CONSIDERATION OF REPORT OF THE

COMMITTEE ON FINANCE AND ADMINISTRATION

The Executive Policy Committee has had before it the Report of the Committee on Finance and Administration, dated April 21st, 1992, has concurred in the recommendations contained therein and submits same to Council for approval and adoption.

On motion of Councillor Selinger, the Report of the Committee on Finance and Administration, dated April 21st, 1992, was considered.

West Committee Room,
Council Building, Winnipeg.
April 21st, 1992.

His Worship the Mayor and Councillors:

Your Committee on Finance and Administration submits the following Report and recommends:

Appointment of Special Constable – Finance Department. File GF-2.3

916 - 1. Your Committee on Finance and Administration has been informed by the City Solicitor that the Supervisor of Operations, Animal Services Branch, has requested that the following employee be sworn in as Special Constable:

LAWRENCE IVAN ANONYCHUK

The above employee is employed as a Superintendent and will be required to serve summonses under certain circumstances and will therefore, during his capacity as Superintendent, require special constable status.

Your Committee on Finance and Administration recommends that the City Solicitor be authorized to make the necessary application to the Attorney-General's Department to have the above-named employee from the Finance Department sworn in as a Special Constable.

Your Committee also recommends that the Proper Officers of the City be authorized to execute the required Forms of Indemnity of whatsoever kind or nature arising out of the acts and conduct of anything done, said or written by the said Special Constable when he functions as a Special Constable, under the said appointment.

Moved by Councillor Selinger,
Adoption of the clause.

Carried.

CONSIDERATION OF REPORT OF THE

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West Committee Room,
Council Building, Winnipeg.
April 27th, 1992.

His Worship the Mayor and Councillors:

Your Committee on Finance and Administration submits the following Report and recommends:

Rainbow Stage - Loan Guarantee.
Files PR-7.9.1 and FG-1.1(R)

917 - 1. On March 13th, 1992, a delegation from Rainbow Stage Inc. met with City politicians and administrators to apprise them of a serious deficit and cash flow problem being faced by Rainbow Stage.

In a report from its Finance Committee to its Board of Directors, Rainbow Stage Inc. summarized the problem as follows:- two seasons ago (Fiscal, 1990), Rainbow Stage started the season with a $70,000.00 surplus (in the capital fund). Rainbow lost $60,000.00 that year leaving it with a $10,000.00 surplus to open the 1991 season. Last season (Fiscal, 1991) Rainbow lost another $94,000.00 leaving it with an accumulated deficit of $84,000.00.

The report also states:

> "In June, 1992, Rainbow Stage will require a total bank loan of $134,000.00. This exceeds the current banking arrangement. The current banking arrangement provides for a loan facility equal to 75% of our confirmed grants receivable ... by June of 1992 we will have received all our grants receivable, therefore we will have used up all our pledgable security and will have exceeded our bank line. Adding to the problem is the required for Rainbow to post a $30,000.00 security bond to cover actors' salaries. We have no 'security' or cash to enable us to post such a bond. The picture improves in July and August when we will in fact have cash in the bank."

Rainbow Stage have stated that they are faced with a very serious cash flow problem:

- In the past five years, grants to Rainbow Stage have decreased by $104,000.00.
- The Canada Council has decreased their annual grant from $39,000.00 to zero.
- The Manitoba Arts Council funding has decreased from $115,000.00 to $80,000.00.
- The City of Winnipeg annual grant has decreased from $120,000.00 to $90,000.00.
- In 1987, grants counted as 25.7% of revenue - in 1992, grants are only 14.4% of projected revenue.

Report of the Committee on Finance and Administration, dated April 17th, 1992.

- Professional fees for actors, musicians and technicians have risen from 20 - 50% in the past five years.

- In 1991, Rainbow Stage suffered a $93,000.00 deficit and are now faced with an accumulated deficit of $84,000.00.

- In 1990 and 1991, the competition for the entertainment dollar rose drastically with the Western Canada Summer Games and "Les Miserables" and they are anticipating an even greater challenge in 1993 when "The Phantom of the Opera" reaches Winnipeg.

- The impact of the G.S.T. also affected Rainbow Stage's 1991 season.

- Unlike most arts groups who sell their seats by subscription thereby giving them an "up front" cash flow to produce their seasons, Rainbow Stage's primary source of cash flow is from ticket sales in July and August.

Rainbow Stage states that they have instituted the following initiatives:

INTERNAL:

(1) They have revised their budget to an absolute "bare bones" budget with a very conservative expectation for revenue and streamlined no frills production costs.

(2) They are in the process of moving their offices to a new location with a 40% savings in rent.

FUNDRAISING:

(1) Rainbow Stage have developed and instituted a new and aggressive corporate and individual fundraising campaign including the following:

- a new, direct mail fundraising campaign directed to their audiences,
- a new Special Events to add to their fundraising campaign,
- an aggressive program to obtain corporate sponsors for their productions,
- applied to the Minister of Culture, Heritage and Citizenship to be awarded Bingo sponsorships,
- contacted the Province regarding eligibility to any deficit reduction programs.

At the March 13th meeting, the City indicated that any participation on its part would need to be matched by some type of participation on behalf of the Province. In addition, it was indicated that a five-year operating plan needs to be developed.

On March 25th, 1992, a meeting was held with Rainbow Stage, City of Winnipeg and Provincial officials to review the problem and determine what options exist.

Finally, to put the Rainbow Stage operation in context, they provide the following overview:

Report of the Committee on Finance and Administration, dated April 17th, 1992.

"Rainbow Stage has provided entertainment to Winnipeg audiences for over 37 years and is a major arts tourist attraction in Winnipeg. The Theatre is a major showcase of Manitoba talent, employing more Manitoba artists than any other arts group. The Theatre provides summer employment for symphony musicians, dancers from the Royal Winnipeg Ballet and Contemporary Dancers and production personnel from the Manitoba Theatre Centre, Prairie Theatre Exchange and Manitoba Theatre for Young People. In addition, Rainbow Stage directly affects the employment for City of Winnipeg personnel, security personnel, concession staff, bus tour operators, restaurant employees and hotel employees. It is estimated that Rainbow Stage plays to nearly 100,000 audience members annually."

Your Committee on Finance and Administration was advised that the Province of Manitoba is not able to participate in a loan guarantee but is prepared to assist Rainbow Stage through its deficit reduction program. The details of the Provincial proposal are outlined in attached letter from the Deputy Minister of Culture, Heritage and Citizenship.

The Provincial proposal essentially involves recommending the allocation of approximately 15 charity fundraising bingos to Rainbow Stage for 1992/93 and a commitment to match two-for-one every dollar of deficit reduction achieved by Rainbow Stage in excess of the bingo proceeds. Both of these programs could be multi-year in nature.

The City has been asked to provide a loan guarantee, up to $350,000.00, to be used as a buffer against the irregular cash flow that Rainbow Stage experiences each year. The bank is not willing to extend a credit line to Rainbow Stage since it has relatively few physical assets. The purpose of the loan guarantee is to ensure that Rainbow Stage has a credit line available upon which to draw. The proposal, as we understand it, does not contemplate the loan guarantee being used to reduce the deficit, but rather it assumes that Rainbow Stage is a viable functioning organization with a temporary cash flow problem brought about by unusual short-term circumstances and mismatched revenue and expenditure timetables. It is strongly recommended that a financial audit of Rainbow Stage be conducted to satisfy the City that this is, in fact, the case.

Should Committee agree to the loan guarantee concept, it would be recommended that the agreement be structured in such a manner as to ensure that the City is protected to the maximum extent possible in the event of default. That is to say that the Bank loan should be the first obligation paid by Rainbow Stage Inc. Also, it would be advisable to guarantee no more than $175,000.00 at this time. No clear need for a loan guarantee beyond this level has been articulated. Finally, this loan guarantee sets a precedent in that it is a totally unsecured arrangement whereas typical loan guarantees are for community use facilities where a substantial physical asset exists. This loan guarantee is much more akin to a repayable grant with the difference being that a financial institution will be advancing the funds and not the City.

Attached for the information of Council are the audited financial statements for Rainbow Stage Inc. as at October 31st, 1991.

The Committee on Protection, Parks and Culture at its meeting held on April 31st, 1992 recommended that your Committee give favourable consideration for a loan guarantee to Rainbow Stage in the amount of $175,000.00; and that Rainbow Stage be requested to consider an increase in Canadian content for its productions, in order to qualify for a Canada Council Grant; and further that it be requested to consult with the City's Audit Department concerning an Operational Audit and to consult with the Winnipeg Arts Advisory Council in development of a deficit reduction plan and submit same.

Report of the Committee on Finance and Administration, dated April 17th, 1992.

Your Committee on Finance and Administration on April 21st, 1992 recommended that the City Auditor be requested to do an immediate Financial Audit on Rainbow Stage Inc.; that Rainbow Stage Inc. be requested to submit to the City a 5-year business plan; and further, suggested that Rainbow Stage Inc. apply for a grant from the Winnipeg Arts Advisory Council.

On April 27th, 1992 your Committee considered representation by the Executive Producer of Rainbow Stage who filed with Committee financial statements for the years 1987 - 1990 inclusive, which are on file in the Office of the City Clerk, and at that meeting your Committee reconsidered its April 21st, 1992 decision.

Your Committee rescinded its April 21st, 1992 decision and recommends:

1. That favourable consideration be given to the request from the Rainbow Stage Inc. for a City of Winnipeg guarantee of a loan up to a maximum of $175,000.00, subject to the following conditions:

    a) For the period of time that the loan remains outstanding, that the City Auditor or his designate be permitted to have participation on the Board and Executive of Rainbow Stage Inc.

    b) That no cheques be signed or issued for any purchase over $500.00 until cleared by the City Auditor.

    c) That Rainbow Stage be required to submit in one month, or by the end of May, 1992, a full 5-year business plan.

    d) Any payments made by the City pursuant to such guarantee shall be a first charge against the revenues/assets of Rainbow Stage Inc.

    e) Rainbow Stage Inc. be required to immediately apply to the Winnipeg Arts Advisory Council for supplementary funding over and above the 1992 award.

    f) That the loan guarantee be reduced by any amount by which the Winnipeg Arts Advisory Council increases their grant to Rainbow Stage Inc.

    g) That the Winnipeg Arts Advisory Council be advised that prior to giving the second half of the grant to Rainbow Stage Inc. that the rental of that facility be paid.

2. That the Proper Officers of the City be instructed to take all steps necessary to give effect to Council's decision, including obtaining approval from the Minister of Finance in accordance with Section 313 of The City of Winnipeg Act.

Moved by Councillor Selinger,
Adoption of the clause.

Carried.

Councillors Prystanski and Golden asked to be recorded as having voted against the clause in accordance with Section 50.7 of the Procedure By-law.

(Note: See Minute No. 918 for attachment.)

918 - Attachments referred to in Clause 1 of the Report of the Committee on Finance and Administration, dated April 27th, 1992.

SEE PAGES 1280 – 1287 FOR OFFICIAL SET OF MINUTES.

COMMITTEE ON FINANCE AND ADMINISTRATION

QUESTION PERIOD

919 - Councillor Clement advised the Chairman it has come to his attention there has been some suggestion to close the pound operation on McCreary Road, and asked to be kept informed if there is anything being done administratively along those lines. He asked that should the item come before the Committee on Finance and Administration, that he be so advised and invited to appear as a delegation.

Councillor Boychuk rose on a point of personal privilege, advising that an incident occurred whereby he had asked the Committee on Works and Operations to lay over consideration of a matter concerning the Golden Oak Inn, pending his attendance, however the Committee did not comply with his request.

920 - The Speaker advised Council that the Conflict of Interest Video is available - it is about six hours long - and any member of Council wishing to view it should contact the Clerk of the Executive Policy Committee.

Moved by Councillor Young,
That Council do now adjourn.

The Clerk called the roll.

Present: The Speaker Councillor Eadie, Councillors Boychuk, Brown, Clement, Demare, Diamant, Douglas, Duguid, Fleisher, Fraser, Gilroy, Golden, Hyman, Kaufmann, Lazarenko, Lorenc, Mendelson, Mitchelson, Murray, Prystanski, Reese, Selinger, Thomas, Timmers, Young, Yuen and His Worship Mayor Norrie.