

Request for a Renewal of a Line of Credit Guarantee for the North York Symphony Association (operating as The Toronto Philharmonia)

Date:	April 16, 2009
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer General Manager, Economic Development, Culture & Tourism
Wards:	All
Reference Number:	P:\2009\Internal Services\Cf\Ec09009Cf – et (AFS #9842)

SUMMARY

This report seeks Council approval for the City to renew a line of credit guarantee for the North York Symphony Association (NYSA) (operating as The Toronto Philharmonia) in the amount of \$250,000.00.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer and the General Manager, Economic Development, Culture & Tourism recommend that:

1.
 - a. The City provide, to NYSA's financial institution, a guarantee of NYSA's line of credit in the amount of \$250,000.00 (inclusive of all interest costs payable by NYSA), for a term commencing on May 1, 2009 until May 31, 2012.
 - b. In accordance with the City's Capital Loan and Line of Credit Guarantee Policy, the City enter into an agreement with NYSA, and a tri-party agreement with both NYSA and its financial institution, in respect of the recommended 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 the General Manager, Economic Development, Culture & Tourism 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.

3. NYSA provide the Deputy City Manager and Chief Financial Officer with their 2009 to 2011 inclusive audited financial statements when they become available.
4. The line of credit guarantee be deemed to be in the interest of the municipality.

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 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.

The policy has established a limit of \$10 million in loan and line of credit guarantees that can be issued by the City for cultural organizations. To date, guarantees totalling \$4.5 million, including this renewal request for NYSA, have been issued by the City.

The original line of credit guarantee was approved by the City in May 2002 for \$200,000 to be in effect from June 1, 2002 until May 31, 2004. Council renewed the guarantee from June 1, 2004 until December 2006 when the guarantee was increased to \$250,000 and renewed until April 30, 2009.

ISSUE BACKGROUND

The City received a request dated March 11, 2009, for a renewal of a line of credit guarantee for \$250,000 from NYSA. The organization has received a line of credit guarantee from the City of Toronto since 2002, with the last guarantee from the City of Toronto covering a three-year period that ends on April 30, 2009. NYCA has never defaulted during this 7-year period.

NYSA continues to demonstrate the ability to manage its cash flow and finances and satisfies Council’s Policy for Capital Loan and Line of Credit Guarantees.

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 2007/08 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, 2008 have been reviewed by staff, indicating a stable financial situation. For 2009, NYSA has budgeted a surplus of \$15,000.

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.

Due to the production schedules, it is necessary for NYSA to incur upfront expenses well in advance of matching revenues from public and corporate funding sources, and from ticket sales. The renewed request for a line of credit guarantee will provide the necessary assistance to meet these short-term cash flow requirements.

In accordance with City practices related to line of credit guarantee renewals, this report is requesting a 3-year renewal period to expire on May 31, 2012 in order to streamline administrative functions for the City as well as NYSA.

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