

Annual Report on City Loans and Loan Guarantees

Date: September 17, 2024

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report provides information and makes recommendations in relation to the City loans and loan guarantees. Recommendations include adoption of amended Direct Capital Loan and Loan Guarantee Policies (Appendices 1 and 2) which address financial due diligence assessments in support of new loan and loan guarantee requests, and ongoing financial monitoring of active loans and loan guarantees.

The amended policies address eligibility in the same manner as previous policies, with City agencies and corporations eligible for direct capital loans for the purpose of contributing to the financing of a capital project which would create or enhance a municipal capital facility. Entities eligible for loan guarantees continue to be non-profit cultural and community organizations or recreational and sports-based organizations, each of which must have an existing financial relationship with the City.

This report also recommends that investigation of requests for a new or extended loans or loan guarantees from eligible entities must include a financial due diligence assessment, to be undertaken by the Chief Financial Officer and Treasurer, who would also be responsible for ongoing financial monitoring of existing loans and loan guarantees.

This report also provides regular annual update reporting on an existing portfolio of City direct loans, capital loan and line of credit guarantees. The portfolio of loans included in this report is separate and apart from other internal City loan programs (e.g., Home Ownership Assistance Program, Sustainable Energy Plan Financing Program) which are covered under other City policies.

This report also seeks approval for the renewal of the line of credit guarantee issued by the City on behalf of Toronto Symphony Orchestra to its lender, in the amount of \$5 million for a three-year period commencing on November 1, 2024 and expiring on October 31, 2027.

Lastly, this report recommends the adoption of an amended repayment formula for Lakeshore Arena Corporation's Shareholder Capital Contribution, which better aligns with estimated annual cash flows and supports Lakeshore Arena Corporation in continuing to operate and make outstanding debt repayments while making Shareholder Capital Contribution repayments.

As at December 31, 2023, the City had authorized line of credit guarantees amounting to approximately \$5.995 million, provided capital loan guarantees for underlying loans of \$72.5 million, and had outstanding direct loans of \$43.4 million, as identified in this report and as outlined in more detail in Appendix 4.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council adopt the amended Direct Capital Loan and Loan Guarantee Policies, as set out in Appendices 1 and 2 to this report, replacing any previously existing direct loan, loan and line of credit guarantee policies.
2. City Council direct that:
 - i. any investigation of a potential request for a new or extended loan request or a loan guarantee by an eligible entity under the amended policies referenced above must include a financial due diligence assessment, to be undertaken by the City Chief Financial Officer and Treasurer,
 - ii. the Chief Financial Officer and Treasurer undertake ongoing financial monitoring of existing loans and loan guarantees, and
 - iii. the above be undertaken in conjunction with capital project assessments or monitoring, as may be deemed appropriate, to be undertaken by the Deputy City Manager of the relevant program areas.
3. City Council direct the City Solicitor to work together with the Chief Financial Officer and Treasurer to develop standard terms and conditions to be included in Loan and Loan Guarantee Agreements.
4. City Council amend the Unanimous Shareholder Declaration for Lakeshore Arena Corporation, as set out in Appendix 3, with such amendments to include the following:
 - i. Lakeshore Arena Corporation to provide the City with its annual audited financial statements, to be delivered to the Chief Financial Officer and Treasurer within 120 days after the end of each fiscal year,

ii. Lakeshore Arena Corporation shall not undertake any additional borrowings without the approval of the City, with the exception of equipment leases as may be required in support of operations,

iii. Lakeshore Arena Corporation to make an annual shareholder capital contribution to the City, due by the end of each fiscal year, and based on its prior year audited financial statements, with the contribution equal to 65% of net revenues in excess of expenses before amortization and depreciation and after debt principal repayments, to be deposited into the Lakeshore Arena Capital Reserve Fund. This revised formula is intended to replace any previous formulas relating to the return of capital contributions, commencing in 2025 in relation to the 2024 fiscal year. Together with amounts deposited between 2016 and 2023, the total amount shall be to a limit of \$8.1 million,

iv. the Chief Financial Officer and Treasurer, upon request from Lakeshore Arena Corporation, may consider temporary adjustments to the contribution rate, on an annual case by case basis, which shall be supported by an explanation and supporting materials, to the satisfaction of the Chief Financial Officer and Treasurer, with such requests limited to two times over any ten-year period, and

v. the Chief Financial Officer and Treasurer will review the contribution percentage in the revised formula every three years to determine whether further adjustments should be recommended to the City.

5. City Council approve the renewal of the line of credit guarantee issued by the City on behalf of Toronto Symphony Orchestra to its lender, in the amount of \$5 million, inclusive of all interest payable by Toronto Symphony Orchestra, for a three-year period, commencing on November 1, 2024 and expiring on October 31, 2027.

FINANCIAL IMPACT

This report recommends the adoption of amended Direct Loan and Loan Guarantee policies, which would enhance the City's ability to mitigate associated financial risks. While there are no immediate costs to the City of providing either loans or loan guarantees, there are financial risks inherent in both. Both loans and loan guarantees are financial commitments made by the City. Depending on the magnitude, either may have potential impacts on the City's credit rating, and on the City's own borrowing capacity.

For loans, the risk is that of potential non-repayment. For loan guarantees, there is also a risk of non-payment, whereby if a supported entity were to default on its debt obligations that are supported by a City guarantee, the City would be required to pay all or a portion of the loan guarantee amount to the third-party lender.

Should the City be required to pay out a loan guarantee to a third-party lender, the City would seek to recover those funds from the supported entity, in the form of a loan. However, the City's ability to do so may be affected by the solvency of the entity, the security that the City may have taken and its ranking as secured creditor.

Table 1 below summarizes the outstanding City loans and loan guarantees as at December 31, 2023. Additional information on City Loans and Loan Guarantees is available in Appendix 4 to this report.

Table 1 - City Loans and Loan Guarantees as at December 31, 2023

	Number	Balance Outstanding (000's)	Total Amount Authorized (000's)
Line of Credit Guarantees	3	Balances fluctuate	\$5,995
Capital Loan Guarantees	5	\$72,474	\$84,460
Direct City Loans	5	\$43,401	\$67,769
Line of Credit	1	\$1,000	\$1,000
Total as at December 31, 2023	14		\$159,224

Toronto Artscape Inc., an entity which has one outstanding capital loan guarantee, entered into Receivership subsequent to 2023 year-end, leaving the City with the financial responsibility for funding loan repayments in the amount of \$225,874. It has yet to be determined whether the City would be able to recover this amount, and staff will report on the resolution of this issue going forward.

This report recommends the adoption of a revised Shareholder Capital Contribution (SCC) repayment formula for Lakeshore Arena Corporation (LAC), which would address LAC cash flow challenges in continuing to operate and make outstanding debt repayments, while making SCC repayments. The proposed change to the SCC repayment formula will also support the City recovering the outstanding \$7.026 million SCC balance as at December 31, 2023.

This report also recommends extending the term of a line of credit guarantee for the Toronto Symphony Orchestra, for an additional three-year term, expiring on October 31, 2027, as the underlying line of credit remains in good standing.

The Chief Financial Officer and Treasurer reviews and reports annually on the direct City loans, and loan and line of credit guarantees, which are detailed in this report.

DECISION HISTORY

A policy for Capital Loan and Line of Credit Guarantees for cultural and community organizations was first approved by City Council in March 2001.

www.toronto.ca/legdocs/2001/agendas/council/cc010306/pof2rpt/cl003.pdf

This policy was subsequently updated in February 2008, adding eligibility and other criteria.

<https://secure.toronto.ca/council/agenda-item.do?item=2008.EX17.3>

Subsequently, at its meeting of July 12, 2011, Council approved a policy to guide consideration to requests for direct capital loans from City agencies and corporations, where the project/partnership might offer a benefit to the City. This policy included the requirement for a minimum 15 percent equity contribution (of the overall project capital cost) to be made by the proposed borrower. Larger direct loans would also require the responsible City program area to assign a project manager to monitor construction and financial status during construction.

<https://secure.toronto.ca/council/agenda-item.do?item=2011.EX7.7>

In April 2013, City Council adopted a revised framework for City loans and loan guarantees in order to address recommendations made by the City's Internal Audit group (September 2010) to strengthen program oversight and controls, including: formalizing monitoring and reporting; addressing potential credit losses; taking collateral in support of the loans and guarantees, and improving risk allocation between the City, the borrower, and the lender.

At this time, Council also authorized the establishment of a Doubtful Loan Guarantee Reserve for the purposes of providing funding for loan repayment defaults or shortfalls by an organization which received a City loan or loan guarantee

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

In the 2014 Annual Report on the City's loan and loan guarantee portfolio, additional criteria were added in relation to capital fundraising plans to repay loans.

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

The 2015 Annual Report on the City's loan and loan guarantee portfolio directed the development of a refinancing plan for Lakeshore Arena Corporation.

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

A subsequent November 2015 report provided a financing plan for Lakeshore Arena Corporation, including a loan, a capital loan guarantee, and debt forgiveness.

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

Additional annual reporting on loans and loan guarantees may be found at the following links:

2016

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

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.14>

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

2017

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

2018

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

2019

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

2020

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX15.9>

2021

City authorized the renewal of the line of credit guarantee issued by the City of Toronto on behalf of the Toronto Symphony Orchestra to its lender in the amount of \$5,000,000 (inclusive of all interest payable by the Toronto Symphony Orchestra) for a three-year period commencing on November 1, 2021 and ending on October 31, 2024;

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX25.7>

April 6, 2022

Through this member motion, Council authorized the release of section 37 and section 45 funds in support of a previously approved (2016) City contribution to a YMCA community centre project at 505 Richmond Street, and approved the release of funding of up to \$21 million.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.MM42.22>

April 6, 2022

Through this member motion, Council approved, on an exceptional basis, a request for a loan guarantee to be provided in support of the Corporation of Massey Hall and Roy Thomson Hall in order to support capital financing arrangements to complete the revitalization of the Massey Hall property at 178 Victoria Street, for an amount of up to \$3.0 million, plus potential enforcement costs of up to \$50,000.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.MM42.37>

July 19, 2022

- Council authorized an extension, to October 2025, of a direct City loan to Lakeshore Arena Corporation of \$4.048 million.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.EX34.17>

May 10, 2023, Council authorized timeline extensions:

- of a line of credit guarantee issued by the City on behalf of Canadian Stage to its lender in the amount of \$820,000 (inclusive of all interest payable by Canadian Stage), to October 31, 2026; and

- of a line of credit guarantee issued by the City on behalf of Young People's Theatre to its lender in the amount of \$175,000, to December 31, 2026.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX4.5>

July 19, 2023

Through this member motion, Council approved the provision of a Line of Credit Guarantee to Toronto Artscape Inc, in support of a line of credit extension of up to \$1.5 million. The guarantee would expire the earlier of the completion of Toronto Artscape Inc.'s proposed sale of property, or October 31, 2023. (While approval was received, this never proceeded due to financial difficulties experienced by Artscape.)

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX6.27>

October 11, 2023

Council authorized the consolidation of the Doubtful Loan Guarantee reserve, with the Debt Servicing Reserve Fund, the purpose of which includes "to provide a source of funding for any shortfalls or defaults in interest and/or principal payments by an organization under which the City has provided a loan guarantee or a loan".

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX8.5>

COMMENTS

The City provides direct capital loans and enters into loan guarantee arrangements with eligible entities. This report provides an overview of recent work undertaken to enhance the City's ability to mitigate financial risks associated with direct loans and loan guarantees, and recommends the adoption of an updated direct capital loan policy and a loan guarantee policy as attached in Appendices 1 and 2.

This report also recommends that any investigation of requests for potential new or extended direct capital loans, or loan guarantees, made by eligible entities, must include a financial due diligence assessment, to be undertaken by the City Chief Financial Officer and Treasurer (CFO). Additionally, the CFO will undertake ongoing financial monitoring of existing loans and loan guarantees. Such financial due diligence should be undertaken in conjunction with capital project assessments or monitoring which are deemed appropriate and undertaken by the Deputy City Manager of the relevant program areas.

What is a Loan?

A loan is a form of debt whereby a lender advances a sum of money to a borrower. The lender and borrower agree to legal terms and conditions set out in a loan agreement, including responsibilities of the borrower with regards to repayment of the loan amounts and a repayment schedule, corresponding interest rates, collateral, and default conditions and remedies.

Entities eligible for a direct City loan are City agencies and entities, which would use the loan for a capital project to create or enhance a capital facility.

When reviewing requests for direct capital loans, attention must be given to minimizing and managing related City financial risks by undertaking a financial due diligence using a systematic approach.

What is a Loan Guarantee?

A loan guarantee is a financial commitment made by a guarantor to a third-party lender, in support of a loan made by that lender to a borrower. A capital loan guarantee and a line of credit guarantee are both considered "loan guarantees". The amount guaranteed may be a portion of the loan or the entire loan amount. In the event of non-repayment by the borrower, the guarantor (the City in this case) becomes legally obligated to pay all or a portion of the guarantee amount to the lender. In the event of a default of a loan, the risk of non-repayment is shifted from the lender to the guarantor.

Non-profit organizations often operate in a different financial environment than for-profit enterprises, where the ability to operate solely on the revenues generated from their own operations is challenging. As such, non-profit organizations often rely on fundraising and government subsidies for their sustainability. The reliance on fundraising and government subsidies often affects the entity's risk profile. As a result, third-party lenders sometimes require a supportive financial guarantee as a precondition for agreeing to lend to these entities.

Entities that may be eligible for City loan guarantees are non-profit cultural and community organizations or recreational and sports-based organizations which have existing financial relationships with the City. Providing loan guarantees to eligible organizations may be beneficial where the entities provide important services to the community which complement or offset the need for the City to provide those services.

The requirement for an eligible entity to have an existing financial relationship with the City allows the City to mitigate its financial risks. Should a supported entity default on its repayment obligations, leaving the City to pay out all or a portion of its loan guarantee to the lender, the City may seek to recover the amounts paid through the withholding of financial grants to the entity and/or through the annual budget process. The City can also seek to recover guarantee amounts that it has paid out by structuring repayments from eligible entities as loans, although the City's ability to do so may be adversely affected by the solvency of the entity.

Strengthening the Loan and Loan Guarantee Financial Framework

Acting as a lender or a guarantor creates similar financial risks for the City as both carry the risk of non-repayment by the entity. In the case of a loan guarantee, the City would become responsible for compensating a third-party lender for unpaid amounts up to a maximum of the loan guarantee provided. Therefore, the City, acting as a potential lender or guarantor of debt, must seek to mitigate potential risks through the

performance of the appropriate financial due diligence in relation to requests from eligible entities for direct loans and/or loan guarantees.

Over time, six projects, some of which were supported by City loans or loan guarantees, experienced financial difficulties. From the commencement of annual loan and loan guarantee portfolio reporting in 2013 through 2023, the City experienced loan non-repayments and the requirement to make loan guarantee payments totaling approximately \$22 million. Of this amount, the City was able to recover \$750,000 (or 3.41%) from the entities.

In October 2023, Finance and Treasury staff retained the financial advisory services of BDO Canada LLP (BDO) for the purposes of receiving expert advice in support of the development of a standardized financial due diligence framework for City loans and loan guarantees. BDO provided its advice based on best lending practices as well as on its understanding of City financial practices.

This report recommends adoption of the amended Direct City Loan Policy and City Loan Guarantee Policy attached as Appendices 1 and 2 respectively. These policies have been developed incorporating the advice received, and further recommends that any investigation of eligible requests for new or extended loans or loan guarantees must include a financial due diligence assessment to be undertaken by the CFO.

Highlights from the Amended Policies

The amended policies (see Appendices 1 and 2) include a framework for conducting a financial due diligence assessment, including requiring a requesting entity to provide supporting documentation such as audited financial statements, current debt schedule, proforma financials, business plan, capital project information, and compliance reporting. The CFO reviews the request and materials, performing a financial due diligence to determine the entity's ability to repay the debt or the underlying debt for which a guarantee is being requested. Based on the results of the financial due diligence, the City would be in a better position to determine if an approval of the request should be given and under what terms and conditions should such an approval be granted.

Terms and conditions of loan and loan guarantee agreements include setting the loan amortization period (should not exceed the life of the capital asset being financed) or loan guarantee term (should not exceed the loan amortization period), the requirement for an appropriate proportion of equity funding required for the project under financing consideration (the borrower should have "skin in the game"), the setting of interest rate and other financing costs (should at least cover the City's costs), compliance with various financial covenants, the maintenance of adequate insurance coverage, regular reporting including project status updates. The equity requirement may be generated through means including internal cash resources, sponsorship, fundraising, or other sources.

In addition, during the term of the loan or loan guarantee agreement, the entity is required to provide the City with regular financial reporting, regular project updates,

advise of material project delays or potential risks that may impact project completion, advise of solvency issues or risks affecting the entity's ability to repay the loan. For loan guarantee agreements, there is a requirement for the entity and the lender to keep the City apprised as to whether the entity is meeting its loan repayments and to provide the City with copies of any legal notices given to the borrower.

The City may also require collateral/ security which may be exercised in event that the City has experienced a loss relating to loan non-repayment. However, this may not always be possible as there may be other creditors who rank ahead of the City.

In addition, it should be noted that the borrower, lender and guarantor may work together to address any borrower financial difficulties should they arise. Where the City is acting as lender, it may be possible to restructure the loan payments to make them more affordable for the affected entity. Failing that, terms and conditions could also allow the City (either as lender or as guarantor) to assume control of the entity's operations to minimize its losses.

The CFO is responsible for monitoring the financial status of the overall loan or loan guarantee portfolio, including the adequacy of loan loss provisions, as well as monitoring of the financial status of each entity. Regular monitoring is important as it allows for early detection of potential financial difficulties.

The responsible program area will continue to monitor the entity's operating status as well as the status of the capital project that is being supported by a City loan or loan guarantee, as this regular monitoring also allows for early detection to address potential difficulties. Qualified third-party advisory support may be required in relation to this monitoring, with reporting to be received by the City at project intervals and/or at substantial completion.

Loan Loss Provisions:

Loan loss provisioning refers to the practice of setting aside funds to cover potential losses arising from the risk of default of outstanding loans. The primary purpose of provisioning is to strengthen the balance sheets of the lender by recognizing and mitigating potential credit risks.

The City has a Debt Servicing Reserve Fund, the purpose of which includes providing for loan losses, specifically "to provide a source of funding for any shortfalls or defaults in interest and/or principal payments by an organization under which the City has provided a loan guarantee or a loan".

Appropriate loan loss provision amounts may be determined based on a low-medium-high loan risk classification of the underlying loans in the overall loan portfolio, and the loan amounts. Risk classification considers elements including the entity's creditworthiness, historical loan repayment performance, project viability, and economic conditions. Under public accounting standards, loan guarantees are treated as a contingent liability, recognizing loan guarantee loss provisions at the time when a loss

appears to be likely. It is important to monitor the adequacy of loan loss provisions on an ongoing basis.

To illustrate the importance of this concept, as indicated above, between 2013 and 2023, six projects supported by City direct capital loans or loan guarantees experienced financial difficulties, resulting in losses of approximately \$22 million (which represents approximately 9.8% of an average outstanding debt amount of \$224 million) relating to loan non-repayments, along with the requirement for the City to pay loan guarantee amounts to third party lenders.

The CFO will undertake further analysis on loan loss provisioning in the context of the City's portfolio of direct loans and loan guarantees and will report back to Council in due course.

Lakeshore Arena Corporation - Shareholder Capital Contribution

Lakeshore Arena Corporation (LAC) has a repayable Shareholder Capital Contribution (SCC) obligation in the total amount of \$8.1 million (see Appendix 4 for additional information about LAC).

The existing (original) SCC repayment formula requires LAC make an annual contribution equal to 50% of net operating income, before amortization and depreciation, until such a time as the full amount is repaid. Annual repayments are to be deposited into the Lakeshore Arena Capital Reserve Fund, the purpose of which is to "provide a funding source for any Parks, Forestry and Recreation capital repair projects associated with the arena". The existing repayment formula is stated in the Unanimous Shareholder Direction - Lakeshore Arena Corporation which came into effect in 2016.

LAC has had challenges in making repayments under the existing SCC repayment formula. The original repayment formula proved to be onerous, impacting LAC ability to manage its operating cash flows and address its loan principal repayments.

In 2022 and 2023, LAC retained two separate consultants who both agreed that the original SCC repayment formula presents a challenge. The consultants suggested a suspension of the SCC repayment for several years to allow LAC to increase the repayment of other debt obligations (see Appendix 4 for details regarding other LAC debts). The consultants' suggestion is not endorsed by Finance and Treasury as the SCC repayments are to be set aside in a specific reserve for the purposes of addressing LAC's state-of-good-repair.

This report recommends a revision to the SCC repayment formula to address LAC's cash flow challenges while allowing for the continued contribution to the Lakeshore Arena Capital Reserve Fund. Finance and Treasury have worked with LAC staff to model an amended SCC repayment formula to require LAC make an annual repayment equal to 65% of net revenues in excess of expenses (i.e., net income) before amortization and depreciation and after debt principal repayments, and that such contributions be reflected as return of capital contributions, to be deposited into Lakeshore Arena Capital Reserve fund. The recommended revised formula considers

the requirement for LAC to repay existing debt and will allow LAC to retain a greater cash flow balance as required to run its operations. Under the original formula, it would take LAC ten years to pay off the entire SCC, whereas under the amended formula, it will take thirteen years or less to pay off the entire SCC.

Repayment in each year would be based on LAC's prior year audited financial statements, with the total amount of SCC repayments limited at \$8.1 million contribution, inclusive of amounts already deposited between 2016 and present.

The table 2 below illustrates that SCC repayments due under the revised repayment formula would be less onerous and therefore more manageable by LAC.

Table 2: LAC- SCC Formula Comparison

LAC Shareholder Capital Contribution Formula Comparison (based on LAC forecasts)			
	2024 forecast (payable in 2025)	2025 forecast (payable in 2026)	2026 forecast (payable in 2027)
	(\$000's)		
Payment under Revised Formula	\$414	\$464	\$516
Payment under Existing (Original) Formula	\$793	\$847	\$902
Difference	(\$379)	(\$383)	(\$386)

This report also recommends, with respect to the SCC formula amendments, that Council authorize the CFO, upon request from Lakeshore Arena Corporation, to consider temporary adjustments to the SCC contribution rate on an annual case by case basis, with a requirement for LAC to provide an explanation and supporting materials. Such requests shall be limited to twice over a ten-year period. Additionally, the CFO would review the revised contribution percentage every three years to determine whether further adjustments should be recommended.

City Loans and Loan Guarantees as at December 31, 2023

As at December 31, 2023, the City had authorized line of credit guarantees amounting to approximately \$5.995 million, provided capital loan guarantees for underlying loans of \$72.5 million, had outstanding direct loans of \$43.4 million, and provided a direct line of credit of \$1.0 million as are identified in this report and Appendix 4 in more detail.

Table: City Loans and Loan Guarantees as at December 31, 2023

	Number	Balance Outstanding (000's)	Total Amount Authorized (000's)
Line of Credit Guarantees	3	Balances fluctuate	\$5,995
Capital Loan Guarantees	5	\$72,474	\$84,460
Direct City Loans	5	\$43,401	\$67,769
Line of Credit	1	\$1,000	\$1,000
Total as at December 31, 2023	14		\$159,224

Existing Loan Guarantees***1. Existing Line of Credit Guarantees:***

Under existing City policy, line of credit guarantees may be offered to cultural and community organizations that have an existing financial relationship with the City. The intended purpose of such guarantees is to enable eligible organizations to obtain a line of credit for working capital purposes, which is generally used to address timing fluctuations in cash inflows and outflows. Eligible entities requesting line of credit guarantees must provide documentation demonstrating that without a guarantee, they would be denied sufficient and reasonable funding from at least two eligible lenders.

The maximum total amount of all line of credit guarantees provided by the City is limited to \$10 million. As at December 31, 2023, there were three (3) line of credit guarantees for a total of approximately \$6.0 million. Additional details relating to each outstanding line of credit guarantee can be found in Appendix 4.

The City has issued a line of credit guarantee to the Toronto Symphony Orchestra (as outlined in Appendix 4) which is set to expire in October 2024. The Toronto Symphony Orchestra's forecasts the continued need for the City line of credit guarantee. Therefore, this report recommends the extension of the line of credit for a further three-year term, ending October 31, 2027.

2. Existing Capital Loan Guarantees:

Under existing City policy, capital loan guarantees may be provided to non-profit sporting, recreational and community organizations which have an existing financial relationship with the City. The intended purpose of City capital loan guarantees is to enable eligible organizations to acquire or upgrade community facilities to further initiatives that assist in increasing participation in cultural, sports or recreational activities and ensure the viability and sustainability of these organizations. Capital loan guarantees must be deemed to be in the best interests of the City. The underlying capital loan must not be used for operating purposes nor to address operating deficits.

In order to be considered for a capital loan guarantee, an eligible entity must provide documentation demonstrating that without a loan guarantee, they would be denied sufficient and reasonable funding from at least two eligible lenders. In addition, materials provided in support of a request must include a sound business case which explains why the underlying capital project is necessary and demonstrates the entity's financial capacity to repay the funds to the satisfaction of the CFO.

The maximum total amount of capital loan guarantees provided by the City under this policy is limited to \$300 million, with individual loan guarantees limited to a maximum of \$10 million. Any requests over the limit require further Council approval.

As at December 31, 2023, there were five authorized outstanding capital loan guarantees totaling approximately \$84.46 million in aggregate, as detailed in Appendix 4.

Existing Direct City Loans

Under existing City policy, occasionally a direct City capital loan may be provided to City agencies and corporations to contribute to the financing of a project that will create or enhance a capital facility. Direct loans are intended to help to increase the value of City assets and/or support new activities and/or expansion of activities which directly benefit the public and may not be used to fund operations nor to support operating deficits.

When requesting a direct loan, the eligible entity must demonstrate that all other potential sources of funding have been exhausted and must support the need for the proposed financing through a sound business case. Clear community benefit must also be demonstrated by the project in order to demonstrate that it is in the interest of the City. As well, the eligible entity must provide a business case demonstrating that it will be able to repay the loan.

Total direct loans to be provided by the City under this policy are limited at \$125 million. As at December 31, 2023, there were four direct capital loans outstanding under this policy with a total \$43.4 million (December 31, 2022: \$45.1 million). Appendix 4 provides additional detail on outstanding direct loans.

It should be noted that various other direct loan programs exist separate and apart from the loans reviewed in this report, such as energy retrofit loans.

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SIGNATURE

Stephen Conforti

Chief Financial Officer and Treasurer

Attachments:

Appendix 1: Amended Direct Capital Loan Policy

Appendix 2: Amended Loan Guarantee Policy

Appendix 3: Amended Shareholder Declaration for Lakeshore Arena Corporation

Appendix 4: City Loans and Loan Guarantees as at December 31, 2023