

Project Name:

Loan Guarantee for The Convention Centre Corporation

First Year of Program **2022**

	2022	2023	2024	2025	2026
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:

Providing a loan guarantee to the Winnipeg Convention Centre Corporation does not create any immediate financial implications. However; should payments under this guarantee be required the payments will be made from the Destination Marketing Reserve Fund under the CCC Future Capital Works Account.

Jocelyn Peters - May 10, 2022

Jocelyn Peters, CPA, CGA
Manager of Finance & Administration (Campus)
Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with:

- The Convention Centre Corporation
- Legal Services (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

Section 02 of OurWinnipeg (A Sustainable City) provides policy guidance and states social, environmental and economic sustainability are essential to Winnipeg's long-term well-being. This loan guarantee for the CCC aligns with economic sustainability goals to ensure the long-term economic well-being of the City.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

N/A

SUBMITTED BY

Department: Corporate Finance
Division: Treasury
Prepared by: R. Romaniuk
Date: May 13, 2022
File No: