Moved by Councillor Clement,

That Rule 9.3 of the Procedure By-law be suspended in order that the following item, which was received too late to be placed on the regular agenda, may also be considered by Committee at this time.

Carried

REPORTS

218. From the Chief Financial Officer
Report 2002/05/13

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

Recommending:

I. That City Council give consideration to guaranteeing 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, if City Council approves the loan guarantee, 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.

Moved by Councillor Clement,

That the recommendation be concurred in and forwarded to Council.

Carried

Re: Request for Loan Guarantee for The Granite Curling Club

For submission to: **Executive Policy Committee**

Submitted by: **Chief Financial Officer**

Report date: **May 13, 2002**

In Camera Item: **No**

Recommendation(s):

(1) That City Council give consideration to guaranteeing a loan in the amount of $100,000 to the Granite Curling Club, to allow them to proceed with a restoration project on the roof of their facility.

(2) That, if City Council approves the loan guarantee, 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.

Report Summary

Key Issues:

The Granite Curling Club is requesting a $100,000 loan guarantee to restore the roof on their existing facility. The Granite Curling Club building is owned by the City of Winnipeg and is a Grade III historic building.

Implications of the Recommendation(s):

General Implications

☐ None

☐ For the organization overall and/or for other departments

☑ For the community and/or organizations external to the City of Winnipeg

☐ Involves a multi-year contract

Comment: The loan guarantee is to restore the roof on the curling club facility.

Policy implications

☑ No

☐ Yes

Comment:

Financial Implications

☐ Within approved current and/or capital budget

☐ Current and/or capital budget adjustment required

Comment: There are no direct financial implications

Report

Recommendation(s):

(1) That City Council give consideration to guaranteeing a loan in the amount of $100,000 to the Granite Curling Club, to allow them to proceed with a restoration project on the roof of their facility.

(2) That, if City Council approves the loan guarantee, 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.

Reason for the report:

On May 9, 2002, the Director of the Planning, Property and Development Department 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 - $100,000."

History:

Section 313 of The City of Winnipeg Act states the following:

> "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 31st, 2001 the City of Winnipeg was the guarantor of 16 different loans for a total amount of $15.7 million.

Discussion:

The following information is in response to the policy and criteria related to requests for loan guarantees as adopted by Council on June 17th, 1992.

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 we already had more than enough hockey arenas for our 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 the Planning, Property and Development Department, the Granite Curling Club has requested that discussions commence regarding renewal of the lease. Planning, Property and Development 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 non-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. In addition the 2001 statements indicate retained earnings of approximately $116,000. 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 cashflow 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. 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 50% of the total funding of the project. The organization requesting the loan guarantees must have raised at least 20% 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 20% down-payment*.

The loan guarantee being requested represents 50% of the total project costs of $200,000. The Granite has secured a Manitoba Designated Heritage Building Grant ($17,500 for Phase I and $17,500 for Phase 2, with Phase 2 approval expected in June) and a Manitoba Community Places Grant ($20,000). The Club has approximately $60,000 of its own money available for the project. Therefore, the organization has raised more than the required 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.

Conclusion:

The Granite Curling Club has been able to generate a positive cashflow in each of the last four years. There is no reason to suggest they could not continue to generate a positive cashflow 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 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.

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

This Report Submitted By:

Department Corporate Finance
Division Financial Services
Prepared by: G. Steski
File No. Granite Loan Guarantee.doc