

# Northlands Loan Payment Deferral

**Recommendation:**

That the September 20, 2016, Financial and Corporate Services report CR\_4007, be received for information.

**Report Summary**

The report provides a response as directed by Council at the September 6, 2016, City Council meeting and identifies what Administration has done to formalize the deferral of the September 15, 2016, loan payment and what is required to defer the March 15, 2017, September 15, 2017, and March 15, 2018, loan payments. The report also identifies funding strategies for the loan payments due to the Alberta Capital Finance Authority.

**Previous Council/Committee Action**

At the September 6, 2016, City Council meeting, the following motion was passed:

That the City Manager negotiate and approve an agreement, in form and content acceptable to the City Manager, to defer the September 15, 2016, Northlands loan payment against the EXPO Centre debt for 90 days, against the Financial Stabilization Reserve; and that Administration bring forward the necessary approvals to Council for the City Manager to formalize deferral of the March 2017 EXPO Centre debt payment from Northlands, subject to their participation in work outlined above, and subject to implementation of their governance reforms; and that up to one year of further debt deferral be contingent on Northlands Board's submission of a sustainable business plan to Council by June 30, 2017, to include identification of how the deferred and future loan payments shall be covered and report back at the September 20, 2016, City Council meeting, on the recommended conditions and steps required.

At the August 31, 2016, Special City Council meeting, the August 31, 2016, Sustainable Development report CR\_3540 - Analysis of Northlands' Vision 2020 was received for information.

At the March 15/16, 2016, City Council meeting, the following motion was passed:

That Administration work with Edmonton Northlands and relevant key stakeholders (including but not limited to the Province and Edmonton Economic Development Corporation), to analyze the proposals outlined in Vision 2020.

**Report***Deferral Agreement*

On September 14, 2016, an Agreement between the City of Edmonton, "City" and Edmonton Northlands ("Northlands") was signed. This agreement provides for the deferral of the September 15, 2016, EXPO Centre loan payment of \$2,082,248.51 for

90 days. Attachment 1 to this Financial and Corporate Services report CR\_ 4007 includes a signed copy of this Agreement.

### *Bylaw Amendment*

Bylaw 15075, A Bylaw to authorize the City of Edmonton to lend money to a non-profit organization, Edmonton Northlands was passed on December 17, 2008. The City loaned \$59,000,000 to Northlands and to date \$11,588,636.25 of this obligation has been paid leaving an outstanding loan obligation of \$47,411,363.75 as of September 14, 2016. An amendment to Bylaw 15075 is required to facilitate the deferral of the March 15, 2017, loan payment or any further deferrals being contemplated. The deferral of the March 15, 2017, loan payment due from Northlands is subject to Northlands implementing their governance reforms by October 24, 2016, and Northlands providing the necessary consent to the City to seek partners to repurpose the Coliseum into a Multiplex Arena, including physical access to the building, detailed building condition assessments, information around event commitments for at least 24 months (and an ongoing event commitment disclosure) and access to such financial records as may be required by the City. The additional deferral of the September 15, 2017, and March 15, 2018, loan payments due from Northlands are contingent on Northlands Board's submission of a sustainable business plan to City Council for their approval by June 30, 2017.

In accordance with section 265(1) of the *Municipal Government Act*, the City may lend money to a non-profit organization if the loan is authorized by bylaw. The *Municipal Government Act* requires that a loan bylaw be advertised, and therefore any amendments to Bylaw 15075 will also require advertising. Administration will bring forward an amending bylaw prior to the March 15, 2017, loan payment deferral.

### *Amended Lending Agreement*

If the March 2017, September 2017 and March 2018 loan payment deferrals are approved, the loan agreement will require amendments. The amended loan agreement will include the terms of any deferral including any changes to the term of the loan, the length of each loan payment deferral, rates of interest and new payment terms. The revised lending agreement will be provided to City Council for approval no later than the third reading of the amendments to Bylaw 15075.

### *Interim Funding Options for the Deferral Payments*

The terms of the loan agreement and the loan payments due to the City from Northlands were consistent with the terms of the debenture borrowing between the City and the Alberta Capital Finance Authority. The loan payments from Northlands are the funding source for the debenture payments due to the Alberta Capital Finance Authority and as such, prior to any loan payment deferral, there was no net impact on the City's budget. The financial impact of deferring payments due from Northlands requires the

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City to identify an alternate funding source for the City's debenture payments due to the Alberta Capital Finance Authority.

At the September 6, 2016, City Council meeting, Council approved funding the financial impact of the September 15, 2016, payment deferral from the Financial Stabilization Reserve. Funding for the financial impact of the March 15, 2017, debenture payment could come from the Financial Stabilization Reserve or the tax levy. A service package could be brought forward as part of the Supplemental Operating Budget Adjustment to replenish the Financial Stabilization Reserve. Further deferrals of the September 15, 2017, and March 15, 2018, loan payments will be contingent on the submission of a sustainable business plan by Northlands to the City, and could be funded by tax levy.

### Corporate Outcomes

This report contributes to the corporate outcomes "The City has a resilient financial position" as it ensures sustainable loan payments from Northlands are received and identifies the funding source required to cover the cost of the City debt obligation due to the Alberta Capital Finance Authority.

### Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score	Current Mitigations	Potential Future Mitigations
Inability of Northlands to make payment despite the deferral(s) provided.	Northlands is unable to repay the amended lending obligation to the City which will require the City to identify a long-term source of funding to repay its corresponding debenture obligation due to the Alberta Capital Finance Authority.	3 - Possible	4 - Severe	12 - Medium	The City currently evaluates available funding sources and may potentially re-prioritize spending to ensure that the debt obligations due to ACFA are met.	Accumulation of savings as a potential reserve to cover the costs of loan obligation due to ACFA.

### Budget/Financial Implications

In December 2008, the City lent Northlands \$59,000,000 for improvements to the EXPO Centre. The City of Edmonton loan to Northlands has an amortization period of 25 years and matures on March 15, 2034. The interest rate is 5.066% requiring semi-annual payments of \$2,022,984.31 in combined principal and interest plus administrative expenses of 0.25% per annum on the outstanding principal, due on March 15 and September 15 each year. The terms and conditions of this loan are consistent with the terms and conditions of the debenture borrowing undertaken by the City in order to provide the loan to Northlands. The proceeds of the loan payments received by the City from Northlands are used to pay the debenture obligation owing

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from the City to the Alberta Capital Finance Authority. By deferring some of the loan payments, the City is required to identify funding for the payment of the corresponding debenture payments of \$2,022,984.31 due to the Alberta Capital Finance Authority. If Northlands meets the various conditions for deferral of the payments identified, the total funding required to support the Alberta Capital Finance Authority debenture payments is \$8,091,937.24.

### Metrics, Targets and Outcomes

<b>Metrics</b>	An amended lending agreement that allows Northlands to meet its loan obligations due to the City. This agreement will ensure consistent and on-time loan payments made by Northlands to the City which allow the City to cover the corresponding costs of the debt obligation due to Alberta Capital Finance Authority.
<b>Targets</b>	Amended lending agreement that provides temporary loan relief to Northlands until a sustainable business plan is developed allowing them to meet the total outstanding amount under the original loan agreement with different payment terms.
<b>Outcomes</b>	Identification of the funding source required for the City to meet its debenture obligation to the Alberta Capital Finance Authority. An interim funding source for the deferred payment is identified, approved and paid back through the course of the amended lending agreement.

### Attachment

1. Agreement between Edmonton Northlands and The City of Edmonton - September 14, 2016