

FORT EDMONTON MANAGEMENT COMPANY

Loan Request

Recommendation

That Executive Committee recommend to City Council:

1. That the terms of the loan agreement, between the City of Edmonton and Fort Edmonton Management Company (FEMCo), for an amount not to exceed \$1.5 million, as outlined in Attachment 1 of the March 20, 2024, Community Services report CS02368, be approved, and that the agreement be in form and content acceptable to the City Manager.
2. That \$1.5 million be appropriated from the Financial Stabilization Reserve in the event of a default of the loan.

Requested Action	Council decision required		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	Urban Places Edmonton protects and enhances its image and identity through heritage.		
City Plan Values	PRESERVE.		
City Plan Big City Move(s)	N/A	Relationship to Council's Strategic Priorities	Arts and culture
Corporate Business Plan	Serving Edmontonians		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • N/A 		
Related Council Discussions	<ul style="list-style-type: none"> • November 30, 2020, Community Services report CS00179, Fort Edmonton Management Company - Operating Loan Request 		

FORT EDMONTON MANAGEMENT COMPANY - LOAN REQUEST

Executive Summary

- Fort Edmonton Management Company has requested a \$1.5 million loan from the City of Edmonton to offset the amount that the Company was required to pay back to the Canada Revenue Agency (CRA) for the Canada Emergency Wage Subsidies received in 2020, 2021 and 2022, due to ineligibility.

REPORT

Fort Edmonton Management Company (FEMCo) operates and manages Fort Edmonton Park under the terms of a Management Agreement with the City of Edmonton. During the COVID-19 pandemic, FEMCo applied for and received wage subsidies from the Canada Emergency Wage Subsidies program. FEMCo applied for and received the Canada Emergency Wage Subsidies as follows: 2020 - \$658,108; 2021 - \$703,541; 2022 - \$105,905. The total subsidy received for the three year period of 2020-2022 was \$1,476,554. FEMCo used only its own employees and revenue sources in the application for the subsidy, not City employees or revenue.

At the time of application, FEMCo management believed that as a not-for-profit company, that they were eligible for the subsidies. In the spring of 2023, management determined FEMCo was ineligible for the wage subsidy. FEMCo immediately consulted with their auditors and legal counsel who advised FEMCo to make an application under the voluntary disclosure program of the Canada Revenue Agency (CRA). The Voluntary Disclosures Program (VDP) grants relief on a case-by-case basis to taxpayers and registrants who voluntarily come forward to fix errors or omissions in their tax filings before the CRA knows or contacts them about it. In June 2023 and, in good faith, FEMCo repaid the total subsidy amount received.

FEMCo is requesting a loan from the City for \$1.5 million to offset the amount of the Canada Emergency Wage Subsidies received that was ultimately repaid to the CRA. Currently, FEMCo receives tax levy funding of \$5.1 million annually from the City to fund the heritage operations of Fort Edmonton Park. Not receiving the loan may affect FEMCo's operational continuity and limit its ability to maximize the full potential of Fort Edmonton Park in a way that protects the heritage assets, increases social value in the community and ensures its long-term sustainability.

The FEMCo Board approved a motion to request a loan from the City at its September 28, 2023 meeting.

Business Plan - Loan Repayment

The FEMCO business plan for 2024 includes the development of a new winter product offering and fee increases that will be presented to Council for approval during the Spring SOBA on April 23, 2024. The new winter product will be an immersive and interactive multimedia guest experience growing in phases over several years. Initial capital investment will be supported by a \$500,000 grant from Travel Alberta with matching funds from FEMCo (through the loan). The proposed fee increases and new winter product will increase revenue and margin and grow cash flow in order to support the repayment of the loan.

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Budget/Financial Implications

The loan would be repaid over a ten-year term and bear interest at a rate based upon indicative interest rates from the City's lender, the Government of Alberta, at the time of the lending. Semi-annual payments of interest and the administrative fee will be made until January 2026 or when FEMCo's existing loan (Bylaw 19521) has been fully repaid, followed by semi-annual payments of principal, interest and the administration fee for the remainder of the term. The existing loan commenced in 2021 and was to support recovery from COVID-19 challenges and the work required to open the park following the completion of the Fort Edmonton Enhancement Project, including the Indigenous People's Experience. The loan is currently in good standing, an amendment to adjust the payment terms was completed on January 4, 2024 with the loan scheduled to be paid in full in January 2026.

Adjustments to the operating budget, including annual interest and administration fees received on the loan, will be brought forward as a part of the Spring 2024 Supplemental Operating Budget Adjustment.

The loan would be recognized by the City as a receivable from FEMCo. In the event FEMCo is not able to repay the loan, or a portion of the loan, as loans require a funding source in the event of default, Administration recommends appropriating an equivalent amount in the Financial Stabilization Reserve. At the date of writing this report, the appropriated Financial Stabilization Reserve is below its minimum required balance. This would further reduce the balance of the reserve. The most recent unappropriated Financial Stabilization Reserve balance in comparison to the minimum required balance is provided in the March 12, 2024, Financial and Corporate Services report FCS02229, Operating Financial Update - December 31, 2023, presented to City Council.

FEMCo is confident that repayment is achievable with the proposed fee increases and new winter product which will increase revenues in order to support the repayment of the loan.

Legal Implications

The loan agreement would contain a term that the loan is conditional upon first, second and third reading of a loan bylaw. This would include both the required advertising and petition process. Under the *Municipal Government Act* sections 264 and 265, the City has the ability to loan to a not-for-profit organization and controlled corporation, through an advertised loan bylaw, if Council considers that the use of the money loaned would be for a purpose that would benefit the municipality.

Administration will bring forward a loan bylaw for first reading at the April 3, 2024, City Council meeting.

Community Insight and GBA+

This report was created at the request of Fort Edmonton Management Company who would best be positioned to describe any stakeholder or public consultation that may have informed their request for financial support. A GBA+ analysis was not completed for this report.

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Attachment

1. Terms of the Loan Agreement between The City of Edmonton and Fort Edmonton Management Company