

Annual Report on City Loans and Loan Guarantees

Date: June 1, 2026

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report provides annual update reporting on the 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.

As at December 31, 2025, the City had authorized line of credit guarantees amounting to approximately \$5.995 million, capital loan guarantees for underlying loans of \$34.46 million, outstanding direct capital loan balances of \$36.845 million, and one direct line of credit with a balance of \$600,000.

This report also recommends the refinancing of an outstanding, interest-only capital loan of \$4.048 million to Lakeshore Arena Corporation (LAC), which is currently set to expire in October 2026. The refinancing will allow for repayment of both principal and interest over a 17-year term, commencing June 30, 2026, with the first payment due on September 30, 2026, which is consistent with the repayment timeline of the existing LAC capital loan from Infrastructure Ontario.

Finally, this report recommends the three-year renewal of an existing line of credit guarantees of \$175,000 in support of Young People's Theatre. This report also recommends continued support for Canadian Stage in the form of a letter of credit guarantee for its \$820,000 line of credit, which considers its anticipated new lending arrangements with BMO, for a three-year period commencing on November 1, 2026.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council approve the refinancing of the outstanding interest-only capital loan issued by the City to the Lakeshore Arena Corporation in the amount of \$4,047,660, to address the repayment of both loan and principal, with a 17-year term commencing June 30, 2026, and authorize the Chief Financial Officer and Treasurer to enter into any necessary related agreements substantially on key terms and conditions as detailed in Appendix A to this report, all in a form satisfactory to the City Solicitor.

2. City Council approve the renewal of the following lines of credit guarantees:

a. the line of credit guarantee issued by the City on behalf of Canadian Stage in support of its lending arrangements, to its new lender, in the amount of \$820,000 (inclusive of all interest payable by Canadian Stage), for a three-year period commencing on November 1, 2026 and ending October 31, 2029, substantially on the same terms and conditions as the current agreement; and

b. the line of credit guarantee issued by the City on behalf of Young People's Theatre to its lender in the amount of \$175,000 (inclusive of all interest payable by Young People's Theatre) be renewed for a three-year period commencing on January 1, 2027 and ending December 31, 2029.

FINANCIAL IMPACT

While there are no immediate costs to the City of providing either loans or loan guarantees, there are financial risks inherent in loans and loan guarantees, both of which are financial commitments made by the City to eligible entities. Depending on the magnitude, either may have potential impacts on the City's credit rating, as well as the City's own borrowing capacity.

For loans, there is a potential risk of non-repayment by the borrower, in which case the City would absorb the loss of any outstanding loan amounts.

For loan guarantees, there is also a potential risk of non-repayment. Should an entity default on its debt obligations that are supported by a City loan guarantee, the City would be required to pay all, or a portion of the loan guarantee amount to the third-party lender. In this event, the City would be required to find funds to meet the payment obligations.

Should the City be required to pay out loan guarantee amounts, the City would seek to recover those funds from the supported entity. However, as the entity would have already demonstrated an inability to meet its loan repayment obligations, it may be difficult for the City to recover its funds from that entity in the form of a loan.

Therefore, in order to mitigate the City's risk of not being able to recover paid loan guarantee amounts, City policy requires eligible entities to have an "Existing Financial Relationship" with the City, which would allow the City to exercise some control over the entity's finances. Existing Financial Relationship means that the City already provides

monetary grants or other discretionary financial contributions to the entity, or that the City has a level of control over the entity's budget.

As at December 31, 2025, the City had authorized line of credit guarantees amounting to approximately \$5.995 million, provided capital loan guarantees of \$34.46 million, had outstanding direct capital loans of \$36.845 million, and provided a direct line of credit (granted on an exceptional basis) of \$600,000 as are identified below.

Table 1: City Loans and Loan Guarantees as at December 31, 2025

	Number	Total Amount Authorized (000's)	*Loan Balance Outstanding (000's)
Line of Credit Guarantees	3	\$5,995	Balances fluctuate
Capital Loan Guarantees	3	\$34,460	\$34,813
Direct City Loans	4	\$60,025	\$36,845
Line of Credit	1	\$1,000	\$600
Total as at December 31, 2025	14	\$101,480	

*underlying loan balance in the case of Loan guarantees. Note that loan guarantees may sometimes be for only a portion of the underlying loan amounts, and not the total loan amounts

An outstanding interest-only City loan in the amount of \$4,047,660 to the Lakeshore Arena Corporation (LAC), set to expire in October of 2026, is being recommended for refinancing to allow for repayment of both principal and interest over a 17-year term, commencing June 30, 2026, which is consistent with the repayment timeline of the LAC existing capital loan from Infrastructure Ontario.

DECISION HISTORY

Loan and Loan Guarantee Policy 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>

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.

<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.

<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>

Finally, at its meeting of October 9, 2024, Council adopted amended City Direct Capital Loan, and Loan Guarantee Policies, replacing any previously applicable policies.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX17.15>

Annual reporting on City loans and loan guarantees include:

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

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

2022

[Agenda Item History - 2022.EX34.17](#)

2023

[Agenda Item History - 2023.EX4.5](#)

2024

[Agenda Item History - 2024.EX17.15](#)

2025

[Agenda Item History - 2025.EX25.12](#)

YMCA Facility at 505 Richmond Street West:

1. July 12, 2016

<https://secure.toronto.ca/council/agenda-item.do?item=2016.EX16.14>

Council approved financial participation in the construction of a YMCA facility at 505 Richmond Street West. Assistance was comprised of a financial contribution of up to \$19 million for capital construction, along an additional contribution to pay 2/3 of the interest cost of a Construction Loan. Funding for these amounts was to be secured through the application of Section 37 and Section 45 funds from Ward 20. In addition, Council approved capital loan guarantee support of up to \$30 million, which was to be replaced by a smaller, \$9.5 million capital loan guarantee upon refinancing at project substantial completion.

2. April 6, 2022

<https://secure.toronto.ca/council/agenda-item.do?item=2022.MM42.22>

Council authorized the release of \$21 million in Section 37 and Section 45 funds within the King Spadina Secondary Plan Area to meet these obligations

The Corporation of Massey Hall and Roy Thomson Hall

At its meeting of April 6, 2022, 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>

Toronto Artscape

At its meeting of July 19, 2023, 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. This guarantee would expire the earlier of the completion of Toronto Artscape Inc.'s proposed sale of property, or October 31, 2023. (This never proceeded due to financial difficulties experienced by Artscape.)

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

May 13, 2025: Leaside Memorial Community Gardens

<https://secure.toronto.ca/council/agenda-item.do?item=2025.EX23.8>

In May 2025, Council amended the terms of a City capital loan agreement for this entity to remove the requirement to add annual Leaside operating deficits to the principal balance of the City loan, and to ensure that loan prepayments employing excess revenues do not result in Leaside entering into a deficit position.

Lakeshore Arena Corporation (LAC)- Financing Reports:

2015

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

This report directed the development of a refinancing plan for LAC.

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

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

At its meeting of July 19, 2022, Council authorized an extension, to October 2025, of a direct City loan to LAC of \$4.048 million.

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

At its meeting of July 23, 2025, authorized a further extension of this loan to October 2026.

[Agenda Item History - 2025.EX25.12](https://secure.toronto.ca/council/agenda-item.do?item=2025.EX25.12)

At its meeting of October 9, 2024, Council amended the repayment formula for the LAC Shareholder Capital Contribution, in a manner that addresses its cash flow challenges, while allowing for its continued repayments. The amended repayment formula requires 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.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX17.15>

COMMENTS

The City, from time to time, provides various direct capital loans and loan guarantees to eligible entities.

Loans

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. Under City policy, requests for direct capital loans may be considered from City Agencies and City Corporations, for the purpose of financing of an

underlying capital project and may not be used to fund operations nor to support operating deficits.

The City, as lender, bears the risk of potential non-repayment. Where the borrower has defaulted on repayment, the City may be required to accept the loss, writing off remaining loan amounts. This means that the City would not be recovering the outstanding funds that were already provided to the borrower in the form of a loan.

Loan Guarantees

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. The amount guaranteed may be all or a portion of a line of credit, or a capital loan. The requirement for a loan guarantee is the result of an assessment, by the third-party lender, who has deemed the entity's creditworthiness as insufficient.

Any loan guarantees made by the City in support of eligible entities must be deemed to be in the best interests of the City and local communities.

For loan guarantees, there is a risk of non-repayment. In the event that an entity defaults on its loan repayment obligations that are supported by a City loan guarantee, the City would be legally obligated to pay all, or a portion of the loan guarantee amount to the third-party lender. This means that the City would be required to find funds to meet these payment obligations.

Should the City be required to pay loan guarantee amounts to a third-party lender, the City would seek to recover those funds from the supported entity. However, as the entity would have already demonstrated an inability to meet its loan repayment obligations, it would also be difficult for the City to recover its funds from that entity in the form of a loan. For that reason, eligible entities must have an existing financial relationship with the City, which would allow the City to exercise some control over the entity's finances as explained in more detail below.

Where the City seeks to recover paid loan guarantee amounts from a supported entity, the City may employ means including, but not limited to:

- Structuring the repayment of funds as an interest-bearing loan from the City to the entity, although the City's ability to do so would be affected by the solvency of the entity;
- Realizing on any available collateral that may have been taken from the entity (by the City), meaning a potential sale of securitized assets;
- Withholding grants or other financial contributions otherwise payable by the City to the entity; and/or
- Identifying potential funding sources within the supported entity's budget.

Eligible Entities Criteria

To mitigate the City's risk of being unable to recover amounts associated with loan guarantees, the City's Loan Guarantee Policy establishes eligibility criteria, including the definition of an eligible entity. Since the Policy was updated in June 2024 and subsequently applied in practice, the need for additional clarity regarding what constitutes an existing financial relationship for an eligible entity has been identified.

Accordingly, this report notes that the Policy be updated to clarify, and explicitly define eligible entities, using language in table 2 below.

Table 2

Current Eligible Entities Criteria	Updated Eligible Entities Criteria
<p>Eligible entities must have an existing financial relationship with the City, meaning that they are recipients of operating grants or other subsidies and/or that the entity's annual budget must be provided to Toronto City Council for its consideration and approval.</p>	<p>Loan Guarantees include Line of Credit Guarantees and Capital Loan Guarantees. Eligible Entities must have a pre-existing financial relationship with the City, meaning that the City (i) provides either grants or other subsidies to the entity, or (ii) has the authority to exercise control over the entity's budget.</p> <p>A grant is a monetary contribution provided for a public-benefit purpose and "other subsidies" must be monetary in nature and not given in exchange for a good or service.</p>
<p>Entities eligible for line of credit guarantees are non-profit local community and cultural entities.</p>	<p>For Line of Credit Guarantees, Eligible Entities must be either a non-profit local community or cultural entity.</p>
<p>Entities eligible for capital loan guarantees are non-profit sporting, recreational and community entities which are seeking to acquire or upgrade their facilities.</p>	<p>For Capital Loan Guarantees, Eligible Entities must also be a non-profit sporting, recreational or community entity seeking to acquire or upgrade their facilities.</p>

1. Line of Credit Guarantees

Under City policy, entities eligible for line of credit guarantees are non-profit local community and cultural entities. The maximum total amount for City line of credit guarantees is limited to \$10 million. The number and value of line of credit guarantees remains unchanged from December 31, 2024. As at December 31, 2025, there were three (3) line of credit guarantees totaling approximately \$6.0 million, with the details provided in Table 3 below.

Table 3 - Line of Credit Guarantees							
Most Recent Date Approved	Name of Entity	Relationship to City	Amount Authorized (000's)	Expiry Date	Responsible Program Area	Loan Status Dec 31/25	Security
May 2023	Young People's Theatre	Registered Charity	\$175	December 2026*	Economic Development & Culture	In Good Standing	City Grants (via Toronto Arts Council, or TAC)
May 2023	Canadian Stage	Registered Charity	\$820	October 2026*	Economic Development & Culture	In Good Standing	City Grants (via TAC)
Oct 2024	Toronto Symphony Orchestra	Registered Charity	\$5,000	October 2027	Economic Development & Culture	In Good Standing	City Grants (via TAC)
Total as at December 31, 2025			\$5,995				
Total as at December 31, 2024			\$5,995				
Aggregate Limit			\$10,000				

* report recommendations to extend for a further 3 years

Young People's Theatre

Young People's Theatre (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 Young People's Theatre theatrical productions and educational programs annually. Young People's Theatre operates out of two locations: a City Below-Market-Rent facility at 165 Front Street; and a Young People's Theatre-owned commercial portion of a condo property at 161 Frederick, where the theatre operates out of the basement, main floor, and 2nd floor.

Young People's Theatre has had a City line of credit guarantee since the early 1990's. The amount of the City guarantee has fluctuated over time, dependent on YPT's needs. Young People's Theatre has had a successful history of meeting its financial obligations to its lending financial institution and the City under the existing terms and conditions of the guarantee agreement.

Of note, YPT receives annual Toronto Arts Council funding of \$326,000 and has an endowment fund held, controlled and managed by Ontario Arts Foundation. As at June 30, 2025, the market value of this endowment fund was \$688,694.

As at December 31, 2025, a City line of credit guarantee of \$175,000 partially supports a YPT available line of credit of \$385,000. Young People's Theatre's line of credit guarantee remains in good standing. The City line of credit guarantee currently expires on December 31, 2026, and this report recommends a three-year extension, to December 31, 2029.

Canadian Stage

Canadian Stage produces and presents Canadian and international contemporary performance and theatre and supports emerging and established artists. It operates in a City Below-Market-Rent facility at 26 Berkeley Street, is a legacy tenant of the St. Lawrence Centre for the Arts and is the primary licensee of the High Park Amphitheatre.

Canadian Stage has had a financial guarantee from the City since 2001. The City currently provides Canadian Stage with a line of credit guarantee for its \$820,000 credit facility, which based on its 2025 financial statements, is comprised of a \$745,000 line of credit with CIBC (a Canadian Chartered bank), and a \$75,000 credit facility in favour of Global Payments Direct, Inc. (guarantees the Company's potential obligation against deferred subscriptions). These lines of credit remain in good standing.

Also of note, Canadian Stage receives an annual Toronto Arts Council grant in the amount of \$832,000, which approximates the level of the line of credit guarantee and acts as security to the City.

The existing City line of credit guarantee expires on October 31, 2026. Canadian Stage has indicated that in 2026, it will be moving its credit facility from CIBC to BMO, and will also be replacing the provider of the \$75,000 credit facility noted above, with Moneris.

This report recommends that the City extend its line of credit guarantee support to Canadian Stage for a three-year period, commencing November 1, 2026, giving consideration to its new banking arrangements with new providers.

Toronto Symphony Orchestra

Founded in 1922, the Toronto Symphony Orchestra (TSO) is one of Canada's largest orchestras, serving audiences and communities from all parts of Toronto. The TSO also offers one of the largest educational programs in Canada, with school concerts for

thousands of students, free open rehearsals, and the tuition-free Toronto Symphony Youth Orchestra.

Toronto Symphony Orchestra has had some form of City line of credit guarantee since 2004. Toronto Symphony Orchestra currently has a \$9.2 million line of credit, which is partially supported by a City line of credit guarantee of \$5 million. The balance is supported by a TSO foundational guarantee of \$4.2 million.

Toronto Symphony Orchestra receives annual Toronto Arts Council funding in the amount of \$1,220,000, which offers security for the City line of credit guarantee.

Toronto Symphony Orchestra's line of credit is in good standing, and the TSO forecasts the continued need for the City line of credit guarantee. The existing City line of credit guarantee to the Toronto Symphony Orchestra is currently set to expire in October 2027.

2. Capital Loan Guarantees

Under City policy, entities eligible for capital loan guarantees are non-profit sporting, recreational and community entities which are seeking to acquire or upgrade their facilities. 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.

As at December 31, 2025, there were three authorized outstanding capital loan guarantees totaling approximately \$34.46 million in aggregate, as detailed in Table 4 below.

Table 4 - Summary of Capital Loan Guarantees

As at December 31, 2025							
Most Recent Date Approved	Name of Entity	Relationship to City	Amount of Loan Guarantee	Loan Balance	Expiry Date	Responsible Program Area	Security
(000's)							
Capital Loan Guarantees - Entity with In Good Standing Loan Status							
July 2016	YMCA -505 Richmond	Registered Charity	\$0 (\$30,000 released Oct 2025)	\$0	Fully repaid August 2025	Parks and Recreation	Second Charge and assignment rights
2003	Ricoh Coliseum	City Agency	\$0	\$0	Fully repaid July 2025	Exhibition Place	Leasehold Improvements to City lands
2022	Massey Hall	Registered Charity	\$3,000*	\$14,132	Latter of February 28, 2029, or 66 months after TD advances "Take-out loan" to Massey	Economic Development and Culture	2nd charge on assets.
April 2017	Lakeshore Arena Corporation	City Services Corporation	\$30,860	\$20,455	October 2042	Parks and Recreation	Leasehold Interest of facility on Toronto District School Board lands
Sub-Total for Entities In Good Standing			\$33,860	\$34,587			
Capital Loan Guarantees - Entity in Receivership							
January 2009	Artscape FCM – Wychwood Barns	Not-for-Profit	\$600	\$226	August 2029	Economic Development and Culture	Leasehold Improvements to City lands
Total as at December 31, 2025			\$34,460	\$34,813			
Total as at December 31, 2024			\$84,460	67,464			
Aggregate Limit			\$300,000				

YMCA

In July 2016, City Council approved the provision of a capital loan guarantee on behalf of the YMCA in support of financing for the construction of a 55,000 sq. ft. YMCA community centre, itself part of the redevelopment of a former City-owned property at 505 Richmond Street West. The City also entered into a related Community Use Agreement with the YMCA for a 30-year term.

Project financing was arranged with Infrastructure Ontario (IO) as lender. The capital terms included an interest-only Construction Loan, supported by a City Capital loan guarantee in an amount not to exceed \$30.0 million during the construction period.

Council authorized City funding participation comprised of a capital contribution of up to \$19.0 million, along with a City reimbursement of 2/3 of the interest cost of the construction loan, payable at project substantial completion.

Substantial Completion was originally anticipated in late 2019 but was extended over time due to project-related issues. Substantial completion occurred in July 2025, when the YMCA repaid the entire IO construction loan (\$26,997,980), making the City's capital loan guarantee no longer required.

The City guarantee was released by IO on October 29, 2025, and the City's total financial obligation for this project was \$21,809,651.25

Ricoh Coliseum/BPC Coliseum Inc

Located on the Exhibition Place grounds, the 8,300 seat Ricoh (now called "Coca Cola") Coliseum is home to the Toronto Marlies Hockey Club, and also offers ice rentals, concerts, special and corporate events.

In 2002-2003, the City and Exhibition Place, BPC Coliseum Inc. (an affiliate of OMERS), and the Coliseum Renovation Corp undertook a \$38 million renovation of the Coliseum. Project funding and financing involved equity participation from both the City and OMERS, along with third-party debt financing (\$20 million) that was supported by a City capital loan guarantee.

In July 2025, the underlying BPC loan was repaid in full, and therefore the City guarantee is no longer required.

Massey Hall

In April 2022, Council approved, on an exceptional basis, the provision of a capital loan guarantee in support of 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.

The revitalization project of Massey Hall is considered a project of national significance, with the benefit accruing most substantially to the City of Toronto. The total project cost was estimated at \$189.5 million.

The federal and provincial governments committed \$46.3 million and \$42 million respectively to this project, and the City contributed \$2.55 million in Section 37 funds (Ward 13).

Massey Hall raised funds through corporate and philanthropic contributions as well as through its own operational revenues. Financing, for which the City provided its guarantee, was necessary to complete the revitalization project. The City loan guarantee forms part of an overall loan support package, which also included future operational revenues, pledges and contributions.

Toronto Dominion's capital loan to Massey Hall, which was supported by the City's guarantee, included a demand loan of up to \$22 million, structured as a bridge loan, which would be replaced by a "take-out" loan of up to \$21 million at project substantial completion. As of October 2024, the bridge loan balance outstanding was approximately \$19 million, which would be replaced by a "take-out" loan.

Upon approving the City's capital loan guarantee, Council directed that, should the City's loan guarantee to Massey Hall become payable to the bank by the City, the payment would be accommodated through a reallocation of funds within the Economic Development and Culture Approved Operating Budget.

As at December 31, 2025, Massey Hall's capital loan balance was \$14,132,600, and was in good standing. (December 31, 2024: \$18,048,000)

Artscape

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

Over the years, the City had provided capital loan guarantees to Artscape to assist it in raising the necessary funds to enable its development. However, in 2023, Artscape announced that it was facing insolvency, and in 2024, Artscape entered into receivership.

At the time of receivership, Artscape had a City capital loan "guarantee" outstanding in support of a \$225,874.36 loan from the Federation of Canadian Municipalities (FCM) Green Municipal Fund Initiative, which had been structured as a "mirror" loan to Artscape. The original arrangement involved the City borrowing \$600,000 from the FCM in support of Artscape's financing of an energy efficiency project at Artscape Wychwood Barns, and at the same time, the City made a \$600,000 "mirror" loan to Artscape.

As at the time of receivership, the FCM loan principal loan balance (as well as of the City mirror loan to Artscape) of \$225,874.36 was outstanding. The City is obligated to

continue to make payments to the FCM, but as Artscape is in receivership, it has not made any further loan repayments to the City. As the Receivership process has not yet concluded, it has yet to be determined whether the City will be able to recover all or a portion of the loan balance. City staff will continue to report on the proceedings in future annual loan and annual loan guarantee reports.

Lakeshore Arena Corporation:

Lakeshore Arena Corporation (LAC) 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, and the Arena also hosted three seasons of CBC's Battle of the Blades.

This facility was originally conceived by the Lakeshore Lions Club, and the City provided the land and a capital loan guarantee to a third-party lender. In September 2011, the City assumed control of the Lakeshore Arena, establishing LAC as a City Services Corporation.

In 2014, third-party private financing to LAC of approximately \$19 million was maturing. The City refinanced this amount through an interim interest-only direct loan, which would then be refinanced. At the time, LAC had additional third-party debt of \$20 million. Subsequently, the City restructured the \$19 million interim debt, as follows:

- Write-down and conversion of \$8.1 million of the City debt into a repayable Shareholder Capital Contribution. Repayment amounts are required to be deposited into a reserve to support ongoing LAC capital maintenance expenditures.

In October 2024, Council amended the repayment formula to address LAC's cash flow challenges, while allowing for the continued repayments. This arrangement is included in the Unanimous Shareholder Declaration for LAC.

- In October 2017, LAC refinanced its capital loans with Infrastructure Ontario, addressing the remainder of this debt, together with other third-party debt, for a total consolidated long-term capital loan of up to \$30.86 million, supported by a City guarantee. The City guarantee was not to exceed \$30.86 million, inclusive of interest and any other costs.

IO subsequently made available a long-term capital loan of only \$26.7 million, giving consideration to potential risks associated with unwinding the loan in the event of a non-remedied default. The City provided an interest-only loan to LAC to cover the balance of \$4.048 million which was ultimately to be replaced by IO financing. Under this arrangement, LAC has been responsible for paying only the interest on this City loan, and not the principal amount of \$4.048 million.

The IO Capital loan balance as at December 31, 2025 was \$20,454,900 (December 31, 2024 was \$21,333,000).

- The City made available a \$1 million line of credit to LAC at 3% interest per annum to address operating requirements, and LAC borrowed this amount in 2020 as a result of the pandemic economic shutdown conditions. LAC had indicated an intention to repay \$100,000 each year, divided into quarterly installments. In 2025, LAC has repaid a greater amount, leaving an outstanding balance of \$600,000.

The \$4.048 million City interest-only loan has been extended over time, and currently expires in October 2026. This report recommends a refinancing of the outstanding loan amount:

- to allow for repayment of both interest and principal, over a 17-year term, commencing June 30, 2026. While to date, LAC has been responsible for paying only the interest on the City loan, the refinancing will now have LAC repaying both the interest and principal amounts;
- the repayment timeline is consistent with the remaining timeline for the LAC loan from IO;
- quarterly payments will commence on September 30, 2026;
- at a continued interest rate of 3%; and
- on key terms and conditions as noted in Appendix A to this report.

Table 5 - Summary of Lakeshore Arena Corporation Outstanding Debt		
	December 31, 2025	December 31, 2024
	(\$000's)	
IO Capital Loan- Guaranteed by City	\$20,455	\$21,334
Direct City Loans:		
Interest Only Capital Loan	\$4,048	\$4,048
Line of Credit	\$600	\$800
Total Loans and Loan Guarantees	\$25,103	\$26,182

3. Direct City Loans

Under City policy, the occasional 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 which may be constructed on City-owned property, as this may allow the City to require ownership of the facility to revert back in event of a loan default,

or as part of an agreement. Direct City capital loans may not be used to fund operations nor to support operating deficits.

Total direct loans to be provided by the City under this policy are limited at \$125 million. As at December 31, 2025, there were four direct capital loans outstanding under this policy with a total \$36.845 million (December 31, 2024: \$41.696 million), as detailed in the table below.

Table 6 - Summary of Direct City Loans

As at December 31, 2025

Most Recent Date Approved	Name of Entity	Relationship to City	Amount Authorized \$000's	Balance December 31/25 (\$000's)	Expiry Date	Responsible Program Area	Security
Direct City Capital Loans - Entity with Loan Status In Good Standing							
November 2015	Lakeshore Arena Corporation	City Services Corporation	\$4,048*	\$4,048	October 2026	Parks and Recreation	Leasehold Interest
December 2016	Leaside Arena	City Agency	\$7,302	\$4,957	November 2043	Arena Board	City Property
December 2016	Conference Centre - Exhibition Place	City Agency	\$38,675	\$22,212	2040	Exhibition Place	City Property
2014	BMO Field Expansion-Exhibition Place	City Agency	\$10,000	\$5,628	2034	Exhibition Place	City Property
Total as at December 31, 2025			\$60,025	\$36,845			
Total as at December 31, 2024			\$60,025	\$41,696			
Aggregate Limit			\$125,000				
*originally \$11.8 million, partly refinanced by Infrastructure Ontario							

Lakeshore Arena Corporation

See the section above for information regarding LAC's Direct City Capital Loan.

Leaside Arena

In January 2012, Council authorized the construction of a second ice pad at Leaside Arena, a City facility operated by the Leaside Arena Board of Management ("Leaside"). The project was completed in 2013 at a total cost of \$12.5 million and was funded by way of City (\$1 million) and community (\$3 million) capital contributions, and financing as follows:

- City recoverable debt of \$7.3 million, inclusive of interest, to be amortized over 30 years (2043), with the debt recoverable from payments to be made to the City by Leaside (the "City loan"). Repayment of the City loan ranks as senior to the loan described below.

The original City capital loan terms required that any Leaside operating deficit be added to the principal loan balance, thereby increasing the total amount to be repaid over time. In May 2025, Council amended the terms of this City capital loan, including removal of this requirement.

- A non-recourse loan from Infrastructure Ontario (IO) of \$1.052 million, to be amortized over 20 years (2032). This loan is at no recourse to the City.

The City issued a revenue bond to IO in support of this non-recourse loan which was secured by non-tax revenues. In the event that Leaside was to generate insufficient revenues to make debt repayments to IO, conditions of the loan agreement would impact Leaside's ice rental rates.

As at December 31, 2025, the total outstanding of the direct City loan balance was \$4,956,651 (December 31, 2024 balance: \$5,720,947) and non-recourse IO loan balance was \$395,094 (December 31, 2024: \$501,513). Both loans are in good standing.

Conference Centre at Exhibition Place

In 2007, City Council authorized a loan of \$35.6 million (\$38.68 million inclusive of interest) to the Board of Governors of Exhibition Place for the construction of a conference centre within the existing Automotive Building. The loan repayment term is 25 years.

In 2020 and 2021, pandemic-related restrictions impacted cash flows. To assist Exhibition Place in meeting its loan payment obligations, Council approved draws from the Conference Centre Reserve Fund (created for this purpose) of \$1.7 million in 2020, and \$2.3 million in 2021.

As at December 31, 2025, loan payments were up to date, and the outstanding loan balance was \$22.212 million (December 31, 2024: \$25.803 million).

BMO Field Expansion at Exhibition Place

In April 2014, City Council authorized 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 was debt financed by the City over a 20-year period, with annual loan repayments supported by rent payments which Exhibition Place receives from the stadium's tenant, Maple Leaf Sport and Entertainment Ltd.

The outstanding loan balance was \$5.628 million as at December 31, 2025 (December 31, 2024: \$6.124 million).

CONTACT

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SIGNATURE

Stephen Conforti
Chief Financial Officer and Treasurer

ATTACHMENT:

Appendix A
Lakeshore Arena Corporation, Loan Refinancing:
Key Terms and Conditions

Appendix B
Lakeshore Arena Corporation, Loan Amortization Schedule

Appendix C
2026 - Amended Loan Guarantee Policy

APPENDIX A:

Lakeshore Arena Corporation, Loan Refinancing: Key Terms and Conditions

Parties	City as Lender; Lakeshore Arena Corporation (LAC) as Borrower
Purpose	<ul style="list-style-type: none">• Refinancing of City loan to LAC. Purpose of original financing was to support LAC arena expansion.• Loan may only be used for the purposes permitted in the agreement
Amount	\$4,047,660
Interest Rate	3% per annum
Interest rate on overdue payments	3% per annum
Agreement Term	17 years, starting on June 30, 2026 to June 30, 2043
Quarterly Repayments	Commencing September 30, 2026, see Appendix B (Amortization Schedule)
City Contact	<ul style="list-style-type: none">• The City signatory to this agreement is the City's Chief Financial Officer and Treasurer or designate• All materials to be provided by LAC to the City under this agreement is to the City Chief Financial Officer and Treasurer or designate
Other	Borrower must adhere to agreement terms, regardless of any future corporate restructuring or buyouts by other parties.

<p>Annual reporting by LAC, to be provided to the City within 120 days of each fiscal year end</p>	<ul style="list-style-type: none"> • Audited annual financial statements • Status of existing third-party loans • Annual forecast for the upcoming year, comprised of quarterly proforma financial statements, including but not limited to <ul style="list-style-type: none"> • income statement, balance sheet, cash flow statement, calculation of projected financial covenants • State of Good Repair reporting, inclusive of Capital Maintenance Report and Capital Expenditure Plan • Confirmation that all taxes are paid and current • Provide the City with copies of other reporting to Infrastructure Ontario as Lender
<p>Ongoing Disclosure to the City</p>	<ul style="list-style-type: none"> • Disclosure of potential risks where circumstances arise that may impact ability to repay loan. • Provide notice within 10 business days, where it is anticipated that LAC will be unable to meet a repayment obligation • Promptly provide notice of changing status of third-party loans • Promptly advise of receipt of default notices from third-party creditors, which may indicate potential enforcement actions, and provide copies of associated correspondence • Promptly advise the City of the occurrence/threat of litigation
<p>Financial Covenants:</p>	<p>LAC agrees to maintain a minimum annual Debt Service Coverage of 1x, to be confirmed annually based on the audited financial statements.</p> <p>“Debt Service Coverage” is defined as excess of revenues over expenses before interest, depreciation and amortization divided by the sum of principal and interest payments made on all interest-bearing debts</p>

<p>Additional positive covenants</p>	<ul style="list-style-type: none"> • Furnish the City with such information, financial, technical or otherwise, as the City may from time to time reasonably require • Maintain at all times proper financial and business records • Allow the City to examine its books and accounts upon reasonable notice being given by the City • The Borrower shall ensure that the City has access to the property as required by the City • Borrower must maintain appropriate insurance on assets
<p>Prohibitions on additional borrowing</p>	<ul style="list-style-type: none"> • LAC shall not undertake any additional borrowings without the prior written approval of the City, with the exception of equipment leases as may be required in support of operations • LAC shall not pledge any of its assets to other parties (except those already agreed to by existing Lenders/creditors) without the City's consent • LAC shall not permit any cross-default provisions to be included with any other loan documentation which may affect LAC assets
	<p>Withdrawal of equity and/or profits in any form including dividends and/or other fees, are not permitted without the City's prior written consent.</p>
<p>LAC Sale of Assets</p>	<p>LAC shall not sell its assets in bulk out of the usual course of business or trade. Any sale of assets should be subject to City approval</p>

Events of Default	<p>The City may demand immediate payment of the loan upon the happening or continuance of one or more of the following events:</p> <ul style="list-style-type: none">• if LAC fails to pay its obligations as they become due, including the repayment of the Funds; or• if LAC defaults in the performance of any of the terms or covenants of the Agreement and such default has not been cured to the satisfaction of the City, acting reasonably, within thirty (30) days of notification by the City to LAC of such Event of Default; or• if LAC fails to notify the City promptly of any material change in the information contained herein relating to its business, and of the details of any substantial claims affecting LAC; or• if LAC fails to pay all taxes, rates, levies, assessments and other charges of every nature which may be lawfully levied, assessed or imposed against or in respect of LAC as and when the same become due and payable and such default has not been cured to the satisfaction of the City within thirty (30) days of notification by the City to LAC of such Event of Default
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APPENDIX B:**Lakeshore Arena Corporation, Loan Amortization Schedule**

Year	Quarterly Payment	Begin Principal Balance	Interest	Principal	Ending Principal Balance	Total Quarterly Payment
2026	30-Sep	4,047,660.00	30,244.46	45,894.72	4,001,765.28	76,139.18
	31-Dec	4,001,765.28	29,901.53	46,237.65	3,955,527.63	76,139.18
2027	31-Mar	3,955,527.63	29,556.03	46,583.14	3,908,944.48	76,139.17
	30-Jun	3,908,944.48	29,207.96	46,931.22	3,862,013.27	76,139.18
	30-Sep	3,862,013.27	28,857.29	47,281.89	3,814,731.38	76,139.18
2028	31-Dec	3,814,731.38	28,503.99	47,635.18	3,767,096.19	76,139.17
	31-Mar	3,767,096.19	28,148.06	47,991.12	3,719,105.07	76,139.18
	30-Jun	3,719,105.07	27,789.47	48,349.71	3,670,755.36	76,139.18
	30-Sep	3,670,755.36	27,428.19	48,710.99	3,622,044.38	76,139.18
2029	31-Dec	3,622,044.38	27,064.22	49,074.96	3,572,969.42	76,139.18
	31-Mar	3,572,969.42	26,697.53	49,441.65	3,523,527.77	76,139.18
	30-Jun	3,523,527.77	26,328.10	49,811.08	3,473,716.69	76,139.18
	30-Sep	3,473,716.69	25,955.90	50,183.27	3,423,533.41	76,139.17
2030	31-Dec	3,423,533.41	25,580.93	50,558.25	3,372,975.16	76,139.18
	31-Mar	3,372,975.16	25,203.15	50,936.02	3,322,039.14	76,139.17
	30-Jun	3,322,039.14	24,822.56	51,316.62	3,270,722.52	76,139.18
	30-Sep	3,270,722.52	24,439.11	51,700.06	3,219,022.45	76,139.17
2031	31-Dec	3,219,022.45	24,052.81	52,086.37	3,166,936.08	76,139.18
	31-Mar	3,166,936.08	23,663.61	52,475.57	3,114,460.52	76,139.18
	30-Jun	3,114,460.52	23,271.51	52,867.67	3,061,592.85	76,139.18
	30-Sep	3,061,592.85	22,876.48	53,262.70	3,008,330.15	76,139.18
2032	31-Dec	3,008,330.15	22,478.50	53,660.68	2,954,669.47	76,139.18
	31-Mar	2,954,669.47	22,077.54	54,061.64	2,900,607.83	76,139.18
	30-Jun	2,900,607.83	21,673.59	54,465.59	2,846,142.24	76,139.18
	30-Sep	2,846,142.24	21,266.61	54,872.56	2,791,269.67	76,139.17
2033	31-Dec	2,791,269.67	20,856.60	55,282.58	2,735,987.10	76,139.18
	31-Mar	2,735,987.10	20,443.53	55,695.65	2,680,291.44	76,139.18
	30-Jun	2,680,291.44	20,027.36	56,111.81	2,624,179.63	76,139.17
	30-Sep	2,624,179.63	19,608.09	56,531.09	2,567,648.54	76,139.18
2034	31-Dec	2,567,648.54	19,185.69	56,953.49	2,510,695.05	76,139.18
	31-Mar	2,510,695.05	18,760.12	57,379.05	2,453,316.00	76,139.17
	30-Jun	2,453,316.00	18,331.38	57,807.79	2,395,508.20	76,139.17
	30-Sep	2,395,508.20	17,899.44	58,239.74	2,337,268.46	76,139.18
2035	31-Dec	2,337,268.46	17,464.27	58,674.91	2,278,593.55	76,139.18
	31-Mar	2,278,593.55	17,025.84	59,113.34	2,219,480.22	76,139.18
	30-Jun	2,219,480.22	16,584.14	59,555.04	2,159,925.18	76,139.18
	30-Sep	2,159,925.18	16,139.14	60,000.04	2,099,925.15	76,139.18

	31-Dec	2,099,925.15	15,690.82	60,448.36	2,039,476.79	76,139.18
2036	31-Mar	2,039,476.79	15,239.14	60,900.04	1,978,576.75	76,139.18
	30-Jun	1,978,576.75	14,784.09	61,355.09	1,917,221.66	76,139.18
	30-Sep	1,917,221.66	14,325.64	61,813.54	1,855,408.13	76,139.18
	31-Dec	1,855,408.13	13,863.77	62,275.41	1,793,132.72	76,139.18
2037	31-Mar	1,793,132.72	13,398.44	62,740.74	1,730,391.98	76,139.18
	30-Jun	1,730,391.98	12,929.63	63,209.54	1,667,182.43	76,139.17
	30-Sep	1,667,182.43	12,457.33	63,681.85	1,603,500.58	76,139.18
	31-Dec	1,603,500.58	11,981.49	64,157.69	1,539,342.90	76,139.18
2038	31-Mar	1,539,342.90	11,502.10	64,637.08	1,474,705.82	76,139.18
	30-Jun	1,474,705.82	11,019.13	65,120.05	1,409,585.77	76,139.18
	30-Sep	1,409,585.77	10,532.54	65,606.63	1,343,979.13	76,139.17
	31-Dec	1,343,979.13	10,042.32	66,096.85	1,277,882.28	76,139.17
2039	31-Mar	1,277,882.28	9,548.44	66,590.73	1,211,291.54	76,139.17
	30-Jun	1,211,291.54	9,050.87	67,088.31	1,144,203.24	76,139.18
	30-Sep	1,144,203.24	8,549.58	67,589.59	1,076,613.64	76,139.17
	31-Dec	1,076,613.64	8,044.55	68,094.63	1,008,519.01	76,139.18
2040	31-Mar	1,008,519.01	7,535.74	68,603.44	939,915.57	76,139.18
	30-Jun	939,915.57	7,023.13	69,116.05	870,799.53	76,139.18
	30-Sep	870,799.53	6,506.69	69,632.49	801,167.03	76,139.18
	31-Dec	801,167.03	5,986.39	70,152.79	731,014.24	76,139.18
2041	31-Mar	731,014.24	5,462.20	70,676.98	660,337.27	76,139.18
	30-Jun	660,337.27	4,934.10	71,205.08	589,132.18	76,139.18
	30-Sep	589,132.18	4,402.05	71,737.13	517,395.05	76,139.18
	31-Dec	517,395.05	3,866.02	72,273.16	445,121.89	76,139.18
2042	31-Mar	445,121.89	3,325.99	72,813.19	372,308.70	76,139.18
	30-Jun	372,308.70	2,781.92	73,357.26	298,951.45	76,139.18
	30-Sep	298,951.45	2,233.79	73,905.39	225,046.06	76,139.18
	31-Dec	225,046.06	1,681.56	74,457.61	150,588.45	76,139.17
2043	31-Mar	150,588.45	1,125.21	75,013.97	75,574.48	76,139.18
	30-Jun	75,574.48	564.7	75,574.48	-	76,139.18

APPENDIX C:

2026 - Amended Loan Guarantee Policy

Purpose:

The purpose of this policy is to provide a framework for the City of Toronto (“City”) to consider requests from eligible entities for the provision of capital loan or line of credit guarantees as may be required in support of third-party capital loans or lines of credit.

Requested financial guarantees for consideration must be deemed to be in the best interests of the City and a local community, while minimizing financial risks to the City.

Loan guarantees represent a contingent liability for the City. This means, should the borrower default on a loan that is supported by a City loan guarantee, the City would become responsible for the funding and payment of all or a portion of the outstanding loan amount, to the maximum of the guarantee.

Where the City becomes obligated to make a payment under a loan guarantee, the Chief Financial Officer and Treasurer (“CFO”) is authorized to fund the immediate legal obligation of the City. The responsible program area, together with the CFO, shall report to the next available Executive Committee meeting on the circumstances of the default.

Authorities:

The *City of Toronto Act, 2006*, section 83(2)(a) provides the power to guarantee a loan that Council considers to be in the interests of the City.

Definitions:

A City capital loan guarantee, or line of credit guarantee (both, “loan guarantees”), is a financial obligation made by the City, to a third-party lender, in support of a loan or line of credit made to an eligible City agency or entity, where the lender has requested such a guarantee as a condition of agreeing to lend to the borrower.

1. Line of Credit Guarantee

A line of credit is a short-term operating loan, up to a pre-set maximum limit, which is used by operating entities in their day-to-day operations, to bridge a timing gap between cash inflows and outflows. A line of credit guarantee may be required where the lender identifies a need for additional security.

In considering a request for a line of credit guarantee, the entity must demonstrate that it is managing its cash flows adequately. In addition, the entity must pledge its operating cash inflows and/or other security to the lending financial institution in support of its line of credit.

Total outstanding City line of credit guarantees are limited to \$10 million in aggregate.

2. Capital Loan Guarantee

A capital loan is provided to finance a capital project, or the acquisition of a capital asset. To be eligible for a loan guarantee, the capital loan must not be used for operational purposes nor to address operating deficits.

Total outstanding City capital loan guarantees are limited at \$300 million in aggregate, with an individual loan guarantee limited to a maximum of \$10 million.

Eligibility:

Eligible entities

Eligible entities must have a pre-existing financial relationship with the City, meaning that:

- the City already provides operating grants or other discretionary financial contributions or subsidies to the entity, being limited to monetary contributions which may be given for a public benefit, and does not include other contributions which may be provided in exchange for goods or services; and/or
- the entity must provide its annual budget to Toronto City Council for its consideration and approval.

In addition:

- Entities eligible for line of credit guarantees must be non-profit local community and cultural entities;
- Entities eligible for capital loan guarantees must be non-profit sporting, recreational and community entities which are seeking to acquire or upgrade their facilities.

Eligible financial Institutions

Loan Guarantees may be considered in support of loans made to eligible entities by the following eligible financial institutions:

- a Bank listed in Schedule I or Schedule II to the *Bank Act (Canada)*;

- a loan corporation or trust corporation registered under the *Loan and Trust Corporations Act*; or
- a credit union, or central, to which the *Credit Unions and Caisses Populaires Act, 2020* applies.

In addition, the financial institution must be rated by at least two (2) accredited credit rating agencies in Canada (which credit rating agencies include Standard & Poor's Corporation, Morningstar DBRS, Moody's, and Fitch Ratings) and must have a minimum credit rating of "A". In the case where the ratings are split, the higher of the ratings will prevail and must be a minimum of "A".

Requirements:

Loan guarantees should only be considered where the requesting entity meets the eligibility criteria and is able to demonstrate through its business plans/forecasts its financial viability and capacity to repay the funds, to the satisfaction of the CFO.

Line of Credit Guarantees:

The entity must demonstrate that it is pledging its operating cash inflows and/or other security to the lending financial institution in support of its line of credit.

Capital Loan Guarantees:

With respect to capital loan guarantees, the duration of the underlying loan shall not exceed the useful life of the asset being constructed, nor may it exceed the remaining term of any related leasing and/or operating agreements. The term of the loan guarantee cannot exceed the term of the underlying loan.

Equity Contribution:

In considering providing a capital loan guarantee to an eligible entity, the level of firm financial commitment from that entity to the capital project must be at least fifteen percent (15%) of the overall project capital cost, with the amount required based on assessed risk. The information presented to the City must be to the satisfaction of the CFO. The equity contribution may be generated through means including grants, sponsorships, or other fundraising efforts.

Required Information/Documentation to be Provided

At the time of an initial request for a loan guarantee or a request for a loan guarantee agreement extension, information to be provided by the requesting eligible entity to the City shall include the following, at a minimum:

- Documented evidence from at least two separate eligible financial institutions, that the eligible entity will be denied sufficient and reasonable financing without a City loan guarantee;
- Copy of audited financial statements for the preceding three (3) fiscal years, as well as the most recent interim (may be unaudited) financial statements if nine (9) months or more have passed since the latest fiscal year end;
- Current debt schedule disclosing the details of all outstanding loans and leases;
- Listing of entity's secured creditors and collateral pledged to those creditors; and
- During the term of a loan guarantee agreement, annual audited financial statements must be provided no later than four (4) months after each fiscal year end.
- *For Capital Loan Guarantees:*
 - explanation as to why the underlying capital project is necessary;
 - explanation outlining the potential benefit of the capital project;
 - business plan including proforma budgets and cash flows for the next three (3) years, detailing sources of funding and financing;
 - details of capital project costing, capital procurement details. The City may require verification of project costs by a qualified third-party where the third-party costs are to be paid for by the eligible entity;
 - longer-term cash flow forecast demonstrating the ability to meet loan repayments throughout the term of the underlying loan; and
 - during the term of the loan, periodic cash flow reporting for the entity, with the required timelines to be determined by the CFO on a case-by-case basis.
- *For Line of Credit Guarantees:*
 - explanation as to why the underlying line of credit is required;
 - cash flow forecast demonstrating the ability to meet loan repayments throughout the term of the underlying loan; and
 - during the term of the loan, periodic cash flow reporting for the entity, including identification of the use and repayment of the underlying line of credit. Principal balance of line of credit.

Financial Due Diligence:

Financial due diligence should be performed by the CFO or their designates to assess the potential level of financial risk associated with granting each loan guarantee. The analysis should result in an understanding of the creditworthiness of the requestor, its capacity to repay the underlying loan for which a guarantee is being requested, and the recommended terms and conditions or other measures required to provide a City loan guarantee.

The completed analysis should be kept on file at a minimum throughout the term of any related agreements.

Security/Collateral:

The CFO, in recommending approval of a financial guarantee under this policy, will determine what security/collateral is appropriate for each potential loan guarantee.

Consideration will be given to the nature of the entity and the availability of real property or other assets. The loan guarantee agreement may also provide for the withholding of grants or other financial contributions by the City to the entity in the event of a default on the underlying debt, as determined by the CFO.

Where the City takes security from an eligible entity, it must be subject to registration as to title to provide the City with appropriate protection.

At the discretion of the CFO or their designate, the eligible entity may be required to provide an appraisal prepared by a qualified third-party of the value of the security to be pledged in support of the loan guarantee. Where this is required, the entity will be responsible for any related costs.

Terms of Agreement:

The City requires an agreement between itself and the entity that is to be supported by a loan guarantee as well as a tri-partite agreement between the City, the entity, and the relevant third-party lender. The terms and conditions should take into consideration measures to mitigate the financial risks to the City in the event of a default of the loan agreement by the eligible entity.

The terms and conditions of the proposed loan guarantee agreements are subject to the approval of the CFO and City Solicitor, and where appropriate, the relevant Deputy City Manager. At a minimum, loan guarantee agreement terms should require the entity to provide the following to the City:

- Annual audited financial statements, no later than four (4) months after each fiscal year end;
- Regular reporting from the entity and/or its third-party lender as to whether the supported capital loan is in good standing, and as well, whether the entity is meeting its overall debt repayment obligations;

- For capital loan guarantees, where the loan was made to finance a capital project, regular reporting as to the status of the capital construction, including where there may be any material changes to project costs, and/or anticipated substantial completion;
 - The City may conduct on-site visits, and may require a final report from the entity, at the completion of construction, with a copy to be provided to the CFO and where appropriate, the relevant Deputy City Manager.
 - The City may also require qualified third-party verification of any of the above, with the entity responsible for third-party costs.
- Advise of any material adverse changes; and
- Where the City becomes obligated to make payment as a result of a default of the entity on the underlying loans which are supported by a City guarantee, the guarantee agreement terms shall permit the amount paid by the City to become convertible to a fully recoverable loan from the entity to allow the City to be made whole.

Reporting:

New Loan Guarantee or Loan Guarantee Extensions

Reports to Council/Committee on a recommendation to grant a new line of credit guarantee or extend a loan or line of credit guarantee shall include:

- eligibility of the entity requesting a City loan guarantee;
- program area support for the request, as may be applicable;
- result of the financial due diligence/credit risk assessment; and recommended terms and conditions, and other measures, under which a potential City loan guarantee should be considered.

Underlying Loan Defaults

Reports to Council/Committee where a supported eligible entity defaults on its third-party loan repayment such that the City would be obligated to pay out all or a portion of its guarantee shall include:

- potential financial impact to the City;
- identify a potential funding source within the responsible program area’s budget for the current/applicable fiscal year;
- identify options as to how the City will pursue recovery of funds from the supported entity.

Monitoring of Performance:

Ongoing monitoring should be performed on entities and projects that are supported by City loan guarantees, to enable the City to identify potential signs of financial distress or default risk and take proactive measures to mitigate the City's credit risks.

The CFO is responsible for monitoring the entity's financial viability. Where program areas have direct oversight of the operations and capital projects of supported entities, those program areas are responsible for monitoring the performance of supported entities/capital projects.

For capital loan guarantees, the responsible program area shall assign a project manager, or qualified third party, to monitor construction progress and project financial status (i.e., actual versus budget) during construction, as may be deemed appropriate.

The entity is required to provide periodic reporting, verified by a qualified third-party as may be appropriate. The entity is required to provide a final report on the completion of construction, providing a copy to the appropriate Deputy City Manager and to the CFO.

Review of Policy:

This policy should be reviewed at a minimum every three (3) year after adoption by Council or sooner as may be deemed appropriate by the CFO.