



STAFF REPORT ACTION REQUIRED

Request for a Capital Loan Guarantee for Theatre Direct

Date:	October 27, 2008
To:	Executive Committee
From:	Acting Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2008\Internal Services\CF\Ec08031Cf - (AFS #8414)

SUMMARY

This report seeks Council approval of a capital loan guarantee on behalf of Theatre Direct for the amount of \$150,000.00 from December 1, 2008 until November 30, 2013.

RECOMMENDATIONS

The Acting Deputy City Manager and Chief Financial Officer recommends that:

1.
 - (a) The City provide a capital loan guarantee on behalf of Theatre Direct to its financial institution in the amount of \$150,000.00 (inclusive of all interest costs payable by Theatre Direct), commencing on December 1, 2008 until November 30, 2013;
 - (b) the City enter into an agreement with Theatre Direct with respect to the capital loan guarantee; and
 - (c) the City enter into a tri-party agreement with Theatre Direct and with its financial institution with respect to the capital loan 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. Theatre Direct provides the Deputy City Manager and Chief Financial Officer with their 2008, 2009 and 2010 audited financial statements when they become available.
4. The guarantee be deemed to be in the interest of the municipality.
5. The appropriate officials be authorized to take the necessary action to give effect thereto.

FINANCIAL IMPACT

Issuance of a capital loan 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 funds from Theatre Direct. The maximum exposure to the City is \$150,000 of the total capital cost of \$500,000.

DECISION HISTORY

City Council, at its meeting held on March 3rd, 4th and 5th, 2008, by adoption of EX17.4 of Report No. 17 of the Executive Committee, established the Policy of Capital Loan and Line of Credit Guarantees for cultural and community organizations that have a financial relationship with the City of Toronto. This policy established a limit of \$125.0 million in capital loan guarantees that can be issued by the City for these organizations. To date, capital loan guarantees totalling \$83.145 million have been issued by the City.

ISSUE BACKGROUND

The City has been requested to provide a capital loan guarantee to Theatre Direct for \$150,000 as a portion of the \$500,000 funding for the theatre and a small office that is being constructed in the Artscape Wychwood Barns, located in the St. Clair West Village. Having previously performed in schools and community centres, this facility will be their permanent home. They will be offering a year-round program of quality live arts and learning for children, youth and families and will serve the community with over 60 schools situated within a 30 minute walking or transit distance.

COMMENTS

Since its inception in 1976 as a charitable non-profit organization, Theatre Direct has produced and toured over 85 productions reaching as many as 45,000 young people annually and has received numerous nominations and awards. The company's productions have traveled to schools throughout Ontario and have been presented at various venues such as Harbourfront Centre, Tarragon Theatre, Factory Theatre, Theatre Passé Muraille and the Canadian Stage Company.

Its mandate is to present theatre for, with and by young people that is socially conscious and reflects and interprets the diversity of the Canadian experience and nurtures the audience's appreciation of the arts and each other through community and education based programs.

To date, the following organizations have provided direct financial support for Theatre Direct:

Government Support

Canada Council for the Arts
 Ontario Arts Council
 Ontario Arts Foundation
 Toronto Arts Council

Corporate Contributions

CIBC World Markets Children's Foundation
 Imperial Oil Foundation
 TD Bank Financial Group

Foundation Contributions

Laidlaw Foundation
 George Cedric Metcalf Foundation & Various Private Individuals

Specific Contributions to the Theatre's Capital Cost:

Federal Government	\$ 50,000
Provincial Government	100,000
Private Sector (corporations & foundations)	200,000
Contributions sub-total	\$350,000
Financing (requiring capital guarantee)	<u>150,000</u>
Total	<u>\$500,000</u>

Although the City is not a direct contributor to the organization, Theatre Direct is in the Toronto Arts Council's (TAC) multi-year operating funding stream. The 2008 TAC grant was \$61,800.

Toronto Artscape has entered into a 50 year lease with the City of Toronto to redevelop and manage the Wychwood Barns project. In turn, Theatre Direct has negotiated a 10 year sub-lease to occupy a 2,000 square foot studio theatre facility and a 550 square foot office space at the Green Arts Barns, thus having a financial relationship with the City and is therefore eligible for a capital loan guarantee.

The location of the theatre in their facility will enhance Artscape's Green Arts Barns' ability to provide quality live cultural performances to the local community and especially benefit the youth who are involved in production as well as the schools who attend the plays on a regular basis.

The Economic Development Division (Cultural Services) concurs with this report.

Theatre Direct's audited financial statements for the 2007 fiscal year and a detailed cash flow forecast for 2008-2009 have been received and reviewed, indicating acceptable financial results and cash management, achieving a small operating surplus of \$5,500 from revenues of \$540,000. It is also recommended that Theatre Direct provide the Deputy City Manager and Chief Financial Officer with their 2008, 2009 and 2010 audited financial statements when they become available.

The City Solicitor, if the recommendations are approved, will assist in the preparation of the required agreements in conjunction with Theatre Direct and its financial institution.

CONTACT

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SIGNATURE

Cam Weldon

Acting Deputy City Manager and Chief Financial Officer