

Chief Financial Officer's Report to
Executive Committee
2022 June 29

ISC: UNRESTRICTED
EC2022-0520
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Calgary Exhibition and Stampede Limited – 2021 Credit Facility

RECOMMENDATION:

That the Executive Committee recommends that Council receive this report for information and the corporate record.

RECOMMENDATION OF THE EXECUTIVE COMMITTEE, 2022 JUNE 29:

That Council receive this report for information and the Corporate Record.

HIGHLIGHTS

- Annually, Administration updates Council regarding the credit facilities guaranteed by The City for the Calgary Exhibition and Stampede Limited (“The Stampede”), related to Stampede Park redevelopment and expansion. The Stampede has historically demonstrated positive operating results.
- The financial results for the 2020 and 2021 fiscal years were anomalies for The Stampede’s operations brought about by the global COVID-19 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.
- The pandemic forced the cancellation of the annual exhibition in 2020 and prevented The Stampede from conducting other year-round revenue generating activities. This resulted in an operating loss of \$26.5 million for the 2020 fiscal year after receipt of COVID-19 related government funding of \$9.9 million.
- The annual exhibition returned in 2021 but on a greatly reduced scale compared to pre-pandemic levels. This was in part to allow for physical distancing and to ensure compliance with all public health measures in effect at the time. Many members of the public were also apprehensive of venturing out, travel was restricted and fewer attractions were offered, all of which culminated in reduced attendance. Other year-round revenue generating activities also continued to be impacted. The Stampede’s 2021 fiscal year operating loss was, however, reduced to \$8.3 million; aided by prudent fiscal management and \$14.9 million of COVID-19 related government funding.
- The Stampede requested and was granted amendments to its credit agreements by its lender and The City of Calgary (“The City”) for the 2021 fiscal year and beyond. These amendments were similar to the ones granted for the 2020 fiscal year by The Stampede’s lender and The City, such as principal payment deferrals, financial covenant amendments and increases to its operating facility.
- 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 the current level of \$73.5 million. The Stampede has demonstrated an ability to reduce debt over time.
- **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 the term-debt credit facilities of The Stampede which are provided by a Canadian chartered bank. Without the 2020 and 2021 amendments to certain credit facilities and certain financial covenants being

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amended by the lender and The City as guarantor, The Stampede would be in default under its credit facilities.

- The Canadian chartered bank that 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 to ensure The Stampede remains in good standing under its credit facilities.
- The pandemic has had a significant impact on The Stampede and its financial results. The pandemic is persisting and will likely continue to impact The Stampede in the future but the extent of the future impact is uncertain. The Stampede is prepared to take other possible actions to further deal with the financial impact caused by the pandemic if necessary. These include seeking Federal government support programs, sales of unencumbered assets and seeking amendments to, or additional, credit facilities.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

- The Federal government increased its COVID-19 support of The Stampede from \$9.9 million in 2020 to \$14.9 million in 2021 to help cushion the financial impact on The Stampede due to the pandemic.
- Despite uncertainty, The Stampede remains optimistic and is currently planning for a full annual exhibition in 2022. The continuation of the COVID-19 pandemic represents an ongoing financial risk for The Stampede as the annual exhibition historically contributes approximately 60 per cent of its annual revenues and 62 per cent of its annual operating income.
- The Stampede's management implemented several initiatives to mitigate 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 \$5.5 million from 2021/2022 to future years.
- In 2021, The Stampede's lender and The City agreed to drop The Stampede's 2021 debt service coverage ratio financial covenant in its Credit Agreement in favour of a liquidity covenant, with the debt service coverage ratio to be reinstated beginning in 2022. The City also consented to a new \$10 million revolving credit facility granted by The Stampede's lender, along with amendments to the existing credit facilities between The Stampede and its lender, which included facility extensions, covenant waivers and amendments, and further principal repayment deferrals until the ultimate maturity of the debt ranging from 2024 to 2036.
- **Guaranteed Credit Facilities**
As of 2021 December 31, a total of \$60.1 million was outstanding on The Stampede's credit facilities that The City guarantees. The Stampede has \$13.4 million of undrawn availability remaining under its non-revolving credit facilities with guarantees provided by The City. The Stampede may utilize the undrawn availability for future Stampede Park expansion and development.
- **2021 Financial Highlights**

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With the return of the annual exhibition in 2021, The Stampede's revenues increased to \$66.7 million from \$25.0 million in 2020. However, this is well short of the pre-pandemic revenues in 2019 of \$154.1 million. The severe impact on The Stampede's profitability in 2020 and 2021 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's financial position. To date, The Stampede's lender has been supportive and Treasury has not been advised of any potential changes in that regard. The Stampede has been able to remain compliant with its credit agreements due in part to the support from and willingness of its lender and The City to amend certain credit facilities and financial covenants in recognition of the financial strain posed by the COVID-19 pandemic. 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 with inspiration for identity and character and the world-renowned status of the exhibition is a source of civic pride. It preserves, promotes and contributes to Calgary's western heritage and values. It celebrates western pioneers and the citizens of Calgary along with 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

Not Applicable

Economic

In a pre-pandemic 2019 November report, The Conference Board of Canada estimated that The Stampede's year-round operations contributes approximately \$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 The Stampede.

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

Service and Financial Implications

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

The City charges an annual administration fee of 0.02 per cent on the average outstanding balance of the guaranteed credit facilities. The fee paid for 2021 was \$12,020, 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 is equal to 128 per cent of the Maximum Guaranteed Amount, which provides excess value to secure the guarantee in the event appraised values do 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 Loan to Value Ratio 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 to be completed in 2024.

ATTACHMENT(S)

1. Attachment 1 - Previous Council Direction, Background
2. Attachment 2 - Summary of The Stampede's Operating Results
3. Attachment 3 - Presentation Calgary Exhibition and Stampede Limited - 2021 Credit Facility

Department Circulation

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