



## STAFF REPORT ACTION REQUIRED

### North York Symphony Association (operating as The Toronto Philharmonia) Line of Credit Guarantee

<b>Date:</b>	March 8, 2007
<b>To:</b>	Executive Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2007\Internal Services\Cf\ec07010Cf – tn (AFS # 4430 )

#### SUMMARY

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This report seeks Council approval to renew the line of credit guarantee for the North York Symphony Association (operating as the The Toronto Philharmonia) and increase the amount from \$200,000.00 to \$250,000.00 until April 30, 2009.

#### RECOMMENDATIONS

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**The Deputy City Manager and Chief Financial Officer recommends that:**

- (1)
  - (a) Council approve the renewal and increase of the line of credit guarantee on behalf of the North York Symphony Association (NYSA) (operating as The Toronto Philharmonia) to its financial institution in the amount of \$250,000.00 (inclusive of all interest payable by the NYSA), commencing on April 30, 2007 and ending on April 30, 2009;
  - (b) the City extend the agreement with the NYSA respect to the line of credit guarantee; and
  - (c) the City extend the tri-party agreement with the NYSA 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, and that 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;
- (3) the guarantee be deemed to be in the interest of the municipality; and
  - (4) 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 and the City cannot recover the funds.

## **DECISION HISTORY**

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.

North York Symphony Association's request (operating as The Toronto Philharmonia) for a line of credit guarantee was approved by City Council at its meeting held on May 21, 22 and 23, 2002. Financial institutions often require guarantors in order to issue credit facilities to non-profit organizations. City Council authorized a line of credit guarantee for the amount of \$200,000.00 to Toronto Philharmonia to meet operating cash flow requirements, for the period June 1, 2002 to May 31, 2004.

At its meeting held on May 17, 18, 19 and 20, 2004, City Council extended the existing guarantee to December 31, 2006 to allow the organization to submit its audited financial statements to the City as it has a year-end of May 31<sup>st</sup>.

## **LINKS TO BACKGROUND INFORMATION**

<http://www.toronto.ca/legdocs/2004/agendas/council/cc041130/pof9rpt/cl008.pdf>

## **ISSUE BACKGROUND**

The line of credit guarantee for \$200,000 as provided to the NYSA expired on December 31, 2006. It was intended to provide the organization with the ability to pursue increased corporate and government sponsorship and permits the continuation of its performing and cultural activities.

In order to continue these activities, the NYSA has requested the line of credit guarantee be increased from \$200,000 to \$250,000 and renewed until April 30, 2009.

## **COMMENTS**

North York Symphony Association, operating as The Toronto Philharmonia, was founded in 1971 as a community orchestra and re-organized in 1996 to become a professional orchestra, with its performing home located at the George Weston Recital Hall in the Toronto Centre for the Arts. For the 2005/06 season, Toronto Philharmonia performed seven concerts which is the same number as were performed during the previous season.

The audited financial statements as of May 31, 2006 have been received and reviewed by staff. The NYSA has managed to reduce its expenses by \$100,000 during 2006 to match a decrease in operating revenue which has stabilized their financial situation. They received grants of \$37,000 from the Toronto Arts Council and \$7,486 from the Ontario Arts Council in 2006 as well as sponsorships and donations of \$127,718, an increase of \$11,467 over 2005.

When a non-profit cultural organization such as the NYSA requests a credit facility from a financial institution, there may be a requirement from the lender to obtain a guarantee. 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 NYSA to incur upfront expenses in advance of receiving revenues from public and corporate funding sources, it is being recommended that the City increase the current line of credit guarantee from \$200,000 to \$250,000 and extend the guarantee from April 30, 2007 until April 30, 2009.

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

## **CONTACT**

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## **SIGNATURE**

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Joseph P. Pennachetti  
Deputy City Manager and Chief Financial Officer