

Canadian Stage Company – Increase in Line of Credit Guarantee

Date:	January 18, 2008
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2008\Internal Services\Cf\Ec08002Cf – et (AFS #6687)

SUMMARY

This report seeks Council approval to increase the line of credit guarantee for the Canadian Stage Company of \$500,000 by \$300,000 to \$800,000.00 from January 1, 2008 until October 31, 2009.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

- (1)
 - (a) the City increase the line of credit guarantee on behalf of the Canadian Stage Company (CanStage) to its financial institution to \$800,000.00 (inclusive of all interest payable by CanStage), commencing on January 1, 2008 and ending on October 31, 2009;
 - (b) the City extend the agreement with CanStage with respect to the line of credit guarantee; and
 - (c) the City extend the tri-party agreement with CanStage and with its financial institution with respect to the line of credit guarantee;
- (2) such guarantee and all related agreements be on terms and conditions satisfactory to the City Solicitor, the Deputy City Manager and Chief Financial Officer as well as Deputy City Manager Sue Corke, and that the Deputy City Manager and Chief Financial Officer be requested to negotiate appropriate and adequate safeguards,

- to the satisfaction of the City Solicitor, with the City being promptly advised in the event of default or delay in the payment of interest;
- (3) the City retain the right to withhold a portion of outstanding grants that the City may provide to the Canadian Stage Company in 2009 to pay off the line of credit if it is not retired or renegotiated by October 31, 2009;
 - (4) the Canadian Stage Company provide the Deputy City Manager and Chief Financial Officer with their 2008 and 2009 audited financial statements when they become available;
 - (5) the guarantee be deemed to be in the interest of the municipality; and
 - (6) the appropriate officials be authorized to take the necessary action to give effect thereto.

FINANCIAL IMPACT

Issuance of a line of credit guarantee is considered to be a financial commitment of the City. However, there is no direct cost to the City for providing this guarantee unless the organization defaults on its obligation and the City cannot recover the funds beyond any grant funding to the Canadian Stage Company withheld by the City.

DECISION HISTORY

The \$500,000 line of credit guarantee was initially approved by City Council at its meeting held on July 25, 2006 through a notice of motion.

City Council, at its meeting held on March 6, 7 and 8, 2001, by adoption of Clause No. 3 of Report No. 2 of the Policy and Finance Committee, established the Policy of Capital Loan and Line of Credit Guarantees for cultural and community organizations that have a direct financial relationship with the City of Toronto. This policy established a limit of \$5,000,000 in line of credit guarantees that can be issued by the City for these organizations, which limit has subsequently been increased to \$10,000,000 by Council at its meeting of February 1, 2 and 3, 2005.

The following table illustrates the lines of credit, guaranteed by the City, that are currently in place for cultural organizations:

Toronto Philharmonia	\$ 250,000
Lorraine Kisma Theatre for Young People	250,000
Canadian Stage Company	500,000
The Factory Theatre Lab	200,000
Artscape	3,800,000
Toronto Symphony Orchestra	3,000,000
Toronto Botanical Gardens	1,500,000
Toronto Caribbean Carnival Festival	<u>100,000</u>
 Total -Cultural Guarantees	 <u>\$ 9,600,000</u>

ISSUE BACKGROUND

The line of credit guarantee for \$500,000 as provided to the CanStage expired on December 31, 2007. It was intended to provide CanStage with the ability to manage their cash flow and ticket sales.

The management of CanStage has requested that the \$500,000 line of credit guarantee be increased to \$800,000 and extended until October 31, 2009.

COMMENTS

When a not-for-profit cultural organization requests a credit facility from a financial institution, there may be a requirement from the lender to obtain a guarantee. Since a portion of CanStage’s funding consists of a City grant administered through the Toronto arts Council, the City may be requested to provide a guarantee to the lender that it will cover any losses arising from the arrangement. There is no direct cost to the City for providing this guarantee unless the organization defaults on its obligation and the City cannot recover any funds from them beyond any grant funding that would be withheld by the City.

CanStage was created in 1988 from the merger of the Toronto Free Theatre and CentreStage and is the largest year-round non-for-profit theatre in the country. Its mandate is to create and produce the best in Canadian and international contemporary theatre.

CanStage performs in three City-owned facilities—Bluma Appel Theatre in the St. Lawrence Centre, Berkeley Street Theatre and the amphitheatre in High Park. CanStage’s outreach efforts resulted in attendance of 4,800 from schools, 5,400 from seniors groups, and 3,700 youth (under 18) participated in education programs of lectures workshops and talks. In addition, another 48,500 students and seniors took advantage of its discounted subscription and single ticket prices, which range from 20-40% less the regular priced tickets.

Since it is necessary for CanStage to incur upfront expenses in advance of receiving revenues from public and corporate funding sources, it is being recommended that the City increase its current line of credit guarantee from \$500,000 to \$800,000 from January 1, 2008 until October 31, 2009.

During the 2008-2009 season, CanStage is projecting that they will generate operating surpluses and will be in a position to pay down their accumulated deficit.

In order to provide additional protection to the City, the audited financial statements for the 2007 fiscal year have been received and reviewed. An updated cash flow forecast from July 1, 2007 to June 30, 2008 has been received and reviewed by City staff and indicates improved financial results and cash management. It is also recommended that CanStage provide the Deputy City Manager and Chief Financial Officer with their 2008 and 2009 audited financial statements when they become available.

The requested increase in the guarantee for a line of credit conforms to the City's policy and will provide CanStage with assistance to meet its short-term cash flow requirements.

The City Solicitor has reviewed this report and, if approved, will assist in the preparation of the required documents in conjunction with CanStage and its financial institution.

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SIGNATURE

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Deputy City Manager and Chief Financial Officer