

**Report to
Rapport au:**

**Council
Conseil**

15 July 2020 / 15 juillet 2020

**Submitted on July 10, 2020
Soumis le 10 juillet 2020**

**Submitted by
Soumis par:**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2020-FSD-FIN-0016

SUBJECT: Public Private Partnership, Ottawa Community Ice Partners

OBJET: Partenariat public-privé, Ottawa Community Ice Partners

REPORT RECOMMENDATIONS

That Council:

- 1. Authorize the Chief Financial Officer to implement, finalize and execute the terms of a loan guarantee for an additional line of credit for a new, or amendment to the existing Ottawa Community Ice Partners (OCIP) Bell Sensplex loan agreement with the Bank of Nova Scotia to a maximum of two million dollars.**

2. **Authorize the Chief Financial Officer to implement, finalize and execute the terms of a loan guarantee for an additional line of credit for a new, or amendment to the existing Ottawa Community Ice Partners (OCIP) Richcraft Sensplex loan agreement with the Royal Bank of Canada to a maximum of three million dollars.**

RECOMMANDATIONS DU RAPPORT

Que le conseil :

1. **Autorise la cheffe des finances à mettre en œuvre, à peaufiner et à exécuter les conditions d'une garantie de prêt pour une marge de crédit supplémentaire en vue de l'établissement d'une nouvelle convention de prêt ou de la modification de la convention de prêt actuelle entre le Bell Sensplex du groupe Ottawa Community Ice Partners (OCIP) et la Banque de Nouvelle-Écosse, d'un montant pouvant atteindre deux millions de dollars.**
2. **Autorise la cheffe des finances à mettre en œuvre, à peaufiner et à exécuter les conditions d'une garantie de prêt pour une marge de crédit supplémentaire en vue de l'établissement d'une nouvelle convention de prêt ou de la modification de la convention de prêt actuelle entre le Richcraft Sensplex du groupe Ottawa Community Ice Partners (OCIP) et la Banque Royale du Canada, d'un montant pouvant atteindre trois millions de dollars.**

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 Capital Sports Management, an affiliate of the Ottawa Senators, manages the facility on a day-to-day basis. In 2004, the City entered into a P3 agreement with OCIP to design, build, finance, operate and maintain the Bell Sensplex ([ACS2003-CMR-OCM-0014](#)), and the Richcraft Sensplex in 2012 ([ACS2012-COS-PRC-0018](#)). The new facility was built through private-sector financing and the debt was guaranteed by the City under a Municipal Capital Facilities Agreement. The City of Ottawa set up an Operating Reserve funded through an \$850,000 contribution from OCIP and annual contributions of \$250,000 from the City, until the reserve reaches the value of a one-year of debt servicing repayment. A Lifecycle Renewal Reserve (1% of construction value contributed annually) was also set up by OCIP to ensure timely capital maintenance of the facility. At the end of this 30-year agreement, 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 agreement the City guaranteed both OCIP loans; one from the Bank of Nova Scotia for the Bell Sensplex in the amount of \$25 million, and another from the Royal Bank of Canada for the Richcraft Sensplex in the amount \$26 million.

Prior to COVID-19, the Sensplexes were doing well financially and have maintained the lifecycle and operating reserves above the minimum requirement and have also built up a surplus reserve. The purpose of these reserves is to manage cashflow, maintain capital assets and to hold as collateral for the outstanding loans in case of a payment default.

On June 24, 2020, OCIP provided the City with a letter, attached as Document 1, requesting an additional loan guarantee for two lines of credit that would help alleviate the immediate financial pressures now faced by these facilities. Given provincial regulations and public health concerns associated with COVID-19, OCIP was forced to close its facilities effective March 13, 2020, and uncertainty remains as to when and how they will be able to reopen.

DISCUSSION

Since the beginning of the pandemic, OCIP has taken mitigating steps to access available government grants and reduced expenses dramatically. With little to no revenue being generated; tenants that are unable to pay rent; and, OCIP's concerns about resumption of business, current cash flow projections are estimated to be negative for the balance of 2020. The mortgage expenses for the two facilities are the most significant expenditure, and if these payments could be deferred to the end of the year the cashflow projections would be significantly improved. Therefore, OCIP has approached their loan providers to negotiate loan payment deferral arrangements to help address current cash flow needs.

The lenders, the Bank of Nova Scotia and the Royal Bank of Canada have agreed to provide credit facilities relief options in the form of a line of credit, to defer principal and interest payments. These funds would be available to use for general operating expenses, but primarily to cover the total principal and interest that OCIP would otherwise have to pay for a ten-month period, commencing March 1, 2020 and ending December 1, 2020, which amounts to \$1,933,574 for Bell Sensplex, and \$1,118,051 for Richcraft Sensplex. Both banks have indicated that their commitment to provide the new credit facilities would be conditional on the City of Ottawa agreeing to the new credit facilities in the same form of guarantee provided for the original loans. The line of

credits would only be on an as required basis, to cover any cashflow requirements throughout 2020 and to defer principal and interest payment to the end of the year. The amounts borrowed would then be repaid over the next 3-5 years.

The success of the two Sensplex facilities has allowed management to accumulate reserves and surplus' necessary to maintain these facilities as per the agreement, and to hold as collateral in the case of a payment default on the loan or for other emergency needs. It is unknown what the long-term impact of the pandemic will have on these facilities going forward and these reserves and surplus amounts will be available and revisited should the COVID-19 pandemic extend beyond a manageable time frame.

Staff recommends that Council authorize the CFO to implement, finalize and execute the terms of a loan guarantee for an additional line of credit for a new, or alter the existing City loan guarantees with the Bank of Nova Scotia and Royal Bank of Canada, guaranteeing the OCIP line of credits for the Bell Sensplex to a maximum of two million and Richcraft Sensplex to a maximum of three million.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Not applicable.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a city-wide report.

ADVISORY COMMITTEE(S) COMMENTS

Not applicable.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

There are no risk impediments to implementing the recommendations in this report.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications associated with the recommendations of this report.

FINANCIAL IMPLICATIONS

The financial implications are as described in the report. The City has an existing commitment guaranteeing the initial mortgage for the two Sensplex facilities totaling \$51 million. The guarantee for two lines of credit will increase the total by up to \$5 million or less. In the event of default, the loan guarantee is backed by the value of the assets which revert to the City and the line of credit guarantee will be paid from OCIP reserves.

ACCESSIBILITY IMPACTS

There are no accessibility impact implications with this report.

TERM OF COUNCIL PRIORITIES

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

SUPPORTING DOCUMENTATION

Document 1 – Letter from OCIP

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.