
CITY OF KELOWNA

MEMORANDUM

Date: May 6, 2004
File No.: 0230-20
To: City Manager
From: Director of Parks and Leisure Services
Subject: Okanagan Symphony Society

RECOMMENDATIONS:

THAT City Council approve a financial assistance loan to a maximum of \$75,000 for use by the Okanagan Symphony Society subject to the conditions set out in the May 5, 2004 report from the Director of Parks and Leisure Services;

AND FURTHER THAT the loan be funded from and repaid to the Major Facilities Reserve.

BACKGROUND:

The Okanagan Symphony Society has generated an operating deficit over the last three years; however, their current operations are expected to generate a surplus. Even so, the Okanagan Symphony is facing insolvency due to cash shortages. The details of their financial situation are attached.

The firm of Grant Thornton Chartered Accountants and Management Consultants provided an independent review of the Business Plan prepared by the Okanagan Symphony. Their report, while supporting the overall direction in the business plan, notes risk associated with uncertain revenue sources. Staff cautions Council that the Society must remain viable in order to repay the loan. The City does not have any controls over the revenues, expenditures and direction of the Society.

The Okanagan Symphony Society has been very successful over the last year in reducing its financial obligations from approximately \$400,000 to \$55,000. They have also been successful in recruiting a new Board of Directors, creating a business plan and developing new artistic direction. The organization is much stronger than it was a year or two ago. The Okanagan Symphony is an integral and important institution in Kelowna's arts and cultural community and a key component of our Cultural District. The recommended financial assistance is required for the Symphony to be able to continue so they can take the steps set out in their business plan.

The recommended of up to \$75,000 is anticipated to be available in the current year. The Society is expected to repay the loan in full by November 15, 2004 and to remain at a zero for a minimum of 90 days. Upon successful repayment of the loan and implementation of the business plan, Council will be asked to consider a \$50,000 for year two and a \$25,000 for year three. We are recommending a rate of prime plus 2% so that the City's reserve continues to earn interest and to offset the costs of monitoring the business plan and the loan. We intend to hire Grant Thornton Chartered Accountants to assist.

The Okanagan Symphony has applied to the Department of Canadian Heritage to initiate a capacity building program similar to that already underway with four other cultural organizations in Kelowna. The capacity building program will address governance, strategic planning, business planning and financial

stewardship. The Business Plan (attached) sets out a number of operational changes that are also required to assure the organization has continued viability. The Society has committed to the City to implement these fully.

Council should be aware during its consideration of this request, that the Capacity Building project currently underway may demonstrate a need for increased funding to other arts organizations. The Kelowna Arts Foundation has also raised concern regarding the current level of funding that supports the work of the Foundation.

Staff has worked extensively for a considerable period time with representatives of the Symphony Society including its President Dominic Petraroia. Mr. Petraroia will be asked by staff to present additional information to Council when this report is presented and will be available for questions.

David Graham
Director of Parks and Leisure Services

Attachments

Cc: Director of Financial Services
Cultural Services Manager

TERMS AND CONDITIONS

- Facility:** Demand Note up to a maximum of \$75,000 for 2004 (declining in subsequent years if renewed)
- Term:** Three Year Maximum (annually renegotiation of amount) with annual renewal by February 15th.
- Rate:** Prime plus 2% payable quarterly in arrears.
- Draws:** Initially on evidence of pre-sold subscriptions for 2004/2005 season (deferred revenue) up to maximum.
- Repayment:** Out of operating cash flows in amounts to be confirmed by Grant Thornton Chartered Accountants.
- Covenants:** There will be no amounts outstanding under the line from November 15th to February 15th annually.
- There must be a Board and Management governance structure in place and acceptable to the City of Kelowna at all times during the terms of this agreement.
- Receipt of audited statements must be received annually within 90 days of the Okanagan Symphony Societies year end.

Other Requirements:

The Okanagan Symphony will report to the City through the Director of Parks and Leisure Services, verifying its cash flow requirements, prior to any grant amounts being provided from the City.

Funds will be distributed from the City to the Society only based on current cash flow requirements up to the amounts approved by Council and only when the Society is operating in accordance with the Business Plan.