

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JULY 21, 2015
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	INTEREST-FREE LOAN - LONDON COMMUNITY PLAYERS (PALACE THEATRE)

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, on the direction of the Municipal Council, the following actions be taken with respect to an interest-free loan in the amount of \$100,000 to the London Community Players for repairs to the Palace Theatre:

- a) the attached proposed by-law (Appendix "A") to authorize an Agreement (appended as Schedule "A" to the proposed by-law) for an interest-free loan by the Corporation of the City of London to the London Community Players for repairs to the Palace Theatre **BE INTRODUCED** at the Municipal Council meeting on July 28, 2015; and
- b) the Mayor and the City Clerk **BE AUTHORIZED** to execute the Agreement substantially in the form of the agreement attached as Schedule A to Appendix A as noted in part a) above.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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None.

BACKGROUND

At its meeting held on February 26, 2015 during Operating Budget deliberations for Neighbourhood and Recreation Services, the Municipal Council resolved:

"...approval of an interest-free loan of up to \$100,000 for the Palace Theatre, subject to the provision of a business plan and consultation with the City of London's Facilities staff, in order to ensure appropriate due diligence occurs."

The Civic Administration has met with representatives of the London Community Players Board who own and operate the Palace Theatre building located on 708, 710 and 712 Dundas Street. The discussion is summarized below:

- The request is for an interest-free loan of \$100,000 repayable over twenty years
- The loan will be used to repair the exterior walls surrounding the theatre which are currently leaking, creating damage to previously restored interior plaster work.
- The repair methodology and costing was reviewed by City of London - Facilities staff. There are no concerns with respect to the methodology for those repairs or cost of the repairs.
- The loan will be made in progress payments as the work is completed. Funds will be advanced with the requisite holdbacks under the *Construction Loan Act*.

- The London Community Players Board of Directors have confirmed that the loan will only be used to pay for the repairs described.

Financial Analysis:

The City of London requested and received the audited financial statements for 2012, 2013 and 2014 as well as a list of all loans and lines of credit and their associated payment schedules. In addition, the London Community Players forwarded a copy of their latest business plan.

While Council already approved an interest free loan, a review of the financial statements is prudent to ensure an ability to repay. The following summarizes the financial statement information:

		2012	2013	2014
Balance Sheet	Cash	181,244	93,659	160,983
	Accounts Receivable	13,581	7,682	20,165
	Capital Assets	1,123,285	1,080,077	1,038,368
	Current Liabilities	310,460	271,534	227,416
	Long Term Debt	327,051	303,756	276,464
Income Statement	Revenues	354,251	368,405	398,124
	Operating Grants	109,500	45,000	196,065
	Other Revenue	244,751	323,405	202,059
	Expenditures	346,879	357,198	417,840
	Job Creation Program	-	-	54,726
	Administration	37,137	54,308	64,836
	Subsidized Amounts	35,520	29,348	59,868
	Mortgage/Line of Credit Interest	14,741	16,997	13,609
	Other Expenditure	259,481	256,545	224,801
	Surplus/Deficit before Amortization	41,687	11,207	(19,716)
	Surplus/Deficit after Amortization	7,372	(35,925)	(63,859)

Of concern is the trend with respect to surplus/deficit, culminating in the deficit in 2013/2014. I am advised by the London Community Players that to address this deficit they have, during 2014/2015, put a concerted emphasis on generating donations and as of June 30, 2015 have received \$100,633 in donations. This is a thirteen fold increase over the 2013/2014 donation amount of \$7,676.

In addition, the London Community Players have been in existence since 1974 and are entering their 41st season. They have been in their existing facility for twenty five years (since 1990) and have paid off the original mortgage. A second mortgage was taken out to effect renovations to the two store fronts and to renovate various other aspects of the main theatre. The London Community Players have confirmed that all loans are current and they have not been in default; a review of loans being repaid to the City of London for Building Code upgrades and Façade improvements, indicates they have paid on-time and are current in all three loans.

Loan Agreement Summary:

The agreement provides the following terms:

Loan Amount: \$100,000

Interest: 0%

Term: 20 years

Annual Principal Repayment: \$5,000 due June 30 each year

Reporting and Notification Provisions: 5.1(e) – Notification of significant financial occurrences

Default Provisions: Section 4.1 and 4.2 - Loan is secured against the building ranked second behind primary mortgage. Security is on the land and buildings only and does not include chattels; Section 10.2 default remedies

Indemnity Provisions: Section 12.1 and 12.2 - Full indemnification for the City of London

Summary:

The agreement was prepared by City Solicitor's Office.

The Loan will be repaid over twenty years and the contract provides security to the City of London in the event of a default.

Loan monies will only be advanced as the work progresses to a maximum of \$100,000.

The London Community Players have been in existence since 1974, with the last twenty-five years at the Palace Theatre.

PREPARED AND RECOMMENDED BY:

**MARTIN HAYWARD
MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF
FINANCIAL OFFICER**