



STAFF REPORT ACTION REQUIRED

Toronto Caribbean Carnival Festival Line of Credit Guarantee

Date:	February 5, 2007
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2007\Internal Services\Cf\ec07006Cf – et (AFS #4033)

SUMMARY

This report seeks Council approval to renew the line of credit guarantee for the Festival Management Committee, who organizes the Toronto Caribbean Carnival Festival, in the amount of \$100,000.00 until October 1, 2007.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

- (1)
 - (a) the City renew the line of credit guarantee on behalf of the Festival Management Committee (FMC) to its financial institution in the amount of \$100,000.00 (inclusive of all interest payable by the FMC), commencing on March 1, 2007 and ending on October 1, 2007;
 - (b) the City extend the agreement with the FMC with respect to the line of credit guarantee; and
 - (c) the City extend the tri-party agreement with the FMC and with its financial institution with respect to the line of credit guarantee;
- (2) such guarantee and all related agreements be on terms and conditions satisfactory to the City Solicitor, the Deputy City Manager and Chief Financial Officer and Deputy City Manager Sue Corke;

- (3) the Deputy City Manager and Chief Financial Officer be requested to negotiate appropriate and adequate safeguards, to the satisfaction of the City Solicitor, with the City being promptly advised in the event of default or delay in the payment of interest;
- (4) the City retain the right to withhold a portion of the FMC's 2007 community investment to pay off the line of credit if it is not retired by October 1, 2007 and for the FMC to provide the DCM/CFO with their 2007 audited financial statements when they become available;
- (5) the guarantee be deemed to be in the interest of the municipality; and
- (6) the appropriate officials be authorized to take the necessary action to give effect thereto.

FINANCIAL IMPACT

Issuance of a line of credit guarantee is considered to be a financial commitment of the City. However, there is no direct cost to the City for providing this guarantee unless the organization defaults on its obligation at which time the City will withhold an appropriate portion of any City community investment.

DECISION HISTORY

The line of credit guarantee was approved by City Council at its meeting held on September 26 2006, "Festival Management Committee Report on a "Governance Structure for the 2007 Carnival Festival" and 2006 Carnival Audit".

At its meeting held on January 26, 2007, the Budget Committee requested the Deputy City Manager and Chief Financial Officer to report to the Executive Committee meeting on February 12, 2007 on the extension of the line of credit guarantee.

City Council, at its meeting held on March 6, 7 and 8, 2001, by adoption of Clause No. 3 of Report No. 2 of the Policy and Finance Committee, established the Policy of Capital Loan and Line of Credit Guarantees for cultural and community organizations that have a direct financial relationship with the City of Toronto. This policy established a limit of \$5,000,000 in line of credit guarantees that can be issued by the City for these organizations, which limit has subsequently been increased to \$10,000,000 by Council at its meeting of February 1, 2 and 3, 2005. As at December 31, 2006, the City provided a total of \$5,940,000 of guarantees, inclusive of the \$100,000 for the Toronto Caribbean Carnival Festival.

LINKS TO BACKGROUND INFORMATION

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060925/pof7rpt/cl080.pdf>

[HTTP://WWW.TORONTO.CA/LEGDOCS/MMIS/2007/BU/BGRD/BACKGROUNDFILE-1079.PDF](http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-1079.pdf)

[HTTP://WWW.TORONTO.CA/LEGDOCS/MMIS/2007/BU/DECISIONS/2007-01-26-BU03-DD.PDF](http://www.toronto.ca/legdocs/mmis/2007/bu/decisions/2007-01-26-bu03-dd.pdf)

ISSUE BACKGROUND

The line of credit guarantee for \$100,000 as provided to the FMC expires on February 28, 2007. It was intended to provide them with the ability to pursue increased corporate and government sponsorship and permit the continuation of the planning activities associated with the Festival.

In order to continue the planning process, the Directors of the FMC have requested that the \$100,000 line of credit guarantee be extended until October 1, 2007.

COMMENTS

When a non-profit cultural organization such as the FMC requests a credit facility from a financial institution, there may be a requirement from the lender to obtain a guarantee. Since a portion of the FMC's funding consists of a community investment approved by Council, the City may be requested to provide a guarantee to the lender that it will cover any losses arising from the arrangement. There is no direct cost to the City for providing this guarantee unless the organization defaults on its obligation and the City cannot recover any funds from them.

Since it is necessary for the FMC to incur upfront expenses in advance of receiving revenues from public and corporate funding sources, it is being recommended that the City extend the current line of credit guarantee for \$100,000 from March 1, 2007 until October 1, 2007.

As the FMC has received a Major Cultural Organization allocation from the City in recent years (\$400,000 in 2006), and this allocation will be included as part of the Community Partnership and Investment Program in 2007. It is being recommended that the City retain the right to withhold a portion of the FMC's 2007 payment to pay off the line of credit if it is not retired by October 1, 2007. As a safeguard for the City, the current agreement provides that the City can withhold part of the community investment to the FMC in the event of a default and it is being recommended that this provision be continued in the renewal.

The requested extension of the guarantee for a line of credit conforms to the City's policy and will provide the FMC with assistance to meet short-term cash flow requirements.

The City Solicitor has reviewed this report and, if approved, will assist in the preparation of the required documents in conjunction with the FMC and its financial institution.

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SIGNATURE

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Deputy City Manager and Chief Financial Officer