

**Canadian Stage Company – Renewal of a Line of Credit Guarantee**

<b>Date:</b>	August 21, 2009
<b>To:</b>	Executive Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2009\Internal Services\Cf\Ec09025cf – et (AFS #10411)

**SUMMARY**

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This report seeks Council approval to renew the line of credit guarantee for the Canadian Stage Company for \$800,000.00 from November 1, 2009 until October 31, 2012.

**RECOMMENDATIONS**

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

1.
  - a. the City renew the line of credit guarantee on behalf of the Canadian Stage Company (CanStage) to its financial institution in the amount of \$800,000.00 (inclusive of all interest payable by CanStage), commencing on November 1, 2009 and ending on October 31, 2012;
  - 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 during the term of the guarantee to pay off the line of credit if it is not retired or renegotiated by October 31, 2012.
4. The Canadian Stage Company provide the Deputy City Manager and Chief Financial Officer with their annual audited financial statements for the years 2009 to 2012 when they become available.
5. The guarantee be deemed to be in the interest of the City.
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

Council approved an \$800,000 line of credit guarantee for CanStage for a term expiring on October 31, 2009 at its meeting held on March 3, 4 and 5, 2008.

<http://www.toronto.ca/legdocs/mmis/2008/ex/reports/2008-02-06-ex17-cr.pdf>

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.

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	800,000
The Factory Theatre Lab	200,000
Theatre Passe Muraille	200,000
Toronto Symphony Orchestra	3,000,000
Toronto Caribbean Carnival Festival	<u>100,000</u>
<b>Total Cultural Line of Credit Guarantees</b>	<b><u>\$ 4,800,000</u></b>

## **ISSUE BACKGROUND**

The existing line of credit guarantee for CanStage in the amount of \$800,000 will expire on October 31, 2009. It provides CanStage with the ability to manage their cash flow requirements and ticket sales as it is necessary for CanStage to incur upfront expenses in advance of receiving revenues from public and corporate funding sources.

## **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 not-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 during the 2008 -2009 season of 4,800 from schools, 5,400 from seniors groups, and 3,700 youth (under 18) who 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, thus exceeding its attendance projections for the 2008 – 2009 seasons.

During the 2009-2010 season, CanStage is projecting that they will generate operating surpluses and will be in a position to pay down their accumulated deficit.

In their 2009 audited financial statements, Canstage is reporting a modest surplus which reduces its accumulated deficit. The surplus was achieved during a year of one-time expenses associated with a change in the leadership of the Company while reducing its ongoing cost base.

In order to provide additional protection to the City, the audited financial statements for the 2008 fiscal year and an updated cash flow forecast from July 1, 2008 to June 30, 2009 has been received and reviewed by City staff and indicates improved financial results and cash management. It is recommended that CanStage provide the Deputy City Manager

and Chief Financial Officer with their annual audited financial statements for the years 2009 through 2012 when they become available.

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.

## **CONTACT**

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## **SIGNATURE**

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Cam Weldon

Deputy City Manager and Chief Financial Officer