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# CITY OF KELOWNA

## MEMORANDUM

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**Date:** December 2, 2002  
**File No.:** 7780-01

**To:** City Manager

**From:** Cultural Services Manager

**Subject:** Kelowna Art Gallery Association – Interim Operations Service Plan

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### **RECOMMENDATION:**

THAT Council receive the Kelowna Art Gallery – Interim Operations Service Plan as attached to the report from the Cultural Services Manager dated December 2, 2002;

AND THAT this Interim Operations Service Plan be a guide for the preparation of the management and operating agreement between the Kelowna Art Gallery Association and the City of Kelowna.

### **BACKGROUND:**

In the fall of 2001, the Parks and Leisure Services Department and the Kelowna Art Gallery commenced work on a business plan. This work was divided into 3 phases:

1	Comprehensive Management Survey and Review	<ul style="list-style-type: none"><li>- Completed in the winter of 2002</li><li>- Demonstrated a stable and productive association</li><li>- Identified some issues of a relatively inconsistent financial results and the need for a financial plan</li><li>- The executive summary from phase one is attached to this report</li></ul>
2	Operations Service Plan	<ul style="list-style-type: none"><li>- Completed (Interim report) in November of 2002, attached to this report</li></ul>
3	Management and Operations Agreement	<ul style="list-style-type: none"><li>- Scheduled to commence in January 2003</li></ul>

### **DISCUSSION:**

The business planning process for the Kelowna Art Gallery has been very thorough. Through this process, the Art Gallery has developed a financial strategy which places more emphasis on generating additional new revenues through admission fees, better cost recovery for registered programs and increased sponsorship for high caliber exhibits. Since this direction is relatively new for the Kelowna Art Gallery, there are some risks in relying too much on significant new revenues. Therefore, the Kelowna Art Gallery has commissioned a Marketing Feasibility Study which is scheduled to be completed within the next few months. This has prompted staff to bring forward this Operations Service Plan as an interim plan, in order to incorporate some possible impacts from the Marketing Feasibility Study in the future.

The chart below is an excerpt from the Interim Operations Service Plan - Appendix A - operating receipt detail, which highlights the City of Kelowna financial contribution. In anticipation of our future agreement with the Kelowna Art Gallery, the City has separated our grant contribution

into 2 components; **a)** program / administration, and **b)** maintenance. This is a strategic decision in order for the City to have the ability to change our level of grant funding on either of the components or both.

Council will note that the Interim Operations Service Plan includes a 2.5% increase in 2003 and 2004 which is applied to both components of the grant. However, in 2005 and 2006, the 2.5% increase is applied only to the maintenance component, resulting in a 0.5 % overall increase in those years. These changes in funding from the City will be considered by Council during the regular provisional budget review early in the New Year.

The Interim Operations Service Plan also includes an increase of \$11,000 from the City in 2002, specifically to cover the costs of significant increases for the insurance as required for a "B Status Art Gallery" as per the regulations of Canadian Conservation Institute. In anticipation of this, staff included a provision of funds in other working capital for 2002. Upon Council acceptance of this Interim Operations Service Plan, staff will proceed with the necessary budget transfer document for 2002.

City of Kelowna	Actual	Budget	Projected			
	2001	2002	2003	2004	2005	2006
Administration Programming	362,943	304,912	312,535	320,348	320,348	320,348
Maintenance	-	69,031	70,757	72,526	74,339	76,197
Total	362,943	373,943	383,292	392,874	394,687	396,545
Amount of Change in \$		11,000	9,349	9,582	1,831	1,858
Amount of Change in %		2.94%	2.5%	2.5%	0.5%	0.5%
City Grant for Prog/Admin as a % of total revenues		49%	48%	47%	46%	44%
Total City Grant as a % of total revenues		60%	59%	58%	57%	55%

#### SUMMARY:

This Interim Operations Service Plan specifically addresses the operations of the Kelowna Art Gallery, and presents a reasonable balanced budget for stable operations, and a continued high level of service. This report does not address a capital development plan or the acquisition of new works of art. The Kelowna Art Gallery does have the ability to contribute towards such initiatives from funding sources separate from the funds identified in this Operations Service Plan. The Kelowna Art Gallery is a partner in the Capacity Building Grant study expected to start in 2003, and that work will address issues such as capital fund development.

Now that phase 2 of the business planning process is nearing completion, work will start on the management & operating agreement, which is scheduled to be completed in the spring of 2003.

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JWR Oddleifson  
Cultural Services Manager

Pc     Director of Parks and Leisure Services  
        Financial Planning Manager

Attachments