

### Annual Report on City's Loan and Loan Guarantee Portfolios

**Date:** July 7, 2020

**To:** Executive Committee

**From:** Chief Financial Officer and Treasurer

**Wards:** All

#### SUMMARY

---

This report provides an annual update on the City's loan and loan guarantee portfolios for the year ending in 2019.

The City currently guarantees three operating lines of credit and eight capital loan guarantees under Council approved policies for line of credit and loan guarantees for cultural and community-based organizations. In addition to the guarantees, the City currently has outstanding a total of seven direct loans: six to City agencies and corporations, plus one to an external organization. All loans and guarantees are in good standing as at the 2019 year end.

The effects of COVID-19 and related closure of many of the not-for-profit and City agency venues associated with these loans and guarantees has occurred in the current 2020 calendar year and are therefore beyond the scope of this report. The City will continue to monitor the status of these loans and guarantees and bring forward any necessary actions for Council consideration that may arise from any future loan servicing deficiencies.

This report recommends extending lines of credit guarantees, set to expire later in 2020, with two not-for profit theatre groups for an additional three year term as well as extending the loan term for a City loan, also set to expire later in 2020, to a City services corporation for an additional one year term. The subject lines of credit and loan are all currently in good standing.

## RECOMMENDATIONS

---

The Chief Financial Officer and Treasurer recommends that:

1. City Council approve the renewal of the following lines of credit guarantees and capital loan:
  - a. the line of credit guarantee issued by the City on behalf of Canadian Stage Company to its lender in the amount of \$820,000 (inclusive of all interest payable by CSC) be renewed for a three-year period commencing on November 1, 2020 and ending October 31, 2023.
  - b. the line of credit guarantee issued by the City on behalf of Young People Theatre to its lender in the amount of \$175,000 (inclusive of all interest payable by YPT) be renewed for a three-year period commencing on January 1, 2021 and ending December 31, 2023.
  - c. the capital loan issued by the City on behalf of the Lakeshore Arena Corporation in the amount of \$4,047,660 (interest payments only) be renewed for a one-year period commencing on November 1, 2020 and ending October 31, 2021.

## FINANCIAL IMPACT

---

A loan guarantee is considered to be a financial commitment of the City, and impacts the City's borrowing capacity and potentially its credit rating. However, there is no direct cost to the City for providing the guarantee unless the borrower defaults on its obligation and the City cannot recover any funds paid out under the guarantee.

As at December 31, 2019, there were a total of:

- 3 outstanding operating line of credit guarantees with a maximum exposure of \$6.0 million (see Table 1)
- 6 outstanding capital loan guarantees in the amount of \$38.2 million, plus one construction loan guarantee approved to a maximum of \$30 million (see Table 2) and
- 6 direct city loans with an outstanding balance of \$52.6 million (see Table 3).

As at 2019 year end, there are no loans in this portfolio in default or default settlement terms as shown in the following chart.

### Total Value of Loans and Loan Guarantees

	No. of Loans	Total Exposure (\$000's)	No. of Loans in Default or Past Due	Total Value of Loans in Default or Past Due (\$000's)	% of Value
Line of Credit Guarantees	3	\$5,995	0	\$0	0%
Capital Loan Guarantees	8	\$68,181	0	\$0	0%
Direct City Loans	6	\$52,664	0	\$0	0%
Total @ Dec. 2019	17	\$126,840	0	\$0	0%
Total @ Dec. 2018	18	\$105,027	1	\$250	0.2%

This report recommends extending the term of two line of credit guarantees for additional three year terms. These line of credit for Canadian Stage and Young Peoples Theatre have been operated in good standing by the two not for profit theatre groups and as such the guarantee renewals have been recommended.

An interest only loan to the Lakeshore Arena Corporation set to expire in October of 2020, is also being recommended for renewal for a one year term. This loan was anticipated to have been transferred into a related Infrastructure Ontario loan prior to October 2020 but circumstances described later in this report will prevent this from happening. The loan is an interest only loan, all payments are up to date and the continuance of the loan for an additional one year period will not have any net financial impact on the City.

This report presents the financial standing of the loans and guarantee within this portfolio for the 2019 calendar year.

The effects of COVID-19 and related closure of many of the not-for-profit and City agency venues associated with these loans and guarantees has occurred in the current 2020 calendar year and are therefore beyond the scope of this report.

In addition to City agencies, many of the not-for-profits operate in City-owned facilities so it is in the City's interest to ensure business continuity. Currently none of the loans are in default. The City will continue to monitor the status of all of these loans and guarantees and bring forward any necessary actions for Council consideration that may arise from any future loan servicing deficiencies.

The Chief Financial Officer and Treasurer reviews and reports annually on the risk of loss under the City's loan guarantee and loan portfolios. With regular monitoring, it is possible to identify financial risks earlier and to take action to avoid or mitigate potential losses.

## **DECISION HISTORY**

---

In April 2013, City Council adopted a revised framework for loans and loan guarantees made by the City. That report arose as a result of recommendations made by the City's Internal Audit group to strengthen controls and oversight of the line of credit guarantee and loan guarantee undertakings, including formal monitoring and reporting on the status of all loan and loan guarantees under this policy, including the total amounts issued, confirmation that the loan is being repaid to the lender, actual repayments and current amount outstanding, and costs, if any, associated with any defaults or claims paid.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX31.14>

In the 2014 Annual Report on City's loan and loan guarantee portfolio, additional criteria were added concerning limiting fundraising as a source of funds to repay loans. That report can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX41.10>

The 2015 Annual Report on City's loan and loan guarantee portfolio provided direction for staff to consider a plan for permanent financing of a temporary interest only loan to a City services corporation (Lakeshore Arena Corporation) and acceptance of settlement terms on a loan in default (Just for Laughs). That report can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX5.14>

In November 2015, Council adopted recommendations from the Deputy City Manager & Chief Financial Officer to write off loans to two civic theatres (Sony Centre and Toronto Centre for the Arts) and partially write-down a loan to an arena (Lakeshore Arena Corporation), as recovery of the loans was considered unlikely and further, to set those entities on a more sustainable footing for future operations. That report can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX9.10>

The 2016 Annual Report on the City's loan and loan guarantee portfolio provided direction for staff to consider extending the repayment term on a loan guarantee to the Theatre Centre and extending repayment terms on a direct loan to the Board of Governors of Exhibition Place for the Conference Centre. That report can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX14.11>

In December 2016, Council adopted recommendations from the Deputy City Manager & Chief Financial Officer to amend terms of a loan with Leaside Memorial Gardens Arena Board to better facilitate early repayment terms, to consider an increase to the City guarantee of a line of credit on behalf of the Toronto Symphony Orchestra, and to provide consent to Evergreen to obtain a third party guaranteed operating line of credit. That report can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX20.16>

The 2017 Annual Report on the City's loan and loan guarantee portfolio recommended line of credit and loan guarantee renewals to four not for profit entities that were set to expire in 2017, in addition to a transfer of a loan guarantee for a City services corporation to a new third party lender. That report can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX24.12>

The 2018 Annual Report on the City's loan and loan guarantee portfolio recommended a line of credit guarantee renewal for a not for profit entity that was set to expire in 2018. That report can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX33.12>

The 2019 Annual Report on the City's loan and loan guarantee portfolio recommended City Council write off a remaining post settlement agreement balance on a loan from the City's Allowance for Doubtful Accounts. That report can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX4.7>

## **ISSUE BACKGROUND**

Non-profit organizations that have no tangible assets often require a city loan guarantee in order to obtain credit necessary to deal with operating cash flow fluctuations that occur during the year or in order to acquire assets to further their objectives.

Non-profit organizations operate in a different financial environment than for-profit enterprises. Operating deficits from own revenues are not uncommon, and fundraising and government subsidies are sometimes core to not-for-profit sustainability.

Providing financial guarantees to qualifying organizations is beneficial to the City since these groups provide important services to the community that complement or offset the need for government to provide those services. The City also occasionally provides direct loans to its agencies and corporations, and in one instance to a third party, to contribute to the financing of a project that will create or enhance a municipal capital facility. Such loans increase the value of City assets and support new activities and/or expansion of activities that directly benefit the public.

However, such loans and loan guarantees are not without risk. A number of projects have experienced financial difficulties requiring financial intervention by the City. Since the annual reporting of this portfolio began in 2013, the City has written-off over \$29 million in debt on six loan/loan guarantees out of a total cumulative loan/loan guarantee portfolio of \$224 million.

For example, in 2013, the City assumed the operations and \$3.9 million in remaining debt on a loan, guaranteed by the City, to Bike Share Toronto, as forecasted revenues were not achieved and ensuing operating deficits resulted in the inability of the operator to service the loan.

Further, in late 2015, the City wrote off direct loans to two civic theatres (Sony Centre and Toronto Centre for the Arts) totalling \$17.1 million, as recovery of the loans was considered unlikely. In the same year, the City also wrote down \$8.1 million from a \$19.9 million direct interest only loan to the Lakeshore Arena Corporation (LAC), a corporation of the City, with the expectation the remaining balance of \$11.8 million be permanently financed from a third party financier, with a continuation of the City guarantee.

For these reasons, it is important that the level of financial support be properly founded by business case analysis, and that the responsible program area with direct oversight take responsibility for the continuous monitoring of the organization receiving the loan or loan guarantee.

## **COMMENTS**

---

As part of this annual review on the status of loan guarantees and loans provided by the City to cultural and community organizations, consideration was given to the following matters:

1. financial statements of the borrower and liquidity metrics;
2. status of payments and debt covenants;
3. economic conditions affecting the environment in which the borrower operates; and,
4. independent credit reports.

A finding that an organization is experiencing difficulties in any of the above conditions is not necessarily an indication of insolvency or imminent failure. However, in respect of loan guarantees, such conditions if not mitigated could lead to financial difficulties that, in the extreme, could lead to a demand for payment by a lender of all or a portion of the loan guaranteed by the City, and may impact on the City's credit and/or cash flow. Typically, there would be a notice and remedy period wherein the borrower, lender and City could work together to attempt to address the financial difficulties. Failing that, the City could exercise on any security that may have been provided as part of the loan guarantee.

Under the current policy, the City provides assistance in three ways:

- a) lines of credit guarantees are intended to allow non-profit cultural and community organizations to obtain a line of credit for working capital purposes and to deal with seasonal fluctuations in cash flow;
- b) capital loan guarantees are intended to assist non-profit cultural, community and recreational based organizations purchase or improve property; and
- c) direct city loans which are intended to provide City agencies and corporations financing for projects that create or enhance a capital facility.

## A. Line of Credit Guarantees:

Under the City's current policy, lines of credit guarantees are only available to cultural and community organizations. The intended purpose of such guarantees is to enable eligible organizations to obtain a line of credit for working capital purposes and to deal with seasonal fluctuations in cash flow.

Such guarantees will only be considered when the organization provides documentation that they have been denied sufficient reasonable funding from all other sources. The total amount of all line of credit guarantees provided by the City under this policy is limited to \$10 million in the aggregate. Organizations must submit audited financial statements as well as a business plan that demonstrates the financial viability and capacity to repay the funds within operating funds to the satisfaction of the Chief Financial Officer. Organizations must also submit audited statements and operating budgets on an ongoing basis to the responsible program area as long as the loan remains outstanding.

As of the date of this report, there were 3 lines of credit guarantees outstanding, representing a maximum City guarantee of approximately \$6.0 million in the aggregate as shown in Table 1 below. It should be noted that the actual amount outstanding in any line of credit will fluctuate from day to day. The table below shows the current maximum line of credit amounts and expiry dates.

**Table 1 - Summary of Line of Credit Guarantees**

Most Recent Date Approved	Name of Organization	Relationship to City	Amount Authorized \$000's	Expiry Date	Responsible Program Area	2019 Loan Status	Security
April 2017	Young People's Theatre	Registered Charity	\$175	December 2020	Economic Development & Culture	In Good Standing	City Grants (via TAC)
April 2017	Canadian Stage Company	Registered Charity	\$820	October 2020	Economic Development & Culture	In Good Standing	City Grants (via TAC)
April 2018	Toronto Symphony Orchestra	Registered Charity	\$5,000	October 2021	Economic Development & Culture	In Good Standing	City Grants (via TAC)
	<b>Total</b>		<b>\$5,995</b>				
	<b>Aggregate Limit</b>		<b>\$10,000</b>				

## **Young People's Theatre (\$175,000)**

Young People's Theatre (YPT) operates in a City Below-Market-Rent facility at 165 Front Street. YPT is the only large-scale theatre in Ontario dedicated to producing and presenting shows specifically for young people. More than 85,000 people attend YPT's theatrical productions and educational programs annually. In the past year, the theatre generated box office revenue of more than \$1 million for the fourth year in a row, its most successful period of box office ever, and generated 72% of its budget through earned revenue and private sector donations. Additionally, YPT has received a 29% increase, or \$125,000, in its current year operating grant from the Canada Council for the Arts in acknowledgement of the strength and relevance of its programming. YPT receives annual operating grants from the City, through the Toronto Arts Council and through other programs. The company has strong fundraising capacity. The capital project for an expanded facility that it is currently exploring has quietly raised \$6.2 million, without yet publicly launching a campaign or receiving confirmation of government funding.

YPT has had a line of credit guarantee from the municipality dating back to the early 1990's. The theatre has a successful history in meeting its financial obligations with both its financial institution and the City under the existing terms and conditions of the guarantee. YPT did not draw upon the guaranteed portion of its line of credit during its fiscal 2019 period, and forecasts the continued need for the current guaranteed amount of \$175,000 over the balance of this season and the next three years. The line of credit remains in good standing. The City's guarantee is set to expire in December 2020 and the YPT has requested another three year renewal term. This report recommends renewing the guarantee for an additional three year term.

## **Canadian Stage Company (\$820,000)**

Canadian Stage Company operates in a City Below-Market-Rent facility at 26 Berkeley Street. Canadian Stage is also an anchor tenant of the St. Lawrence Centre for the Arts (a City agency) and of the High Park Amphitheatre. Canadian Stage produces and presents Canadian and international contemporary performance and theatre, supports emerging and established artists, and is a key arts organization in the St. Lawrence Market neighbourhood.

In 1987, Canadian Stage was incorporated from the merger of two companies, Toronto Free Theatre and CentreStage, which each brought debt into the newly merged not-for-profit organization. Since 1987, the accumulated deficit has fluctuated over the decades and, as of 2019, is at its lowest historical level at \$800,000 and will be retired in the coming years. Canadian Stage has had some form of line of credit from the City since 2001, to which it has met its financial obligations under the guaranteed credit line and subsequent renewals.

Canadian Stage experienced significant organizational transition in the 2016-17 season and such business decisions carried a related need for greater cash flow flexibility over that period. Accordingly, in 2017, Canadian Stage requested that its line of credit guarantee be increased by \$90,000 from \$730,000 to \$820,000. City Council subsequently approved the guarantee increase at its meeting on April 26-28, 2017

Since 2017 Canadian Stage has posted consecutive operating surpluses from its operations and is tracking to deficit elimination over the next three years which City staff will monitor. Like many performing arts organizations with seasonal pre-production costs, front-loaded pre-production costs continue to present seasonal cash flow needs at key times.

Canadian Stage receives annual Toronto Arts Council funding in the amount of \$832,000, which approximates the level of the line of credit guarantee. Canadian Stage Company also has an externally restricted endowment fund held by the Ontario Arts Foundation with a current balance of \$1.830 million.

Canadian Stage has drawn upon its line of credit during its fiscal 2019 period and forecasts the continued need for the current guaranteed amount of \$820,000 over the balance of this season and next. Debt servicing on the line of credit remains in good standing.

The City's guarantee is set to expire in October 2020 and the Canadian Stage has requested another three year renewal term. This report recommends renewing the guarantee for an additional three year term.

### **Toronto Symphony Orchestra (\$5,000,000)**

Founded in 1922, the Toronto Symphony Orchestra (TSO) is one of Canada's leading cultural institutions. Today, more than 230,000 patrons and over 40,000 students attend performances at Roy Thomson Hall each year. The Orchestra has a strong international presence, often touring to venues in the United States, and Europe, and Asia; attracting distinguished guest artists and conductors at Roy Thomson Hall; and regularly releasing award winning recordings. Its activities at home and abroad strengthens Canada's reputation for artistic excellence and highlights the TSO as one of Canada's few world class orchestras.

TSO's cash requirements are cyclical and seasonal, affected by differences in timing of revenues and expenses. Subscription sales revenues are predominant in the earlier part of the year, and revenues from grants and distributions from the Toronto Symphony Foundation (TSF) occur later in the year. Cash requirements peak during the January through April period.

In 2016, the TSO requested the City to increase its share of its line of credit guarantee. City Council considered this and in December 2016 recommended an increase in the City guarantee share from \$3 million to \$5 million.

The TSO has seen significant improvement in its financial position over the past few years after implementing a plan to eliminate its accumulated and structural deficits. The organization's accumulated deficit now stands at \$2.6 million (8.8% of revenues as of FY19), a significant improvement from FY 2013, when the accumulated deficit had grown to over \$12 million. As a portion of its revenue, the TSO's deficit is now at its lowest level in almost three decades.

The TSO's 2016 plan established three pillars to restore the TSO's financial sustainability: increasing control over fixed costs; the establishment of reliable multi-year philanthropic giving; and improvement in net operating revenues through careful artistic planning. These pillars continue to guide the TSO's decisions.

Further, by reducing its accumulated deficit below 15% of revenues, the TSO has started to receive endowment matching funds from federal Canada Cultural Investment Fund – Endowment Incentives program. The TSO will continue to be able to access up to \$15 million of these matching funds over the upcoming years as long as the accumulated deficit remains under 15% of revenues.

Since launching the 2016 plan, the TSO has successfully recruited new leadership and will build on this plan with continuous and well-informed adjustments. In this regard, the TSO will re-examine the timeline leading up to deficit elimination to ensure that the orchestra can continue to sustain variability in revenues and make strategic investments in programming and audience development.

The TSF is a registered charity (designated as a Public Foundation) established to aid the Toronto Symphony by receiving, administering and investing endowment gifts from which it makes annual distributions to the Toronto Symphony. Its 2019 financial statements indicate assets close to \$40 million (most of which are restricted, however). The TSO is also supported through the City's Major Cultural Organizations Grant Program, with the grant allocation to TSO being \$1.220 million in 2019.

TSO has drawn upon the guaranteed portion of its line of credit during its fiscal 2019 period, and forecasts the continued need for the current guaranteed amount of \$5,000,000 into the future. The line of credit remains in good standing.

### **Capital Loan Guarantees:**

Under the City's current policy, capital loan guarantees may be provided to non-profit community organizations and recreational and sports based organizations. Such organizations seeking to purchase or improve property sometimes require a City guarantee to obtain capital financing because banks are usually not willing to provide a mortgage to a community organization for a property that is not in the organizations ownership. In other cases, where such an organization is purchasing a property, banks may provide a mortgage to a certain level secured by the property, with the City being requested to provide a guarantee on amounts above that if required.

The intended purpose of such guarantees is to enable eligible organizations to acquire or upgrade community facilities to further initiatives that will assist in increasing participation in cultural, sports or recreational activities and will ensure the viability and

sustainability of the organizations. The need for the proposed facility must be based on a sound business case supported by current recreation needs and requirements, and demonstrated community benefit.

The total amount of all capital loan guarantees provided by the City under this policy is limited to \$300 million in the aggregate. As of the date of this report, there were 7 capital loan guarantees with an outstanding balance of \$68.2 million, as shown in Table 2 below. For comparison, at this time last year, there were 8 capital loan guarantees with outstanding balance of \$41.1 million. One loan guaranteed by the City was fully repaid in 2019. However, the aggregate amount guaranteed has increased by the addition of a new construction draws occurring in 2019 on a previously approved loan guarantee for a YMCA recreation centre.

**Table 2 - Summary of Capital Loan Guarantees**

Most Recent Date Approved	Name of Organization	Relationship to City	Amount Authorized \$000's	Current Balance (Dec. 31/19) \$000's	Expiry Date (Effective Expiry Date**)	Responsible Program Area	2019 Loan Status	Security
July 2016	YMCA 505 Richmond	Registered Charity	30,000 converting to 9,500	30,000	2021 2049	Parks Forestry & Recreation	In Good Standing	Second Charge and assignment rights
December 2016	Theatre Centre	Registered Charity	1,000	0	December 2021	Economic Development & Culture	Fully Repaid	Leasehold Improvements to City Building, TAC Grants
August 2014	Evergreen at the Brickworks	Registered Charity	7,500 (jointly with TRCA)	1,720	June 2023	Economic Development & Culture, Parks, Forestry & Recreation, TRCA	In Good Standing	Leasehold Improvements to City/TRCA lands
April 2017	Lakeshore Arena Corporation	City Services Corporation	30,860	25,298	October 2042	Parks, Forestry & Recreation	In Good Standing	Leasehold Interest of facility on TDSB lands
2003	Ricoh Coliseum Arena	City Agency	20,000	8,229	July 2022 (Jul 2025)	Exhibition Place	In Good Standing	Leasehold Improvements to City lands
	<b>Sub-Total @ Dec. 31/19</b>		<b>89,360</b>	<b>65,246</b>				

Most Recent Date Approved	Name of Organization	Relationship to City	Amount Authorized \$000's	Current Balance (Dec. 31/19) \$000's	Expiry Date (Effective Expiry Date**)	Responsible Program Area	2019 Loan Status	Security
<b>Artscape:</b>								
April, 2017	Distillery District Studios	Not-for-Profit	250	60	June 2022	Economic Development and Culture	In Good Standing	Assets (chattels)
April, 2017	Wychwood Barns	Not-for-Profit	3,200	2,541	October 2022	Economic Development and Culture	In Good Standing	Leasehold Improvements to City lands
January 2009	FCM – Wychwood Barns	Not-for-Profit	600	334	August 2029	Economic Development and Culture	In Good Standing	Leasehold Improvements to City lands
<b>Sub-Total Artscape @ Dec. 31/19</b>			<b>4,050</b>	<b>2,935</b>				
<b>Total @ Dec. 31/19</b>			<b>93,410</b>	<b>68,181</b>				
<b>Total @ Dec. 31/18</b>			<b>93,410</b>	<b>41,095</b>				
<b>Aggregate Limit</b>			<b>300,000</b>					

**\*\*Expiry Date (Effective Expiry Date)**

Expiry date is the expiry date of the loan guarantee. Effective expiry date is amortization period of the loan (the number of years it would take to repay the loan in full). If the amortization period extends beyond the loan guarantee period, the borrower would be required to repay the balance of the loan at the end of the loan guarantee period, unless the loan guarantee is extended or the lender no longer requires a loan guarantee.

## **YMCA (\$30,000,000 during construction; \$9,500,000 thereafter)**

In July 2016, City Council approved the provision of a construction loan guarantee on behalf of the YMCA to fund the construction of a 55,000 sq. ft. YMCA community centre as part of the redevelopment of a former City owned property at 505 Richmond Street West, in an amount not to exceed \$30.0 million (inclusive of all interest costs payable) during the construction period.

City Council also authorized the payment of \$19.0 million as the City's share of the project upon substantial construction completion, at that time projected for 2019, to partially pay down the construction loan leaving a remainder balance for YMCA's proposed construction take-out mortgage. This contribution is intended to be repaid from existing and future Section 37 funding within the King Spadina Secondary Plan Area. Currently, City Planning advises that approximately \$14.1 million has been collected to fund this project, with sufficient additional amounts secured but not yet received to fund the \$19.0 million City share noted above. The City will also enter into a Community Use Agreement with the YMCA to ensure community use of the facility for a 30 year period.

City Council further approved the provision of a capital loan guarantee for said mortgage on behalf of the YMCA to its Lender, in an amount not to exceed \$9.5 million, inclusive of all interest costs payable by the YMCA, for a period commencing upon substantial completion of the Project for a term not to exceed 30 years, for the purposes of allowing the YMCA to secure a fixed-term amortizing mortgage to be provided by the Lender for any remaining portion of the construction loan following completion of Project construction.

The City and the YMCA finalized the terms of the construction loan and loan guarantee with the lender, Infrastructure Ontario in 2019.

Construction of YMCA facility began in 2019 and draws on the construction loan have continued into early 2020.

The Parks Forestry & Recreation Division has assigned a monitor to provide oversight of the City's interests in the project, particularly during the construction phase.

## **Theatre Centre (\$0)**

Theatre Centre was established in 1981 as a charitable not-for-profit organization and is serving as a research and development hub for the cultural sector by providing space, subsidy and mentorship to new generations of arts leaders.

In April, 2010, City Council authorized a below market rent lease agreement with the Theatre Centre for the City owned property at 1115 Queen Street West for the purpose of adaptively reusing the heritage designated Carnegie Library as a performing arts hub and community meeting space.

Theatre Centre partnered with other levels of government and the private sector to undertake the extensive renovations required of this City-owned facility, with a capital investment in this project of \$6.225 million. The Theatre Centre secured funding for over 70% of the Project cost (\$4.5 million), and together with its own fundraising, required bridge financing for the shortfall of up to \$1.5 million. City Council in June 2013 approved a capital loan guarantee for Theatre Centre in the amount of \$1.0 million for bridge financing for a four year period ending in 2017.

The Theatre Centre opened in March 2014 but by the end of 2015 was behind on its repayment targets prescribed in the loan guarantee agreement. The loan, which does not have regular amortization payments, remained in good standing as all interest payments were being made and the principal balance was still being reduced. However, targets were imposed so that the loan could be retired in a timely basis on declining balances that would accrue less interest payments.

The Economic Development and Culture Division had assigned a monitor to provide oversight to the project and is working with the theatre on developing a revised fundraising and debt repayment plan. In December 2016, City Council authorized an extension of the loan guarantee to 2021 based upon the revised repayment schedule developed by the Theatre Centre as follows.

<b>Date</b>	<b>Approved Maximum Amount Owing</b>
December 31, 2016	\$610,000
December 31, 2017	\$475,000
December 31, 2018	\$350,000
December 31, 2019	\$250,000
December 31, 2020	\$175,000
December 31, 2021	\$0

Theatre Centre made additional payments to the loan in 2019 with the effect of fully repaying the loan prior to the 2019 year end, two years earlier than scheduled, and as such the guarantee has been released.

The loan was fully repaid ahead of the revised repayment schedule, and as at December 31, 2019, the outstanding loan balance on the loan guaranteed by the City was \$0 (December 31, 2018 - \$348,949).

Theatre Centre is supported by the City through the Toronto Arts Council grant program, with an operating grant of \$144,000 having been provided for 2019.

### **Evergreen Brick Works (\$1,720,000)**

Evergreen is a national charity with a mandate to make cities more liveable through green design and urban sustainability. In 2006, Evergreen entered into a ground lease with TRCA and the City for the restoration and adaptive re-use of the heritage structures at the Don Valley Brick Works, and commenced site operations and programming in 2010, providing a dynamic public space in the heart of Toronto's Don Valley. The facility engages visitors through interactive workshops and community festivals, and offers a full suite of programs combining ecology, design, technology and the arts in a hands-on educational experience.

The project was substantially completed at the end of December 2010 within the approved budget of \$55 million. At that time, Evergreen had raised \$44.2 million of the project cost, including a \$10.3 million capital contribution from the Province of Ontario, a \$20 million capital contribution from the Government of Canada, and almost \$14 million through their private donation campaigns. The City and TRCA jointly and severally provided their guarantee of \$7.5 million of the \$11.5 million loan made by RBC to Evergreen for the balance of the cost of the project, which was to be retired by December 31, 2014 through their capital fundraising campaign.

In late 2011, due to shortfalls in capital fundraising, the City consented to an extension in the term to June 2016, with a covenant that the loan balance be no more than \$4.8 million by December 31, 2013, and \$1.0 million by December 31, 2014. The City also held \$500,000 as security for loan payments.

During 2014, Evergreen advised that it would not be able to meet covenants requiring the loan balance to be reduced to \$1 million by December 31, 2014 and to be extinguish by June 30, 2016, due to slower than anticipated capital fundraising revenues for this Project. Evergreen further advised they have abandoned their capital fundraising efforts for the loan (they continue to fundraise for other priorities), and proposed paying off the balance of the loan through residual operating cash flow over an extended period of time.

In August 2014, City Council approved Evergreen's proposal to repay the loan through operating revenues rather than from fundraising, and an extension of the loan guarantee term to June 30, 2023. Council also authorized release to Evergreen of the \$500,000 cash security held by the City, incrementally over a four year period, provided that annual year-end maximum loan balance targets are met. Such targets have been met and as at December 31, 2017 all of the cash deposit security has been returned to Evergreen.

In 2016, Evergreen notified the City and TRCA of its need to establish an operating line of credit and guarantee from a third party as part of its ongoing business operations. This action required the consent of the City and TRCA as co-guarantors of the existing capital loan to permit Evergreen from incurring any further indebtedness while the capital loan is in place.

This consent was granted by City Council in December 2016 subject to the new line of credit being ranked subordinate to the existing capital loan guaranteed by the City and the TRCA.

As of December 31, 2019, the outstanding loan balance on the loan guaranteed by the City was \$1,720,000 (December 31, 2018 - \$2,236,000).

### **Lakeshore Arena Corporation (\$25,297,718)**

In September 2011, the City assumed control of the Lakeshore Arena (Mastercard Centre for Hockey Excellence) through a municipal services corporation – Lakeshore Arena Corporation (LAC). The facility was conceived by the Lakeshore Lions club, wherein the City provided the land (originally through a land exchange with the TDSB) and a capital loan guarantee to a third-party lender. The final cost of the facility was approximately \$44 million, almost entirely debt financed. The City's guarantee to the third-party lender was continued on behalf of the LAC, in addition to the City directly providing the LAC with loans for capital and a line of credit.

In October 2017 the LAC successfully transferred its third party financing, which was set to expire, and its direct City loan (interest only) into a consolidated long term loan with Infrastructure Ontario, guaranteed by the City.

A summary of the total revised debt of the LAC is provided in the following table. The total debt as at December 31, 2019 was \$29,613,790 (December 31, 2018 - \$30,358,822).

	Dec. 31, 2018	Dec. 31, 2019
Third Party Loans Guaranteed by City - Fixed rate term loan	\$26,011,162	\$25,297,718
Direct City Loans:		
Interest Only Capital Loan	\$4,047,660	\$4,047,660
BBP Energy Loan	\$300,000	\$200,000
Sustainable Energy Plan Loan	\$0	\$68,412
Line of Credit *	\$0	\$0
Total Debt	\$30,358,822	\$29,613,790

\*including line of credit up to \$1 million

The Lakeshore Arena is a state-of-the-art facility with three NHL regulation pads and one Olympic sized pad with expandable seating for up to 4,500 people. Its tenants include the Toronto Maple Leafs, Toronto Marlies, Hockey Canada, and the NHL Players Association. It also hosted three seasons of the Battle of the Blades Franchise on CBC.

Since assuming control, revenues from Arena operations have exceeded projections. The Arena generates income of more than \$2 million per year after expenses but before debt service and depreciation. However, meeting debt service costs, half of which was temporary financed, consumed most of the income from the facility.

At the end of October 2017, LAC successfully consolidated its former loan with Versa Bank that expired in the amount of \$19 million, with the remaining balance on the City loan of \$11.7 million. The total authorized loan amount for the IO loan with City guarantee, inclusive of interest, was set at \$30.8 million.

IO loans are themselves sourced from Ontario government debt issuances, which afford lower interest rates than banks. However, unlike banks, the maximum amount to be lent does not include allowances for potential defaults and remedies. As such, IO's treasury division calculated the potential cost of unwinding the \$30.8 million loan in the event of an un-remedied default by LAC to be approximately \$4.1 million (defined as a make-whole-provision) at the outset of the loan.

Effectively, IO made available for immediate loan draw the amount of \$26.7 million, leaving \$4.1 million remaining in the direct City interest only loan in the interim, until such time as the principal balance is reduced to a sufficient level that will afford additional draws up to \$4.1 million, while remaining within the \$30.8 million City guarantee and make-whole provision.

IO had advised in 2019 that an additional amounts might be drawn from this loan, which would reduce the outstanding principal balance of the City loan to LAC. The current status of this action is discussed later in this report.

The payments on the IO loan are up to date with an outstanding balance of \$25,297,718 as of December 31, 2019 (December 31, 2018 - \$26,011,162).

### **Ricoh Coliseum Arena (\$8,228,227)**

Located on the Exhibition Place grounds, Ricoh Coliseum is home to AHL's Toronto Marlies Hockey Club. The 8,200 seat arena offers ice rentals, concerts, special and corporate events and was designed with sightlines and acoustics in mind.

In November 2003, City Council approved the renovation of Ricoh Coliseum at a total cost of \$38.0 million and entered into a 49-year lease agreement with BPC Coliseum Inc. (BPC), an affiliate of OMERS. Both BPC and the City each contributed \$9.0 million in equity investment to the project. In addition, the City guaranteed a \$20.0 million loan borrowed by BPC from the Bank of Montreal initially for a term of 10 years which was later amended to 20 years.

The construction of the Ricoh coliseum was completed on time and on budget and the Coliseum opened in November 2004. In July 2005, BPC entered into a sub-lease agreement with Maple Leafs Sports and Entertainment Ltd. (MLSE) with the condition that the annual rent payable be sufficient to pay the debt (with a 20 year amortization to July, 2025), the property taxes, and provide an annual return to the equity contributors, BPC and Exhibition Place.

The payments on the loan are up to date with an outstanding balance of \$8,228,227 as of December 31, 2019 (December 31, 2018 - \$9,424,754).

### **Artscape (Total of Guarantees – \$2,935,442)**

Toronto Artscape Inc. (Artscape) is a not-for-profit corporation established in 1986 with the mandate of developing and managing affordable working and living space for artists and to promote cultural activities in the community.

Over time, Artscape has significantly increased its asset holdings. Artscape currently operates multi-tenant complexes in Toronto including the Artscape Wychwood Barns, Artscape Daniels Lauchpad and Spectrum, Artscape Youngplace,

Artscape Gibraltar Point, Artscape Distillery Studios, Parkdale Arts and Cultural Centre, Artscape West Queen West, Artscape Triangle Lofts, Artscape Weston Commons and Artscape Sandbox. In developing these projects, Artscape has relied on, for some projects but not all, capital loan guarantees from the City.

To this end, Artscape has been able to leverage its assets to reduce its reliance on the City for a guarantee. The Artscape Triangle Lofts and the Artscape Youngplace are examples of projects Artscape has ownership of and have been used to reduce the reliance on a city guarantee. The loan guarantees on these two projects have been extinguished (\$5.8 million guarantee on Artscape Youngplace, and the \$1 million guarantee on Artscape Triangle Lofts), leaving these assets available for Artscape to leverage financing upon.

However, there continues to be existing projects that are located on properties owned by the City and where long term debt will continue to require a loan guarantee, as the City cannot pledge its assets as security to lenders.

Currently Artscape has three projects supported by capital loan guarantee from the City of Toronto, with an outstanding loan balance at December 31, 2019 of \$2,935,442 (December 31, 2018 - \$3,074,241).

### **Artscape Wychwood Barns (\$2,541,181)**

In August 2010, City Council authorized a capital loan guarantee in the amount of \$3.2 million for the Artscape Wychwood Barns project for the period of January 2011 to December 2014, which was extended to June 15, 2017. The term loan secured by Artscape assumes an amortization term of 25 years.

The city owned facility, located at Wychwood and Benson Avenue, covers 60,000 sq. ft. and is leased to Artscape for 50 years. It provides affordable accommodation for 26 artists and their families, 17 individual artist work studios, and programming and office space for 13 not-for-profit arts and environmental organizations. It also has a community gallery, programmable event space and a sustainable food education centre for the local community and the public.

The repayment of the loan is up-to-date according to the amortization schedule with an outstanding balance of \$2,541,181 as of December 31, 2019 (December 31, 2018 - \$2,628,092). The loan and loan guarantee was renewed and extended in 2017 for an additional five year term ending in June 2022 with repayment amortization to the year 2038.

### **FCM Artscape Wychwood Barns (\$334,227)**

In August 2009, the City borrowed \$600,000 from the Federation of Canadian Municipalities (FCM) under the Green Municipal Fund Initiative for the purpose of financing an energy efficiency project at the Artscape Wychwood Barns. The loan is to be repaid by Artscape to the City over 20 years. In effect, by borrowing on behalf of Artscape, the City is guaranteeing to FCM that the payments will be made. All payments are up-to-date, with an outstanding balance of \$334,227 as at December 31, 2019 (December 31, 2018 - \$363,628). The loan is expected to be repaid by August 2029.

### **Artscape Distillery Studios (\$60,034)**

In order to attract the arts community and other creative entrepreneurs, the owners of the Gooderham & Worts Distillery site provided below-market rent leases to Artscape for two buildings in the Distillery District. In 2003, Artscape renovated the Case Goods Building as well as the Cannery Building which are now home to sixty-three work and retail studios, offices, rehearsal and performance spaces for artists and creative entrepreneurs.

To this end, City Council approved two loan guarantees on behalf of Artscape. An initial loan guarantee advanced in April 2009 for \$400,000 for the Artscape Distillery Studios was paid back in full, and the guarantee extinguished in April, 2012.

A second capital loan guarantee was made in the amount of \$250,000. City Council most recently renewed the guarantee term on this loan in April 2017 with a new expiry ending in October 2022 when the loan is expected to be fully repaid.

This term loan, with an amortization period ending in 2022, has been paid according to schedule with an outstanding balance of \$60,034 as of December 31, 2019 (December 31, 2018 - \$82,521).

## **B. Direct City Loans**

Under the City's current policy, direct city loans may be provided to City agencies and corporations to contribute to the financing of a project that will create or enhance a capital facility. In one exception, the City made a direct loan to an external organization.

In considering such requests, the City agency or corporation must demonstrate that all other potential sources of funding have been exhausted. The loan must be used to upgrade or establish capital facilities and not to fund operations or support operating deficits. The need for the facility proposed must be based on a sound business case supported by current needs and requirements and the duration of the loan must not exceed the effective life of the facility to be constructed.

The loan provided by the City must be self-liquidating, in that revenues generated by, or in respect of, the underlying project are sufficient to repay the loan in the timelines set out in the loan agreement. Clear community benefit must also be demonstrated by the project in order to be in the interest of the City.

The total amount of all direct loans provided by the City under this policy is limited to \$125 million in the aggregate. As of December 31, 2019, there were 6 direct loans under this policy with an outstanding balance of \$52.6 million (2018- \$57.9 million), as shown in Table 3 on the following page.

**Table 3 - Summary of Direct City Loans**

Most Recent Date Approved	Name of Organization	Relationship to City	Amount Authorized \$000's	Current Balance (Dec. 31/19) \$000's	Expiry Date (Effective Expiry Date**)	Responsible Program Area	2019 Loan Status	Security
July 2011	Lakeshore Arena Corporation	City Services Corporation	1,000	200	None	Parks, Forestry and Recreation	In Good Standing	Leasehold Interest
November 2015	Lakeshore Arena Corporation	City Services Corporation	11,792*	4,048*	None	Parks, Forestry and Recreation	In Good Standing	Leasehold Interest
December 2016	Leaside Arena	City Agency	7,500	6,567	September 2043	Arena Board	In Good Standing	City Property
December 2016	Conference Centre at Exhibition Place	City Agency	38,675	30,525	2040	Exhibition Place	In Good Standing	City Property
2014	Expansion of BMO Field at Exhibition Place	City Agency	10,000	8,211	2034	Exhibition Place	In Good Standing	City Property
2008	Bloor Street Transformation Project	BIA	11,975	3,083	2027	Transportation Services	In Good Standing	Priority Lien
<b>Total @ Dec. 31/19</b>			<b>80,942</b>	<b>52,634</b>				
<b>Total @ Dec. 31/18</b>			<b>81,442</b>	<b>57,937</b>				
<b>Aggregate Limit</b>			<b>125,000</b>					

\* Consists of transfer of \$19.9 from Loan Guarantee to Direct Loan, less an authorized \$8.1 million write-down in 2016, less a \$7.7 million transfer to IO in 2017.

### **Conference Centre at Exhibition Place (\$30,525,085)**

In March 2007, City Council authorized extending a loan of \$21.2 million to the Board of Governors of Exhibition Place for the construction of a conference centre within the existing Automotive Building.

In December 2007, an alternative financing plan addressing the significant increase in the projected construction cost from \$29 million to \$46.88 million for the conference centre was approved. The amount of the City loan was increased from \$21.2 million to \$35.6 million (\$38.675 million with interest on advances during the construction period) to be repaid over 25 years.

However, both the Toronto and North American economy and conventions and meetings market have declined significantly due to the recession starting in 2008, and actual revenues from the conference centre have been below expectations and at insufficient levels to retire the loan on their own. The Board of Governors of Exhibition Place in some years has been utilizing its conference centre reserve fund to help cover the debt payments without any financial impact to the City.

In this regard, during the 2015 annual review of loans and loan guarantees, City Council adopted a recommendation that the Board of Governors of Exhibition Place report through Executive Committee in the fall of 2016 on a revised business plan including addressing the loan repayment plan.

Exhibition Place commissioned a revised business plan for the conference centre with future year operating forecasts, and staff considered extending the loan repayment plan by an additional five year period in order to reduce the amount of annual payments, without any negative financial impact on the City. City Council adopted the extended repayment term at its meeting in December 2016.

The payments on the loan are up to date with an outstanding balance of \$30,525,085 as of December 31, 2019 (December 31, 2018 - \$31,338,974).

### **BMO Field Expansion at Exhibition Place (\$8,211,337)**

In April 2014, City Council authorized extending a contribution of \$10.0 million to the Board of Governors of Exhibition Place for the expansion of the BMO Field soccer stadium.

The \$10.0 million contribution towards the expansion was to be debt financed by the City with full recovery from guaranteed annual payments over a 20 year period provided by the stadium's tenant, Maple Leaf Sport and Entertainment Ltd (MSLE). The expansion included expanded seating capacity, the addition of a partial roof, and other amenities. Phase 1 was completed in 2015 and remaining features were completed in 2016. MLSEL pays annual rent to the Board of Governors of Exhibition Place which covers both normal rent and the loan repayment. Exhibition Place in turn remits the loan repayment portion to the City.

The payments on the loan are up to date with an outstanding balance of \$8,211,337 as of December 31, 2019 (December 31, 2018 - \$8,599,083).

### **Lakeshore Arena Corporation (\$4,047,660)**

The Lakeshore Arena Corporation (LAC) has had a number of loans and loan guarantees from the City dating back to 2007.

As previously noted, in October 2017, the LAC finalized a loan, with City guarantee, from Infrastructure Ontario (IO) to consolidate the remaining \$11.7 million balance on the City direct loan, plus the remaining balance of \$19.1 million on a third party loan that was set to expire at the same time. The new consolidated loan balance of \$30.8 million was approved by IO, however the initial draw on the loan was set at \$26.7 million.

The reason for the draw not being equal to the amount of the loan fully authorized was based on the fact that the City loan guarantee was set to a maximum of \$30.8 million inclusive of all principal and interest payments, and IO requires guarantees for principal interest and potential risk costs associated with unwinding the loan in the event of a non-remedied default.

In this regard IO calculated an amount it was willing to immediately lend the LAC that satisfied its underwriters as being \$26.7 million. The difference between this amount and the authorized amount of the loan at \$30.8 million was characterized as a make whole provision by IO (\$4.1 million).

Effectively, upon the loan execution, the \$11.8 million direct City loan was reduced by \$7.7 million by IO. This left a remaining balance of \$4.1 on the direct City loan to be carried by the City with interest only payments funded by LAC.

However, as the regular loan payments begin to reduce the principal balance owing, IO could issue further loan draws to the City, on an annual basis, until such time as the make whole provision, and City loan balance of \$4.1 million is reduced to nil. It was forecasted to take three to four years' time to fully reduce the make whole provision, at which time the direct City loan will be fully discharged.

As noted earlier in this report, IO had indicated in 2019 that additional loan draw amounts could be made available by IO to LAC to reduce the City loan balance. However, recently IO has indicated that in light of COVID-19 and the arena being closed for use, the draws will be deferred until such time as the arena reopens and revenues resume. In the absence of knowing this precise date, and the pending expiry of the City loan in October 2020, staff recommend that said loan term be extended for one additional year. This action will afford time to resolve this issue with IO while the LAC continues to make interest only payments to the City, with no net financial impact. Thereafter, it is expected that full amount of the City loan may be transitioned to the existing IO loan as guaranteed by the City.

The interest payments on the loan are up to date with an outstanding balance of \$4,047,660 as of December 31, 2019 (December 31, 2018 - \$4,047,660).

### **Leaside Arena (\$6,566,841)**

In January 2012, City Council authorized a city capital project for the 2nd ice pad expansion at Leaside Arena, a City facility operated by the Leaside Arena Board of Management. The project cost was \$12.5 million, funded by way of city recoverable debt of up to \$7.5 million, a non-recourse loan from Infrastructure Ontario (IO) of up to \$1.5 million, \$1 million capital contribution from the City, and a community cash contribution of not less than \$2.5 million. The City issued a revenue bond to IO for their loan.

The project opened on time and on budget on September 1, 2013. By that time, the community had raised almost \$3 million in cash through fundraising, and the requirement for City's recoverable debt loan amount was reduced to \$7.3 million (inclusive of capitalized interest), and the IO non-recourse loan requirement was reduced to \$1.052 million. The City's debt is amortized over 30 years (to 2043) and the IO debt is amortized over 20 years (to 2033).

In addition to the regular loan repayments, the loan agreements require the Leaside Arena Board of Management to impose a \$20 per hour surcharge on all prime-time ice contracts, to be put into a loan repayment reserve, until such time that one-year's debt service coverage is achieved. (At current contribution levels the reserve fund threshold noted above could potentially be reached by the end of 2020).

In December 2016, City Council reconciled both an operating deficit and surplus that occurred over the previous two years (2014 and 2015) at the arena, and further authorized an amendment to the loan guarantee agreement to better facilitate applying any future year operating surpluses toward early debt retirement.

A covenant in the loan agreement requires that any year-end operating deficit be added to the principal amount outstanding on the loan balance for re-amortization and recovery. For the 2016 operating year, the arena experienced a net operating deficit of \$29,411. This deficit was reported through the annual statements for the City's Arena Boards of Management at the Budget Committee meeting on November 27, 2017. Similarly a net operating deficit of \$18,748 was reported for the 2017 operating year.

Accordingly, the sum of the two deficits of \$48,159 was added to the principal loan balance in 2019 and a revised loan amortization schedule was developed. It is noted that another small deficit is anticipated for the 2018 season once that is reported out and will need to be added to the loan balance in a similar fashion sometime in 2020.

All loan payments are up to date with an outstanding loan balance of \$6,566,841 as of December 31, 2019. (December 31, 2018 - \$6,664,934). The payments on the IO loan, which have no recourse to the City and is not included in the City's debt amount, are also up to date, with a balance of \$759,408 as of December 31, 2019. (December 31, 2018 - \$814,860).

### **Bloor Street Transformation Project (\$3,082,601)**

The Bloor Street Business Improvement Area (BIA) was established in 2006 to finance the Bloor Street Transformation Project, a streetscape improvement plan designed to reinforce Bloor Street's status as a pedestrian-oriented, premier shopping destination. The Bloor Street Transformation Project involved the reconstruction of Bloor Street between Avenue Road and Church Street to provide wide granite sidewalks, decorative street lighting, new street furnishings, trees, raised planting beds, public art, and new parking lay-bys.

In June, 2008, the City entered into an agreement with the Board of Bloor Street BIA to complete the transformation project at an estimated cost of \$15.5 million. The BIA Board has agreed to reimburse \$11,975,000 of the project cost including interest through the annual BIA special levies over the course of eighteen years (2027). In addition, the BIA has agreed to pay \$1,400,000 to the City to offset a portion of the Project costs and the City has secured an additional \$2,125,000 in development related contributions to further offset the project cost.

During 2019 the BIA was able to raise additional funds which it directed to the repayment of the loan. As a result the loan balance was reduced by over \$3.6 million during this past year.

All payments through the Bloor Street BIA special levy are up to date with an outstanding balance of \$3,082,601 on December 31, 2019 (December 31, 2018 - \$6,736,641). The loan is expected to be fully paid off in 2027. The repayment of the loan through the BIA levies has priority lien status for the City.

## Loan and Loan Guarantee Portfolio Oversight

The front line responsibility for monitoring the operating and financial status of an organization resides with the responsible program area, who through regular monitoring, should be able to detect difficulties before they manifest into a default, and to assemble and work with the organization and appropriate City staff to find ways to mitigate these difficulties.

In previous annual reports, staff had noted a number of other loans from City reserve funds have been made under various programs. A review of such other loans found that they are being tracked and monitored by the applicable program area with whom a funding relationship was established with the borrower. Furthermore, the loan balances within reserve funds are reported on a regular basis within quarterly reserve and reserve fund variance reports to Budget Committee.

A Doubtful Loan Guarantee Reserve was created to provide a first line of funds in the event that the City is obligated to make payment as a result of a default of loan guarantee or direct loan, to provide time for remedies to be found. The Chief Financial Officer reviews annually the risk of loss under a loan guarantee or direct city loan. With regular monitoring, it is possible to identify financial risks earlier and to take action to avoid or mitigate potential losses.

## CONTACT

---

Christopher Toomey, Senior Financial Analyst, Office of the Controller  
[Email: Christopher.Toomey@toronto.ca](mailto:Christopher.Toomey@toronto.ca); Tel.416-397-4283

Andrew Flynn, Controller  
[Email: Andrew.Flynn@toronto.ca](mailto:Andrew.Flynn@toronto.ca); Tel.416-392-8427

## SIGNATURE

---

Heather Taylor  
Chief Financial Officer and Treasurer