

Calgary Exhibition and Stampede Limited – 2022 Credit Facility Update and New Loan Guarantee Bylaw

RECOMMENDATIONS:

That the Executive Committee recommend that Council:

1. Give first reading to Bylaw 11M2023 (Attachment 3), authorizing the City of Calgary (“The City”) to guarantee third party bank indebtedness of the Calgary Exhibition and Stampede Limited (“The Stampede”) in the amount of \$10 million;
2. Withhold second and third readings until the advertising requirements have been met; and
3. Direct Administration to amend any existing agreements between The City and The Stampede as applicable and in accordance with the Credit Documentation – Loans and Loan Guarantees Policy and Procedures.

HIGHLIGHTS

- Annually, Administration updates Council regarding the credit facilities guaranteed by The City for The Stampede, related to Stampede Park redevelopment and expansion. The credit facilities provided by a Canadian chartered bank (the “Lender”) which are currently guaranteed by The City are facilities B, C and D. The Stampede has historically demonstrated positive operating results.
- This year, The Stampede is requesting additional support from The City, to guarantee a new credit facility provided by the Lender in the amount of \$10 million. The new credit facility is facility H. Administration is supportive of this request due to The Stampede’s strong history of debt reduction.
- The Lender provided facility H to The Stampede to fund costs incurred during the global COVID-19 pandemic including the forced cancellation of the annual exhibition in 2020 which also 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 despite receipt of \$9.9 million of Federal government COVID-19 funding.
- The annual exhibition returned in 2021 but on a greatly reduced scale compared to pre-pandemic levels. 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 Federal government COVID-19 funding.
- The Stampede requested and was granted amendments to its credit agreements by its Lender and The City for the 2021 fiscal year and beyond, similar to the ones granted for the 2020 fiscal year, such as principal payment deferrals, financial covenant amendments and increases to its operating credit facilities.
- The Stampede was very successful in 2022 and saw its operations return to near pre pandemic levels and was aided financially by \$13 million of Federal government COVID-19 funding.
- **What does this mean to Calgarians?** The Stampede is a cultural icon and important contributor to the City’s economy and identity. This additional loan guarantee will provide complementary support to The Stampede as it continues to recover from the pandemic.
- **Why does it matter?** The City’s credit facility guarantees provide support to The Stampede and result in lower borrowing costs.

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- The Lender 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.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

- The pandemic had a significant impact on The Stampede and its financial results.
- The Stampede's management implemented several initiatives to mitigate the financial impact of the pandemic by reducing personnel and other expenses, negotiating 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, limiting capital expenditures to essential maintenance requirements, and seeking Federal government support programs.
- The Federal government provided COVID-19 support to The Stampede in the amount of \$9.9 million in 2020, \$14.9 million in 2021 and \$13.0 million in 2022 to help cushion the financial impact on The Stampede due to the pandemic. No additional Federal government COVID-19 support is anticipated in 2023.
- In 2021, the 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 reinstated beginning in 2022. The City also consented to a new \$10 million revolving credit facility granted by the Lender, facility H, along with amendments to the existing credit facilities between The Stampede and the 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.
- The \$10 million revolving credit facility H granted in 2021 was converted to a term loan on 2022 September 30 is the credit facility that The Stampede is now seeking The City's support to provide the guarantee.

- **Guaranteed Credit Facilities (B, C and D)**

As of 2022 December 31, a total of \$57.4 million was outstanding on guaranteed facilities. The Stampede has \$13.4 million of undrawn availability remaining under its non-revolving credit facilities with guarantees provided by The City that it may utilize for future Stampede Park expansion and development.

- **2022 Financial Highlights**

With the success of the annual exhibition in 2022, The Stampede's revenues increased to \$142.2 million from \$66.7 million in 2021, and not far off 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, however, in 2022, The Stampede realized an excess of revenues over expenses of \$13.8 million, aided significantly by the Federal government COVID-19 funding of \$13.0 million. Liquidity had also been adversely impacted as reflected by The Stampede's 2021 new revolving credit facility H which has now been converted to the term facility as discussed above. Further financial details are available in Attachment 2.

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EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | | | |
|--------------------------|---|-------------------------------------|---|
| <input type="checkbox"/> | Public engagement was undertaken | <input checked="" type="checkbox"/> | Dialogue with interested parties was undertaken |
| <input type="checkbox"/> | Public/interested parties were informed | <input checked="" type="checkbox"/> | Public communication or engagement was not required |

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 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 annual 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 and depend a great deal on The Stampede. Thousands of direct and indirect jobs are created by The Stampede.

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

Other: new loan guarantee

\$10 million

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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 Stampede's existing guaranteed credit facilities. The fee paid for 2022 was \$11,949, which supports the administrative and monitoring costs associated with the guaranteed credit facilities.

Should Council approve The Stampede's request for the new \$10 million guarantee, The City will charge its standard annual administration fee of 0.10 per cent on the average outstanding balance of the new guaranteed credit facility per the City's Credit Documentation – Loans and Loan Guarantees Policy and Procedures.

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. At the end of 2022, The City Loan to Value Ratio amount is equal to 133 per cent of the Maximum Guaranteed Amount, which provides excess value to secure the guarantee in the event appraised values do not materialize. Should Council approve the requested new \$10 million guarantee of facility H, The City will seek additional specific property owned by The Stampede sufficient to maintain the minimum Loan to Value Ratio amount of 125 per cent.

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. Background and Previous Council Direction
2. Summary of The Stampede's Operating Results
3. Proposed text for discussion – Proposed Bylaw 11M2023
4. Presentation

Department Circulation

| General Manager/Director | Department | Approve/Consult/Inform |
|--------------------------|---|------------------------|
| Carla Male | Corporate Planning and Financial Services | Approve |