

Request for a Renewal of the Toronto Symphony Orchestra Line of Credit Guarantee

Date:	May 26, 2010
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2010\Internal Services\Cf\Ec10026cf (AFS #11708)

SUMMARY

This report seeks Council approval to renew the line of credit guarantee for the Toronto Symphony Orchestra in the amount of \$3,000,000 effective from October 31, 2010 until October 31, 2015.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1.
 - a. Council approve the renewal 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 (inclusive of all interest payable by the TSO), commencing on October 31, 2010 and ending on October 31, 2015;
 - 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 the Deputy City Manager, Cluster A, 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 TSO provide the Deputy City Manager and Chief Financial Officer with their 2010 to 2015 inclusive audited financial statements when they become available.
4. The guarantee be deemed to be in the interest of the municipality.
5. 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 3, 4 and 5, 2008, by adoption of Executive Committee Item EX17.3, established the Cultural Organizations Loan and Operating Lines of Credit Guarantee Policy (the "Policy") for cultural organizations that have a financial relationship with the City of Toronto.

To date, including the TSO guarantee, the City has \$4.6 line of credit guarantees within a policy limit of \$10 million.

ISSUE BACKGROUND

The line of credit guarantee provided to the TSO expires on October 31, 2010. It provides 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 renewed at its current amount of \$3,000,000.

COMMENTS

The Toronto Symphony Orchestra is celebrating its 88th season in 2010. More than 400 thousand patrons visit the Orchestra at Roy Thomson Hall each year, and an additional 5 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 and a large library of recordings.

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 300,000 residents and visitors yearly.

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 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 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.

Financial Information

The most recent audited financial statements for the 2009 fiscal year and the approved budget and cash flow forecasts have been received and reviewed by City staff. With revenues of \$23.2 million, an increase of 3% over 2008, the TSO generated a surplus of \$29.6 thousand, an increase of 6% over 2008 and has demonstrated tight expense control and improved cash management practices which have resulted in only having to access the City's guarantee for several months in 2009.

In addition, the TSO received a \$1.8 million distribution from the TSF and have achieved their fundraising targets in addition to this donation.

Risk Factors

The main risk factor for the TSO is a decline in concert ticket sales and donations. During the last 12 months, during a period of an economic downturn, ticket sales have increased by 1% and donations from TSO supporters have remained fairly constant.

CONTACT

Len Brittain, Director, Corporate Finance

Phone: 416-392-5380; Fax: 416-397-4555; E-mail: lbrittai@toronto.ca

Michael Williams, General Manager, Economic Development and Culture

Phone: 416-397-1970; Fax: 416-397-5314; E-mail: mwillia5@toronto.ca

Martin Willschick, Manager, Capital Markets

Phone: 416-392-8072; Fax: 416-397-4555; E-mail: mwillsch@toronto.ca

SIGNATURE

Cam Weldon
Deputy City Manager and Chief Financial Officer