

Attachment 1 – Confidential Information

Annual Review of City's Loan and Loan Guarantee Portfolio

Date:	April 8, 2015
To:	Executive Committee
From:	Deputy City Manager & Chief Financial Officer

Comments

In July 2007, City Council authorized a \$500,000 interest-free loan to JFL to establish a Just for Laughs Comedy Festival in Toronto. The loan was due December 31, 2009. The loan was made under a Tourism Event Development Loan Program, administered by the Economic Development, Culture and Tourism Division. There are no other such loans under that program.

The Toronto Just For Laughs Comedy Festival incurred a deficit in those first two years of operation, and City Council extended the loan repayment to December 31, 2010. The loan was not paid when due.

City Council at its meeting in April 2013, in a Confidential Attachment to the report "Comprehensive Review of the City's Loan and Loan Guarantee Portfolio", authorized the General Manager of Economic Development and Culture to negotiate repayment terms for the \$500,000 loan made to JFL.

The results of negotiation, and proposed settlement were presented to Executive Committee at its meeting on April 23, 2014. The proposed settlement negotiated between JFL and the General Manager of Economic Development and Culture would require JFL to repay 50% of the loan amount (\$250,000) over five years, with a calculation for interest of \$62,500. JFL would also be required to pay a minimum of \$100,000 during each year for services to the City and/or City Agencies, which would count as a notional contribution of \$50,000 during each year against the balance of the loan. Thus, over 5 years, \$312,500 in cash would be repaid to the City and a notional off-set of \$250,000 based on using City/City Agency services totalling at least \$500,000 over the five years. If JFL fails to make any of the required payments, the City can call the outstanding balance of the loan and interest. And if JFL fails to expend the minimum off-set costs, the amount is due in cash.

Executive Committee did not accept these terms, and instead directed the General Manager of Economic Development and Culture to further negotiate with a view of obtaining a full or better settlement. After further negotiations, staff were not able to

negotiate a different arrangement. JFL has made payments according to that proposed arrangement in each of the past two years.

The two payments made towards the outstanding loan by JFL to the City were \$52,500 in March 2014, and \$57,500 on January 30, 2015.

JFL has also used City/City Agency services (namely at the Sony Centre and at Exhibition Place's Queen Elizabeth Theatre) and paid in excess of \$100,000 in 2014 and thus, based on the proposed settlement, a notional off-set of \$50,000 has been achieved in 2014. It is our understanding that JFL will continue to pay over \$100,000 for services at these facilities in 2015.

The General Manager, Economic Development and Culture recommends accepting these terms, as outlined below:

Key Terms for Just For Laughs Toronto Festival (“JFL”) Loan Repayment

Amount owing \$500,000:

1. Repay 50% in cash over 5 years at start of each year (by January 31st, except in 2014, the payment will be made by March 7th, 2014). An additional amount for interest will also be added to the repayment as shown in the table below.

Annual payments as follows:

Year	Total \$	
2014	52,500	(accepted without prejudice)
2015	57,500	(accepted without prejudice)
2016	62,500	
2017	67,500	
2018	72,500	
Total	312,500	(\$250,000 principal repayment and \$62,500 interest)

2. Repay 50% through payments for services to City and/or City agencies, over 5 years, at a minimum of \$2 paid for services to yield \$1 of loan repayment forgiveness during each year. For greater clarity, JFL must spend a minimum of \$100,000 in City services to receive consideration as loan forgiveness of \$50,000 in each year. Any excess fees paid over \$100,000 in a particular year are not carried over. JFL to report to Economic Development staff their fees for services paid during the year by January 15 of the year following.
3. If annual service fees do not equal at least \$100,000 then the outstanding balance is added to following year's cash payment at \$1 for every \$2 dollars spent less than \$100,000.

4. If JFL fails to make any payments indicated in #2 and #3, City can call the outstanding balance of the loan and any outstanding interest. To that effect, City shall forward to JFL a 30-day written notice describing the default and granting JFL 30 days to correct.
5. JFL is allowed to repay the amount owing, in whole or in part, prior to the maturity date, without penalty.
6. JFL may apply for grants from City for its events or offer to supply cultural services.