

**Toronto Symphony Orchestra Line of Credit Guarantee**

<b>Date:</b>	May 31, 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\Ec07025Cf – et (AFS #4928)

**SUMMARY**

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This report seeks Council approval to renew the line of credit guarantee for the Toronto Symphony Orchestra and increase the amount from \$2,250,000 to \$3,000,000 effective from October 31, 2007 until October 31, 2010.

**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 Toronto Symphony Orchestra (TSO) to its financial institution in the amount of \$3,000,000.00 (inclusive of all interest payable by the TSO), commencing on October 31, 2007 and ending on October 31, 2010;
  - (b) the City extend the agreement with the TSO with respect to the line of credit guarantee; and
  - (c) the City extend the tri-party agreement with the TSO 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.

The Toronto Symphony Orchestra's previous request for a line of credit guarantee for \$2,250,000 was approved by Council at its meeting held on October 26<sup>th</sup>, 27<sup>th</sup>, 28<sup>th</sup> and 31<sup>st</sup>, 2005.

## **ISSUE BACKGROUND**

The line of credit guarantee provided to the TSO expires on October 31, 2007. It is 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 TSO has requested the line of credit guarantee be increased from \$2,250,000 to \$3,000,000 until October 31, 2010.

## COMMENTS

The Toronto Symphony Orchestra celebrates its 85th season in 2007. More than 400,000 patrons visit the Orchestra at Roy Thomson Hall each year, and an additional five million Canadians tune in to frequent radio concert broadcasts. At the same time, the Orchestra maintains a strong international presence, built by a history of touring, including a European tour in the spring of 2000, and reinforced by recordings available in music stores around the world.

It was formed in 1922 and is considered to be one of the top 10 best orchestras in North America. The TSO continues to provide distinctive performances of classical and new orchestral works to close to 270,000 residents and visitors yearly. In 2002, the TSO restructured its Board of Directors and hired a new President and CEO. In January 2003, TSO appointed Canadian-born Peter Oundjian as the new Music Director. In addition, the acoustical renovations at Roy Thomson Hall are proving to be well received with audiences.

The TSO has a demand-revolving loan with its bank, HSBC Bank Canada for \$6,500,000 which is reviewed annually. This revolving loan, or a line of credit, requires a guarantee from the Toronto Symphony Foundation (TSF). The TSF is able to provide a guarantee for \$3,500,000, leaving a balance required of \$3,000,000.

The TSO has requested the City to increase the line of credit guarantee to \$3,000,000 for 3 years, commencing on October 31, 2007 and ending on October 31, 2010. This increase is necessary to allow HSBC to maintain the TSO's line of credit which will be fully guaranteed by the TSF and the City.

The request for the line of credit guarantee meets the criteria set out in the City's policy and the issuance of a line of credit guarantee is considered a financial commitment of the City. The TSO is required to pay the interest and principal on the loan utilized throughout the term.

When a non-profit cultural organization 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.

The most recent audited financial statements for the 2006 fiscal year, approved budget and cash flow forecasts have been received and reviewed by City staff. The TSO generated a surplus of \$30,318 versus a budgeted deficit of \$798,000 and has demonstrated improved cash management practices which have resulted in only having to access the City's guarantee from mid-October 2006 until the end of November 2006 when they received \$1.6 million in grant installments from the Canada Council and the Ontario Arts Council.

In addition, the TSO received a \$2 million donation from the TSF and have exceeded their fundraising targets by \$1 million in addition to this donation.

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

## **CONTACT**

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## **SIGNATURE**

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Joseph P. Pennachetti  
Deputy City Manager and Chief Financial Officer