

**Request for a Renewal of a Line of Credit Guarantee for the Lorraine Kimsa Theatre for Young People**

<b>Date:</b>	March 13, 2009
<b>To:</b>	Executive Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer General Manager, Economic Development, Culture & Tourism
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2009\Internal Services\Cf\Ec09005Cf – et (AFS #9459)

**SUMMARY**

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This report seeks Council approval for the City to renew a line of credit guarantee for the Lorraine Kimsa Theatre for Young People (LKTYP, formerly Young People's Theatre), in the amount of \$250,000.00.

**RECOMMENDATIONS**

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**The Deputy City Manager and Chief Financial Officer and the General Manager, Economic Development, Culture & Tourism recommend that:**

1.
  - a. The City provide, to LKTYP's financial institution, a further guarantee of LKTYP's line of credit in the amount of \$250,000.00 (inclusive of all interest costs payable by LKTYP), for a term commencing on May 1, 2009 until December 31, 2012.
  - b. In accordance with the City's Capital Loan and Line of Credit Guarantee Policy, the City enter into an agreement with LKTYP, and a tri-party agreement with both LKTYP and its financial institution, in respect of the recommended 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 the General Manager, Economic Development, Culture & Tourism 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.

3. LKTYP provide the Deputy City Manager and Chief Financial Officer with their 2009 to 2011 inclusive audited financial statements when they become available.
4. The line of credit guarantee be deemed to be in the interest of the municipality.

## **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 funds.

## **DECISION HISTORY**

City Council, at its meeting held on March 3, 4 and 5, 2008, by adoption of Executive Committee Item EX17.3, established the Cultural Organizations Loan and Operating Lines of Credit Guarantee Policy (the “Policy”) for cultural organizations that have a financial relationship with the City of Toronto.

The policy has established a limit of \$10 million in loan and line of credit guarantees that can be issued by the City for cultural organizations. To date, guarantees totalling \$4.5 million, including this renewal request for LKTYP, have been issued by the City.

## **ISSUE BACKGROUND**

The City received a letter dated January 8, 2009, requesting the renewal of a line of credit guarantee for \$250,000 from LKTYP. The organization has received a line of credit guarantee from the former City of Toronto since 1990, with the last guarantee from the City of Toronto covering a three-year period that ended on December 31, 2008. LKTYP has never defaulted during this 18-year period.

LKTYP continues to demonstrate the ability to manage its cash flow and finances and satisfies Council’s Policy for Capital Loan and Line of Credit Guarantees.

## **COMMENTS**

Lorraine Kimsa Theatre for Young People (LKTYP, formerly Young People's Theatre) was founded in 1966 and is the second largest not-for-profit theatre in Toronto, as well as the first and largest professional theatre for young audiences in Canada, providing touring productions to Toronto elementary and secondary schools. The activities of the organization include theatrical productions for family and school audiences, educational outreach programs that include subsidizing the theatrical experience to disadvantaged children, teacher training workshops, a year-round Drama School in several locations in the GTA, and co-op student placements and apprenticeships.

Celebrating its 43rd season, LKTYP is an important cultural organization for the City, reaching an audience of approximately 65,000 through its annual programming.

The 2008 audited financial statements and a detailed four year cash flow forecast have been received and reviewed by Corporate Finance staff. The annual operating grant from the City through the Toronto Arts Council was \$293,000 in 2008. Other orders of government support totalled \$890,852. With total revenues of \$3,620,935 and expenses of \$3,554,343, the theatre generated a surplus of \$66,592 and has demonstrated continuing competent financial management.

LKTYP has secured a substantial gift that will, over time, provide significant financial stability to the theatre. Mr. Kevin Kimsa has made a donation of \$1.5 million, in honour of his mother, Lorraine Kimsa, and in acknowledgement of this gift, Young People's Theatre was renamed the Lorraine Kimsa Theatre for Young People for a period of ten years. The Board of Directors has designated a special committee to oversee the management of the Kimsa gift and other significant donations to ensure long-term financial stability.

Due to the production schedules, it is necessary for LKTYP to incur upfront expenses well in advance of matching revenues from public and corporate funding sources, and from ticket sales. The renewed request for a line of credit guarantee will provide the necessary assistance to meet these short-term cash flow requirements.

## **CONTACT**

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## **SIGNATURES**

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Cam Weldon  
Deputy City Manager and  
Chief Financial Officer

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Michael H. Williams  
General Manager, Economic  
Development, Culture and  
Tourism