

Toronto Caribbean Carnival Festival Line of Credit Guarantee

Date:	September 10, 2007
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2007\Internal Services\Cf\ec07035Cf – et (AFS #5930)

SUMMARY

This report seeks Council approval to renew the line of credit guarantee for the Toronto Caribbean Carnival Festival in the amount of \$100,000.00 from October 1, 2007 until October 1, 2008.

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 Toronto Caribbean Carnival Festival (TCCF) to its financial institution in the amount of \$100,000.00 (inclusive of all interest payable by TCCF), commencing on October 1, 2007 and ending on October 1, 2008;
 - (b) the City extend the agreement with the TCCF with respect to the line of credit guarantee; and
 - (c) the City extend the tri-party agreement with the TCCF 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 as well as 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 City retain the right to withhold a portion of outstanding grants that the City may provide to the TCCF in 2007 and 2008 to pay off the line of credit if it is not retired by October 1, 2008;
 - (4) the TCCF to provide the Deputy City Manager and Chief Financial Officer with their 2007 and 2008 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 and the City cannot recover the funds beyond any grant funding to the TCCF withheld by the City.

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 March 5, 6, 7, and 8, 2007, Council approved the extension of the \$100,000 line of credit guarantee until October 1, 2007.

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 following table illustrates the lines of credit, guaranteed by the City, that are currently in place for cultural organizations:

Toronto Philharmonia	200,000
Lorraine Kisma Theatre for Young People	250,000
Canadian Stage (increased in July 2006)	500,000
The Factory Theatre Lab	200,000
Artscape	400,000
Toronto Symphony Orchestra	2,250,000
Toronto Botanical Gardens (reduced in May 2006)	1,500,000
Toronto Caribbean Carnival Festival	100,000
Sub-total -Cultural Guarantees -\$20 million limit per policy	<u>5,400,000</u>

ISSUE BACKGROUND

The line of credit guarantee for \$100,000 as provided to the TCCF expires on October 1, 2007. It was intended to provide the TCCF 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 for future carnival festivals, the Directors of the TCCF have requested that the \$100,000 line of credit guarantee be extended until October 1, 2008.

COMMENTS

When a non-profit cultural organization such as the TCCF 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 TCCF's funding consists of a grant 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 beyond any grant funding that would be withheld by the City.

Since it is necessary for the TCCF 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 October 1, 2007 until October 1, 2008.

As the TCCF has received a Major Cultural Organization allocation from the City in recent years (\$436,000 in 2007), and it is likely that this grant will be included as part of the Community Partnership and Investment Program in 2008. It is being recommended that the City retain the right to withhold a portion of any outstanding grants that may be provided to TCCF in 2007 and 2008 to pay off the line of credit if it is not retired by October 1, 2008.

As a safeguard for the City, the current agreement provides that the City can withhold part of the grant to the TCCF in the event of a default and it is being recommended that this provision be continued in the renewal.

In order to provide additional protection to the City, the audited financial statements for the 2007 fiscal year will be received and reviewed in early October 2007. An updated cash flow forecast for October 2007 to October 2008 has been received and reviewed by City staff and indicates improved financial results and cash management. It is also recommended that the TCCF provide the Deputy City Manager and Chief Financial Officer with their 2007 and 2008 audited financial statements when they become available.

The requested extension of the guarantee for a line of credit conforms to the City's policy and will provide the TCCF with assistance to meet its 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 TCCF and its financial institution.

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SIGNATURE

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Deputy City Manager and Chief Financial Officer