

**Chief Financial Officer's Report to
Priorities and Finance Committee
2021 June 8**

**ISC: UNRESTRICTED
PFC2021-0687
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Calgary Exhibition and Stampede Limited – 2020 Credit Facility

RECOMMENDATION(S):

That the Priorities and Finance Committee recommends that Council:

1. Direct Administration to consent to amendment of certain Calgary Exhibition and Stampede Limited ("The Stampede") credit facilities in order to ensure The Stampede remains in good standing under such credit facilities. The form and terms of such amendments to be in accordance with The City's Credit Documentation- Loans and Loan Guarantees policy;
2. Direct Administration to amend the necessary financial covenants to allow The Stampede to remain in good standing under its credit facilities with The City. The form and terms of such amendments shall be in accordance with The City's Credit Documentation- Loans and Loan Guarantees policy; and
3. Direct Administration to amend any existing agreements between The City and Calgary Exhibition and Stampede Limited as applicable and in accordance with The City's Credit Documentation – Loans and Loan Guarantees policy.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2021 JUNE 08:

That Council:

1. Direct Administration to consent to amendment of certain Calgary Exhibition and Stampede Limited ("The Stampede") credit facilities in order to ensure The Stampede remains in good standing under such credit facilities. The form and terms of such amendments to be in accordance with The City's Credit Documentation- Loans and Loan Guarantees policy;
2. Direct Administration to amend the necessary financial covenants to allow The Stampede to remain in good standing under its credit facilities with The City. The form and terms of such amendments shall be in accordance with The City's Credit Documentation- Loans and Loan Guarantees policy; and
3. Direct Administration to amend any existing agreements between The City and Calgary Exhibition and Stampede Limited as applicable and in accordance with The City's Credit Documentation – Loans and Loan Guarantees policy.

HIGHLIGHTS

- Due to the ongoing global COVID-19 pandemic the scope and the ability to proceed for The Stampede's 2021 annual exhibition is uncertain when this report was written.
- The pandemic forced the cancellation of the 2020 exhibition and prevented The Stampede from conducting other year-round revenue generating activities. This resulted in an operating loss of \$26.5 million for fiscal 2020 after receipt of COVID-19 related government funding of \$9.9 million.
- The Stampede is seeking amendments to its credit agreements for the 2021 fiscal year similar to the ones for fiscal 2020 such as principal payment deferrals, financial covenant waiver and amendments to its operating facility.
- What does this mean to Calgarians? The Stampede is a cultural icon and important contributor to the City's economy and identity.
- Why does it matter? The City guarantees credit facilities of The Stampede which are provided by a Canadian chartered bank. Without amendments to certain credit facilities

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and certain financial covenants being provided by the lender and The City as guarantor The Stampede could be in default under its credit facilities.

- The Canadian chartered bank which provides credit to The Stampede has been supportive of The Stampede by providing amendments to certain credit facilities and certain financial covenants and improving its access to liquidity in The Stampede's credit agreements to ensure The Stampede remains in good standing under its credit facilities.
- While the duration of the pandemic and its eventual impact on The Stampede is uncertain, The Stampede is considering other possible actions it could potentially take to further deal with the financial impact caused by the pandemic. These include Federal government support programs, sales of unencumbered assets and additional credit facilities.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

- Annually, Administration updates Council regarding the credit facilities guaranteed by The City of Calgary for the Calgary Exhibition and Stampede Limited, related to Stampede Park redevelopment and expansion. The Stampede has historically demonstrated positive operating results.
- 2020 was, and it appears 2021 will likely be, anomalies for The Stampede's operations brought about by the global pandemic and not the result of operational problems of The Stampede itself. The Stampede requires support from governments, lenders and the community to continue its community investment objectives.
- Despite the pandemic, The Stampede has had higher debt levels guaranteed by The City in the past. In 2014 The City was guaranteeing \$120 million compared to current levels of \$73.5 million. The Stampede has demonstrated ability to reduce debt over time.
- The Federal government's budget released 2021 April 19 proposes to invest \$200 million through regional development agencies to support "Major Festivals" such as The Stampede's annual exhibition. Currently no details are available with respect to the logistics, nature, amount and timing of support that may specifically be provided by the Federal government.
- Despite uncertainty The Stampede remains hopeful and is currently marketing tickets for the afternoon rodeo and evening shows. The continuation of the pandemic represents an ongoing financial risk for The Stampede as the annual exhibition historically contributes approximately 60% of its annual revenues and 62% of its annual operating income.
- The Stampede's management has implemented several initiatives to mitigate the impact of the pandemic by reducing personnel expenses, negotiated a deferral of debt principal repayment with its lender of \$6.9 million from 2020/2021 and a proposed \$5.5 million from 2021/2022.
- The City is being asked to waive The Stampede's 2021 debt service coverage ratio financial covenant in its Credit Agreement, with it to be reinstated in 2022. The City is also being asked to consent to amendments to the credit facility between The Stampede and its lender that include a new \$10 million revolving credit facility, facility extensions, amendments to lender's security, covenant waivers and amendments, and further

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principal repayment deferrals until its ultimate maturity of the debt ranging from 2024 to 2036.

- **Guaranteed Credit Facilities**

As of 2020 December 31, a total of \$60.1 million was outstanding on the guaranteed credit facilities. The Stampede has \$13.4 million of undrawn availability remaining under its original \$120 million of total authorized non-revolving credit facilities with guarantees provided by The City. The Stampede plans to utilize any undrawn capacity for Stampede Park expansion and development with a remaining maximum available facility of \$73.5 million.

- **2020 Financial Highlights**

As might be expected the pandemic drastically reduced The Stampede's revenues in 2020 compared to 2019, going from \$154.1 million to \$25 million. The severe impact on The Stampede's profitability in 2020 was mentioned above. Liquidity has also been adversely impacted as reflected by The Stampede's recent increase to its revolving credit facility. Further financial details are available in Attachment 2.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- ☐ Public Engagement was undertaken
- ☒ Public Communication or Engagement was not required
- ☐ Public/Stakeholders were informed
- ☒ Stakeholder dialogue/relations were undertaken

Staff from Treasury within the Finance Business Unit interact with The Stampede on a regular and as needed basis and have had ongoing communication with respect to financial and operational performance, and capital expenditure plans. Treasury is continuing to monitor The Stampede and expects additional amendments to the credit agreements with their Canadian chartered bank will be required and are currently being discussed. To date their lender has been supportive of The Stampede and Treasury has not been advised of any change in that regard. The Stampede has remained compliant with their bank agreements. The Stampede has reviewed and concurs with this report.

IMPLICATIONS

Social

The Stampede contributes significantly to the quality of life in Calgary. It embodies the unique spirit of the west and provides many Calgarians inspiration for identity and character and its world-renowned status is a source of civic pride. It preserves, promotes and contributes to Calgary's western heritage and values. It celebrates western pioneers, its citizens, highlighting the region's indigenous people and youth, the animals, the land and traditions that make up the diverse and inclusive community that is Calgary.

Environmental

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Not Applicable

Economic

In a 2019 November report The Conference Board of Canada estimated The Stampede's year-round operations contributes about \$540 million and \$450 million to Alberta's and Calgary's annual economies, respectively. Many businesses and charities lever off of and depend a great deal on The Stampede. Thousands of direct and indirect jobs are created by Stampede.

The Stampede is a volunteer-supported, not-for-profit community organization. All revenue is reinvested into the annual exhibition and Stampede programs and facilities.

No anticipated service or financial impact

No implications based on the current status of the credit facilities.

The City charges an annual administration fee of 0.02% on the average outstanding balance of the guaranteed credit facilities. The fee paid for 2020 was \$12,085, which supports the administrative and monitoring costs associated with the guaranteed credit facilities.

RISK

Financial loss to The City as guarantor of The Stampede's term debt in the event of default is mitigated by way of a fixed-charge debenture covering all loans guaranteed by The City and secured with specific property owned by The Stampede. The City Loan to Value Ratio amount equal to 131% of the Maximum Guaranteed Amount provides excess value to secure the guarantee in the event the appraised value does not materialize. An updated appraisal of the aggregate market value of "The City Charged Lands" is to be delivered every fifth year during the term of The City's credit agreement. The last appraisal report received in 2019 April remained in compliance with this requirement. (The appraisal underwent Real Estate & Development Services' Valuation Review Committee and the appraised values of The Stampede lands were confirmed.) The next appraisal is scheduled to be completed in 2024.

ATTACHMENT(S)

1. Attachment 1 - Previous Council Direction, Background
2. Attachment 2 - Summary of The Stampede's Operating Results

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Chief Financial Officer	Approve