



Date 7 January 2010

City Council Committee Report

To: Mayor Compton & Members of Council

Fr: Karen Brown

Re: Mount Evergreen Ski Club Repayable Loan - Extension

Recommendation:

That Council hereby authorizes an extension of the repayable loan in the amount of \$25,000 to the Mount Evergreen Ski Club to be repaid in full on or before December 31, 2010; and

That upon default in repayment, interest shall commence and accrue at the rate of prime plus 2% per annum until collected; and further

That this extension be conditional upon receipt of the most recent Ski Hill financial statements as well as the 2009 financial statements once available.

Background:

In May 2009, the City received a request from Mount Evergreen for a loan in the amount of \$25,000 that would be repaid in full by December 31, 2009. A copy of the report detailing that request has been attached for your reference. At its May 19, 2009 meeting, Council passed the following resolution:

That Council hereby authorizes a repayable loan in the amount of \$25,000 to the Mount Evergreen Ski Club under the condition that the amount be repaid in full on or before December 31, 2009; and further

That upon default in repayment, interest shall commence and accrue at the rate of prime plus 2% per annum until collected.

In December 2009, the City received an update from Ursula Wehner on the five year project, including a request for the deferral of the loan interest free for an additional one year period. This extension is being requested as a result of the following:

- "The costs of the snowmaking system installation have far exceeded our budget estimations; and
- The replacement of (the) current lighting system was not on (the) capital expense list for this year. (Safety moved this to a 2009 project.)"

A copy of the update, including the request, has also been attached for your reference.

Despite the initial resolution requiring interest on the failure to pay by December 31, 2009, it is recognized that the request has been made as a result of extenuating circumstances. It is further acknowledged that the Ski Hill continues to be a vital part of winter activities within the City, and that these improvements were designed to allow the Ski Hill to market itself as a skiing destination this season, helping to promote tourism to the Kenora area. As such, it is recommended that Council provide a one year extension on the repayment terms of this loan.

At the same time, it is recommended that the City obtain a copy of the Ski Hill's most recent financial statements to confirm the requirement for the continuation of the loan, and that any extension be made conditional upon the receipt of those statements.

Budget:

The only cost to the City for extending the repayment date of this loan would be the lost interest revenue on our account. As the amount is somewhat minor to the City's overall cash flow requirements, it would not necessitate the cashing in of any investments that would be earning a higher interest rate. The City is currently receiving .5% on our general bank account. Lost interest revenue on \$25,000 for a one year period would be approximately \$125, assuming the rate remains relatively unchanged for 2010. At the offset, the costs to the Ski Hill to arrange for a line of credit to repay this debt, and related interest incurred thereon, would be significantly higher to that organization.

Communication Plan/Notice By-law Requirements:

The Ski Hill would be notified as to Council's decision on this matter.