

Request from the St. Lawrence Centre for the Performing Arts to Extend its Loan Agreement with the City

Date:	July 27, 2010
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	Ward 28
Reference Number:	P:\2010\Internal Services\Cf\Ec10038cf (AFS #12330)

SUMMARY

This report seeks authority for Council to extend the maturity date of a loan from December 31, 2010 to June 30, 2012 that was provided by the City to the St. Lawrence Centre for the Performing Arts in 2008 to finance various capital improvements. The original amount of the loan was \$241,987.96 and the current balance payable as of June 30, 2010 is \$196,102.32.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council authorize the amendment of the original Loan Agreement, dated January 2008, between the City and the St. Lawrence Centre for the Performing Arts to change the maturity date of the loan from December 31, 2010 to June 30, 2012 under the same terms, conditions and interest rate as contained in the original Loan Agreement, with the addition of a revised repayment schedule contained in this report to reflect the extended maturity date.
2. The St. Lawrence Centre be required to provide commentary on the Centre's ability to continue to meet the loan payment schedule in the Quarterly Operating Variance Reports.

Financial Impact

Given that the loan's terms, conditions and interest rate remain unchanged, the City will collect an additional year of interest at 5% and will not experience a financial loss from extending the term of the loan.

DECISION HISTORY

By the adoption of Clause 63 of Report No. 7 of the Policy and Finance Committee, City Council, at its meeting of September 25, 26 and 27, 2006, authorized the City to provide a loan to the St. Lawrence Centre for the Performing Arts (the Centre) in an amount not to exceed \$0.9 million to address the Centre's financial requirements with respect to its facility renewal project.

By the adoption of the Executive Committee Item 15.39, City Council, at its meeting of December 11, 12 and 13, 2007, reduced its authorization of the loan by \$0.3 million to an amount not to exceed \$0.6 million.

The City was subsequently notified by their Board that the Centre only required a loan in the amount of \$241,987.96 for the completion of their facility renewal project.

ISSUE BACKGROUND

In November 2005, St. Lawrence Centre for the Arts presented a proposal to the Economic Development and Parks Committee for a two-year facility renewal project to commence in 2006. The facility renewal project included work on both the exterior and interior of the Centre. The exterior work included cleaning the façade, replacing the canopy, replacing the marquee and slate paving. The interior work included the refurbishment or replacement of walls, floors, ceilings, lighting and seating.

In December 2005, City Council approved the project as a part of the Culture Division's 2006 Capital Budget. The project cost was initially estimated at \$3.0 million, toward which the City's contribution was \$1.5 million (\$0.75 million in 2006 and \$0.75 million in 2007). The Centre planned to contribute the balance of the project cost from its Capital Improvement and Rehabilitation Reserve Fund (CIF) balance and new ticket surcharge revenue.

In July 2006, the Centre informed the City that the project cost had been revised upward to \$3.4 million and that the Centre's cash flow projections for its CIF and ticket surcharge revenue demonstrated that the Centre would be unable to make the planned contributions to the facility renewal project in 2007 and would require bridge financing in the amount of \$0.9 million to proceed with that phase of the project in 2007.

Since the Centre does not have the authority to borrow from a financial institution, it requested a loan from the City in the amount of \$241,987.96 which was less than the amount authorized by Council.

As of June 30, 2010, the outstanding amount of the loan was \$196,102.32. If this report is approved by Council, the following revised repayment schedule will be provided to the St. Lawrence Centre:

Date	Principal	Interest	Payment	Balance
	\$	\$	\$	\$
1-Jan-08				241,987.96
30-Jun-08	241,987.96	6,049.70	0	248,037.66
31-Dec-08	248,037.66	6,200.94	30,000.00	224,238.60
30-Jun-09	224,238.60	5,605.97	5,000.00	224,844.57
31-Dec-09	224,844.57	5,621.11	5,000.00	225,465.68
30-Jun-10	225,465.68	5,636.64	35,000.00	196,102.32
31-Dec-10	196,102.32	4,902.56	40,000.00	161,004.88
30-Jun-11	161,004.88	4,025.12	50,000.00	115,030.00
31-Dec-11	115,030.00	2,875.75	50,000.00	67,905.75
30-Jun-12	67,905.75	1,697.64	69,603.40	0.00

COMMENTS

All principal and interest payments as of June 30, 2010 have been made by the Centre and the loan is classified as being current and up-to-date.

However, the Centre has notified the City that it has a shortfall of \$136,208 for 2009 in its Capital Improvement Reserve Fund which is the funding source for payment of the City's loan and will not be able to repay the principal amount of the loan when it is due on December 21, 2010.

The funding shortfall in the Reserve Fund is due to an insufficient ticket surcharge contribution in 2009, arising from an arrangement negotiated in 2008 between the Centre and Canadian Stage Company. The arrangement allowed Canadian Stage to withhold the first \$300,000 of ticket surcharges from the Centre and remit only surcharges collected in excess of the \$300,000 on single tickets (subscription tickets are exempt) for the balance of the 2008/2009 season. As a result of this arrangement that was implemented to assist Canadian Stage Company's financial situation, the Centre's Reserve Fund will not have sufficient funds to repay the loan on December 31, 2010.

To address this shortfall, the Centre attempted to delay various capital improvements and projects during 2009 and 2010 but was unable due to the urgent need for these renovations in order for the Centre to maintain a safe and efficient operation.

The Centre is forecasting the recovery of the \$136,208 shortfall with ticket surcharges being collected in 2010 that, combined with ticket surcharge revenue projected to be collected in 2011, should be sufficient for the Centre to retire the loan when it matures on June 30, 2012.

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SIGNATURE

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