

Subject: Ottawa Community Ice Partners Loan Guarantee

File Number: ACS2023-FCS-FIN-0008

Report to Finance and Corporate Services Committee on 5 September 2023

and Council 13 September 2023

Submitted on August 24, 2023 by Cyril Rogers, General Manager and Chief Financial Officer (A), Finance and Corporate Services Department

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Ward: Citywide

Objet : Garantie de prêt pour Ottawa Community Ice Partners

Numéro de dossier : ACS2023-FCS-FIN-0008

Rapport présenté au Comité des finances et des services organisationnels

Rapport soumis le 5 septembre 2023

et au Conseil le 13 septembre 2023

Soumis le 2023-08-24 par Cyril Rogers, Directeur général et chef des finances (T), Direction générale des finances et des services organisationnels

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION

That the Finance and Corporate Services Committee recommend that Council authorize the Chief Financial Officer to finalize and execute the terms of a loan

guarantee for a credit facility that will be used to retire the existing \$3 million line of credit issued to the Ottawa Community Ice Partners by the Royal Bank of Canada and guaranteed by the City of Ottawa.

RECOMMANDATION DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil d'autoriser le chef des finances à conclure et mettre en œuvre les conditions d'une garantie de prêt pour une marge de crédit qui sera utilisée pour rembourser la ligne de crédit existante de 3 millions de dollars émise par la Banque Royale du Canada à l'intention d'Ottawa Community Ice Partners et garantie par la Ville d'Ottawa.

BACKGROUND

The City's P3 partner, Ottawa Community Ice Partners Incorporate (OCIP), is a local non-profit organization that includes the Ottawa Senators Hockey Club, the Ottawa Senators Alumni, and Morley Hoppner Group. OCIP owns the Bell Sensplex and Richcraft Sensplex sports facilities. Capital Sports Management, an affiliate of the Ottawa Senators, manages the facilities on a day-to-day basis.

The Richcraft Sensplex development started in 2012, with the City entering into a design, build, operate and maintain P3 agreement with OCIP ([ACS2012-COS-PRC-0018](#)). The facility was built through private-sector financing and the debt was guaranteed by the City under a Municipal Capital Facilities Agreement. At the end of this 30-year agreement, which ends in 2044, the City will purchase the facility and land for the sum of one dollar. OCIP is responsible for all programming and marketing of activities within the complex. As per the P3 agreement, the City guaranteed the OCIP loan from the Royal Bank of Canada (RBC) for the Richcraft Sensplex in the amount \$26 million.

Prior to the COVID-19 pandemic, the facilities were on solid footing both operationally and financially, maintaining both the lifecycle and operating reserves above the minimum requirement stated in the respective agreements. The purpose of these reserves is to manage cashflow, maintain capital assets and to maintain collateral for the outstanding loans in case of a payment default.

Given provincial regulations and public health concerns associated with COVID-19, OCIP was forced to close its facilities effective March 13, 2020, and remained closed well into 2022, much longer than anticipated. On July 15, 2020, Council approved a report requesting an additional loan guarantee for a \$3 million line of credit with RBC to help alleviate the financial pressures stemming from the COVID-19 pandemic ([ACS2020-FSD-FIN-0016](#)).

DISCUSSION

During the COVID-19 pandemic, OCIP was forced to take mitigation steps to address financial shortfalls brought on by the various mandated government shut downs, including reducing operating expenses and applying for government grants. With little to no revenue being generated, tenants halting rents, and ongoing fixed expenses, cash flows fell well short of operational requirements. OCIP was able to manage the cash flow shortfall brought on by the impact of COVID-19 by accessing reserves, reducing operating expenditures, and negotiating the deferral of the mortgage loan payments with RBC, by setting up a line of credit to cover interest for a year. This \$3 million line of credit was guaranteed by the City as per Council's approval of, the Public Private Partnership, Ottawa Community Ice Partners report ([ACS2020-FSD-FIN-0016](#)), on July 15, 2020.

Originally anticipating operations to return at the end of 2020, the line of credit was to be paid back over a three to five-year period which would conclude no later than 2025. The COVID-19 pandemic and the requirement to keep the facility closed extended well into 2022, delaying the return to positive cash flows for the facility and the ability to repay the line of credit during that timeframe.

The requirement to keep facilities closed due to COVID-19 ended in 2022. With the re-opening and return to positive cash flows from operations, OCIP is requesting an extension of the pay-back period for the line of credit beyond the original 2025 timeframe approved by Council in July 2020 OCIP is requesting a five-year payback period starting in October 2023 and ending in 2028.

The lenders, the Royal Bank of Canada, have agreed to provide OCIP a five-year amortizing credit facility to a maximum of \$3 million, the amount granted in the letter of credit. A condition of this credit facility is that the City provide a letter of guarantee to RBC that will back-stop the agreement.

Staff recommends that Council authorize the CFO to finalize and execute the terms of a loan guarantee. The guarantee would back-stop a five-year amortizing credit facility to repay the principal outstanding in the existing letter of credit issued to OCIP by RBC. The City would be guaranteeing the conditions in the credit facility that details the five-year repayment of principal and interest to retire the \$3 million letter of credit.

FINANCIAL IMPLICATIONS

Should cash flows from operations at the Richcraft Sensplex fall short or the amounts needed to repay the credit facility, RBC would require the city to act on its guarantee by either assuming the loan or making RBC whole on amounts outstanding plus attributed expenses to retire the loan. The loan guarantee has minimal risk to the City since it is backed by the value of the assets which revert to the City

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

ACCESSIBILITY IMPACTS

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

TERM OF COUNCIL PRIORITIES

This report supports the City's on-going commitment to financial sustainability and transparency.

DISPOSITION

Upon approval of this report, the Chief Financial Officer will negotiate the terms and conditions of the OCIP new credit facility and will execute the required changes or new accompanying City Guarantee.