

*The Board of Governors on July 10, 2009 approved the recommendations embodied in this report, and FURTHER that Ms. Dianne Young be applauded for successfully accessing these funds.*

June 24, 2009

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| <b>ACTION REQUIRED</b> |
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To: The Board of Governors of Exhibition Place

From: Dianne Young, CEO

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

**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 the Board:

1. Enter into an agreement with FCM for a loan of \$2.0M and a grant of \$300,000 for the energy efficiency upgrades undertaken in the Allstream Conference Centre; and
2. Request City Council to 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 in consultation with the City Solicitor;
  - (b) the Deputy City Manager and Chief Financial Officer and the Mayor be to issue the debenture to FCM on behalf of the City; 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.

| <b>Table 1 - Project Pro-Forma Submitted by Board</b> |                    |                    |                    |                    |                       |                     |
|---|--------------------|--------------------|--------------------|--------------------|-----------------------|---------------------|
|   | <b>2009</b>        | <b>2015</b>        | <b>2021</b>        | <b>2027</b>        | <b>Sum (25 years)</b> |                     |
|   |                    |                    |                    |                    | <b>Nominal</b>        | <b>NPV</b>          |
| 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         |
| <b>Total Operating Revenues</b>                       | <b>\$2,460,355</b> | <b>\$3,291,880</b> | <b>\$3,813,555</b> | <b>\$4,265,154</b> | <b>\$95,801,016</b>   | <b>\$48,078,280</b> |
| Operating & Capital Maintenance Costs                 | (947,037)          | (1,144,880)        | (1,339,603)        | (1,569,281)        | (36,344,520)          | (17,473,093)        |
| <b>Net Income before Financing Costs</b>              | <b>\$1,513,318</b> | <b>\$2,147,000</b> | <b>\$2,473,952</b> | <b>\$2,695,873</b> | <b>\$59,456,496</b>   | <b>\$30,605,187</b> |
| 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)         |
| <b>Net Income after Financing Costs</b>               | <b>(1,256,228)</b> | <b>(622,546)</b>   | <b>(295,594)</b>   | <b>(73,673)</b>    | <b>(9,195,447)</b>    | <b>(6,994,813)</b>  |
| <b>Contribution from DEC Naming Rights Revenues</b>   | <b>1,256,228</b>   | <b>622,546</b>     | <b>295,594</b>     | <b>73,673</b>      | <b>9,195,447</b>      | <b>6,994,813</b>    |
| <b>Balance in DEC Naming Rights Reserve</b>           | <b>538,408</b>     | <b>851,113</b>     | <b>3,491,636</b>   | <b>9,884,370</b>   |                       |                     |

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.