

City Clerk's Office

Secretariat
Patsy Morris
Executive Committee
City Hall, 10th Floor, West
100 Queen Street West
Toronto, Ontario M5H 2N2**Tel:** 416-392-9151
Fax: 416-392-1879
Email: exc@toronto.ca
Web: www.toronto.ca

Date: September 8, 2009

To: Debenture Committee

From: Executive Committee

Subject: Capital Loan and Grant from the Federation of Canadian Municipalities for the Allstream Centre at Exhibition Place

The Executive Committee on September 8, 2009, referred the following Recommendation 2 contained in the report (August 26, 2009) from the Chief Executive Officer, Exhibition Place, entitled "Capital Loan and Grant from the Federation of Canadian Municipalities for the Allstream Centre at Exhibition Place", to the Debenture Committee:

"It is recommended that City Council:

2. At the Board of Governors request, authorize:
 - a. the Deputy City Manager and Chief Financial Officer to enter into an agreement with FCM, for the issuance and sale of a ten year amortizing debenture in a maximum aggregate principal amount of \$2.0M, such agreement be on terms and conditions satisfactory to the Deputy City Manager and Chief Financial Officer of the Board in consultation with the City Solicitor;
 - b. the Deputy City Manager and Chief Financial Officer and the Mayor to issue the debenture to FCM on behalf of the City and the Board of Governors; and
 - c. the introduction of the necessary bills in Council to give effect thereto."

Background:

The Executive Committee on September 8, 2009:

- i. considered a report (August 26, 2009) from the Chief Executive Officer, Exhibition Place, entitled "Capital Loan and Grant from the Federation of Canadian Municipalities for the Allstream Centre at Exhibition Place", wherein it is recommended that City Council:
 1. Approve of entering into an agreement with FCM for a loan of \$2.0M and a grant of \$300,000 for the benefit of Exhibition Place for the energy efficiency upgrades undertaken in the Allstream Conference Centre; and



2. At the Board of Governors request, authorize:
 - a. the Deputy City Manager and Chief Financial Officer to enter into an agreement with FCM, for the issuance and sale of a ten year amortizing debenture in a maximum aggregate principal amount of \$2.0M, such agreement be on terms and conditions satisfactory to the Deputy City Manager and Chief Financial Officer of the Board in consultation with the City Solicitor;
 - b. the Deputy City Manager and Chief Financial Officer and the Mayor to issue the debenture to FCM on behalf of the City and the Board of Governors; and
 - c. the introduction of the necessary bills in Council to give effect thereto.
- ii. Noted that Recommendation 1 contained in the aforementioned report is not needed given that City Council at its meeting held on June 18, and 19, 2002, in its adoption of Notice of Motion J17, from Councillor Layton, seconded by Councillor Berardinetti, entitled "Authority to Enter into Agreements with the Federation of Canadian Municipalities Respecting the Green Municipal Funds"., delegated authority to City officials to enter into loan and grant agreements with FCM in respect of the Green Municipal Fund loans.
- iii. Referred Recommendation 2 contained in the aforementioned report to the Debenture Committee that was recently established by City Council at its meeting held on August 5 and 6, 2009, in its adoption, as amended, of Item EX33.13, entitled "Delegation of Council's Debenture By-law Enacting Authority", whereby Council delegated authority to the Debenture Committee to approve debenture issuances and enact the necessary borrowing by-laws.

City Clerk
Patsy Morris

EX34.17
Att.

c: City Manager
Deputy City Manager and Chief Financial Officer
Chief Executive Officer, Exhibition Place



STAFF REPORT ACTION REQUIRED

Capital Loan and Grant from the Federation of Canadian Municipalities for the Allstream Centre at Exhibition Place

Date:	August 26, 2009
To:	Executive Committee
From:	Dianne Young, Chief Executive Officer, Exhibition Place
Wards:	Not Applicable

SUMMARY

This report requests City Council to issue a debenture of \$2.0M to the Federation of Canadian Municipalities (FCM) to finance an additional loan provided by the FCM to the City for the benefit of the Board of Governors of Exhibition Place for capital works at the Allstream Centre – a Conference and Convention Centre at Exhibition Place.

RECOMMENDATIONS

It is recommended that City Council:

1. Approve of entering into an agreement with FCM for a loan of \$2.0M and a grant of \$300,000 for the benefit of Exhibition Place for the energy efficiency upgrades undertaken in the Allstream Conference Centre; and
2. At the Board of Governors request, authorize:
 - (a) the Deputy City Manager and Chief Financial Officer to enter into an agreement with FCM, for the issuance and sale of a ten year amortizing debenture in a maximum aggregate principal amount of \$2.0M, such agreement be on terms and conditions satisfactory to the Deputy City Manager and Chief Financial Officer of the Board in consultation with the City Solicitor;
 - (b) the Deputy City Manager and Chief Financial Officer and the Mayor to issue the debenture to FCM on behalf of the City and the Board of Governors; and
 - (c) the introduction of the necessary bills in Council to give effect thereto.

Financial Impact

All of the associated debt charges to the City from the \$2.0M debenture will be paid as part of the Allstream Conference Centre project and as noted in Table 1 which provides updated financial proformas for the Allstream Conference Centre that includes this debenture, there are sufficient

funds to pay back the City for the FCM debenture and the \$36.5M loan previously approved by City Council.

DECISION HISTORY

At its meeting of December 10, 11, 12, 13 & 14, 2007, City Council approved of the Conference Centre capital budget of \$46.88M of which \$35.6M is a loan from the City with an interest rate from 4.75 to 5.0 percent payable over 25 years. This report also established an obligatory reserve fund, called the “Exhibition Place Conference Centre Reserve Fund” to provide a source of funding for any shortfalls in loan payments to the City from Exhibition Place and directed that revenues from the Direct Energy Centre and the Allstream Conference Centre naming rights agreements be paid into the fund along with any operating surplus from Exhibition Place in the years 2007, 2008 and 2009.

ISSUE BACKGROUND

FCM has introduced new procedures to its Green Municipal Funds loan program which requires that municipalities issue debentures to FCM in exchange for the funds being lent to the municipality. At its meeting of May 25, 2009, City Council had before it a report entitled “Issuing a Debenture to the Federation of Canadian Municipalities as a Requirement to Secure Funding” dated April 16, 2009 from the Deputy City Manager and CFO which report addressed this new FCM requirement in respect of the Artscape Wychwood Barns Project and approved the issuance of a debenture. This debenture requirement is consistent with legislation governing the means by which Ontario municipalities, including the City, may borrow for long-term capital purposes. Pursuant to the *City of Toronto Act, 2006*, the City may only borrow long-term capital funds by issuing a debenture, entering into a loan agreement with a financial institution, or issuing a revenue bond. Accordingly, a debenture must be issued by the City in order to legally secure long-term capital financing from FCM. While the City has delegated authority to apply for as well as accept funding from FCM, the City requires Council’s authority to issue a debenture to FCM.

COMMENTS

Soon after the Direct Energy Centre opened in 1997, Exhibition Place identified the lack of meeting room space in that Centre as an important deficiency relative to the competing trade/conference centers. In order to address this issue Exhibition Place proposed the redevelopment of a heritage building, the Automotive Building. Renovation of the Automotive Building to convert it to a conference centre has been in progress since April 2008 and the Allstream Centre is scheduled to reopen in October 2009. It will be the first conference centre in Canada with a LEED designation, will have the largest ballroom (43,986 sq. ft) in the GTA, provide 20 fully equipped meeting rooms and have a video conferencing room.

The marketplace has been very positive and already there are several events booked at the Allstream Centre for 2009 and future years – conferences, meetings, galas. At this point there is every indication that the financial proforma for this new conference centre will be met.

In June 2008, Exhibition Place, supported by the City Manager’s Office, submitted an application in response to the Green Municipal Fund, Call for Applications: Energy 2008 and following review, FCM approved funding for the Exhibition Place (City of Toronto) LEED Silver Conference Centre in the form of a grant in an amount equal to the lesser of \$300,000 or 0.6% of eligible project costs

and a loan in an amount equal to the lesser of \$2.0M or 4.2% of eligible project costs. On the basis of the application, eligible project costs would be in the range of \$47.8M which would attract payment in full of the grant and loan.

FCM is requiring that the City issue a ten year amortizing debenture to it in the maximum aggregate principal amount of the loan being provided to the City on behalf of Exhibition Place in the amount of \$2.0M for the substantial energy upgrades that are within the Allstream Conference Centre.

The debenture interest rate will be set by FCM in accordance with their formula which sets the interest rate at 1.50% below the current market rate that the Government of Canada uses to issue its own debt. As reported to Council in May, on April 14, 2009, the Government of Canada rate is 2.93% - 1.50% = 1.43% per annum for a 20 year term which is the duration of the debenture. Although the interest rate for the Government of Canada bond will vary according to capital market conditions until the debenture is issued, staff do not expect that there will be a significant difference to the cost of funds. Based on these rates, the financial proforma provided to Council at its meeting in December 2007 have been updated to include the additional loan from FCM and is provided in Table 1 below.

	2009	2015	2021	2027	Sum (25 years)	
					Nominal	NPV
Conference Centre Revenues from Existing DEC Events	\$515,000	\$614,937	\$734,267	\$876,753	\$18,976,521	\$9,551,253
Revenues Resulting from New Events Drawn to DEC	\$665,225	\$870,118	\$1,009,070	\$1,170,212	\$25,539,293	\$12,861,016
Revenues from New Conference Centre Events	\$592,950	\$1,041,462	\$1,172,855	\$1,320,826	\$28,667,355	\$14,342,684
Incremental Parking Revenues from New Events	\$194,180	\$272,363	\$272,363	\$272,363	\$6,824,237	\$3,681,453
Sponsorship & Conference Centre Naming Rights	\$493,000	\$493,000	\$625,000	\$625,000	\$15,793,610	\$7,641,874
Total Operating Revenues	\$2,460,355	\$3,291,880	\$3,813,555	\$4,265,154	\$95,801,016	\$48,078,280
Operating & Capital Maintenance Costs	(947,037)	(1,144,880)	(1,339,603)	(1,569,281)	(36,344,520)	(17,473,093)
Net Income before Financing Costs	\$1,513,318	\$2,147,000	\$2,473,952	\$2,695,873	\$59,456,496	\$30,605,187
City Loan (\$35.6 million @ 5% for 25 years)	(2,652,203)	(2,652,203)	(2,652,203)	(2,652,203)	(66,305,071)	(35,600,000)
FCM Loan (\$2.0 million @ 1.43% for 20 years)	(117,344)	(117,344)	(117,344)	(117,344)	(2,346,871)	(2,000,000)
Net Income after Financing Costs	(1,256,228)	(622,546)	(295,594)	(73,673)	(9,195,447)	(6,994,813)
Contribution from DEC Naming Rights Revenues	1,256,228	622,546	295,594	73,673	9,195,447	6,994,813
Balance in DEC Naming Rights Reserve	538,408	851,113	3,491,636	9,884,370		

As noted in Table I there are sufficient funds to meet all loan requirements related to the Allstream Centre project. Following the 2010 payments of the naming rights fees for Direct Energy Centre and Allstream Centre, the Exhibition Place Conference Centre Reserve Fund will total approximately \$3,075,000.

CONTACT

Dianne Young, Chief Executive Officer

Telephone 416-263-3611
Fax: 416-263-3640
Email: Dyoung@explace.on.ca

SIGNATURE

Dianne Young
Chief Executive Officer