



TO:	CHAIR AND MEMBERS INVESTMENT AND ECONOMIC PROSPERITY COMMITTEE MEETING ON AUGUST 27, 2014
FROM:	MIKE TURNER DEPUTY CITY TREASURER
SUBJECT:	ORCHESTRA LONDON CREDIT GUARANTEE

RECOMMENDATION

That, on the recommendation of the Deputy City Treasurer, the following actions be taken with respect to funding assistance for Orchestra London:

- (a) this report **BE RECEIVED** for information; and
- (b) that the cash flow funding for the months of September to December from the approved 2014 budgeted amount for Orchestra London **BE APPROVED** for immediate release to Orchestra London, subject to ongoing review and authorization by Civic Administration; and
- (c) the discharge of the Guarantee to the Bank of Nova Scotia, attached as Appendix "C", **BE ACCEPTED**; and
- (d) the attached proposed By-law, Appendix "A", to authorize the Mayor and the City Clerk to execute the Credit Guarantee Agreement, **BE INTRODUCED** at the Municipal Council meeting to be held on September 2, 2014; and
- (e) that the \$500,000 plus costs Guarantee of Orchestra London Canada Inc. with TD Bank Group of all debts and liabilities, attached as Schedule "A" of the By-law, **BE APPROVED** to expire to December 15, 2017.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

- Board of Control, December 8, 2008, Orchestra London Loan Guarantee
- Finance and Administration Committee, January 19, 2011, Orchestra London
- Finance and Administration Committee, November 16, 2011, Orchestra London 2010-2011 Financial Results
- Investment and Economic Prosperity Committee, January 28, 2013, Orchestra London 2011-2012 Financial Results
- Investment and Economic Prosperity Committee, March 31, 2014, Orchestra London

BACKGROUND

The City of London currently has a Guarantee in place for Orchestra London's \$500,000 line of credit. This Guarantee is set to expire on December 15, 2014.

Orchestra London has established different credit facilities, including the line of credit, a business Visa and Merchant Visa Contingency, all covered within the \$500,000 Guarantee with TD Bank Group. This Guarantee would be a new Guarantee and a new By-law. If called, the \$500,000 guarantee would also have certain minimal additional bank costs for enforcing the Guarantee.

Upon default on the credit facilities, the bank would issue a written demand for payment and may demand immediate payment. If immediate payment is not made, interest shall apply. It would be the City's position to pay the Guarantee upon demand to avoid any interest costs.

Upon the demand for payment, the City would postpone all present and future debts and liabilities of the Orchestra and they would be assigned to the bank. There are no current debts or liabilities of the Orchestra to the City. This is something to be cognizant of, in the event of a loan request from the Orchestra.



This Guarantee is required by the bank to ensure continued credit facilities to the Orchestra. The Orchestra will be in good position for the 2014-2015 season. Future seasons and business plans will be contingent upon the outcome of the Celebration Centre proposal.

This Guarantee will not affect the City's debt capacity limits.

This Guarantee is in effect until December 15, 2017. The City has no ability to terminate the Guarantee.

Financial Results

For the four previous years, the Orchestra has achieved a surplus. It appears that for the fifth consecutive season, the Orchestra will have a surplus. For the 2013-14 season, the Orchestra has achieved a draft surplus of \$46,820, although at this point in time, the results are unaudited. NPT LLP accounting firm has completed their audit field work and provided the following very preliminary comment, "nothing material has come to our attention to date as a result of our field work that would require adjustment from preliminary internally prepared figures provided to you by the organization". A number of steps are still required in the audit.

This surplus would further reduce the fiscal year end accumulated deficit to \$903,948. The Financial Statements will be presented at their Annual General Meeting, in approximately November and reported out in the new term of Council.

Due to the fact that the Orchestra cash flows are very seasonal, we are suggesting that the September to December funding be provided for an immediate release to assist in cash flow for the balance of 2014. We will also bring forward a report to the new term of Council detailing their audited results for 2013-14 and a request for approval of funding for January and February's payments in advance of approval of the 2015 budget. We will also be requesting approval of the March to June payments in a lump sum in March, after the approval of the 2015 budget. The advance of the monthly cash flow for that period will also assist in reducing the Orchestra's reliance on the line of credit.

We continue to work with the Orchestra and review their monthly financial data and will bring forward reports to Council as required.

2014 Financial Implications

Funding for Orchestra London in the amount of \$482,688 has been approved in the 2014 budget.

The TD Bank Group Guarantee document is attached as Schedule "A" to the By-law.

A letter from TD Commercial Banking is attached as Appendix "B", indicating that Orchestra London Canada Inc. has operated their credit facilities in a satisfactory manner, requesting the new Guarantee and By-law be provided for the limit of \$500,000.

The Discharge of the Bank of Nova Scotia credit facility guarantee is attached as Appendix "C".

RECOMMENDED BY:
MIKE TURNER DEPUTY CITY TREASURER

- c. M. Hayward
- J. Smout