
CITY OF KELOWNA

MEMORANDUM

Date: March 7, 2005
File No.:

To: City Manager

From: Director of Parks & Leisure Services
Cultural Services Manager

Subject: Sunshine Theatre Company

RECOMMENDATIONS:

THAT Council approved a financial assistance loan to a maximum of \$50,000 for use by Sunshine Theatre Company subject to the conditions set out in the March 2nd report from the Director of Parks and Leisure Services and Cultural Services Manager;

AND FURTHER THAT, the 2005 Financial Plan be amended to include funding of the loan and repayment in the current year from the Major Facilities Reserve.

BACKGROUND:

In March 2003 Cultural Services engaged Grant Thornton Chartered Accountants to report on the stability of three arts organizations including Sunshine Theatre Company. A portion of the consultants recommendations were as follows:

- STC continue to re-evaluate its programming to focus on productions and presentations that attract a broad audience, but that stay within a viable financial framework.
- All non-produced presentations should continue to be clearly budgeted and evaluated in the planning stage as to maximize profits
- To protect Federal and Provincial funding STC should strive to produce a minimum of 3 works per year but for the next 24 months no increases in production should be contemplated
- The Board of Directors must immediately re-commit the resources of staff and the energy of the Board to focus on effective and substantial community fundraising.

Based on the financial analysis at that time, Grant Thornton indicated that Sunshine Theatre Company required an increase in core funding of between \$15,000 and \$20,000 to simply maintain its very modest operations. However, they did not recommend any immediate stabilization funding until other initiatives were explored between STC staff and the City of Kelowna such as sourcing other government agencies for granting or increasing local fundraising efforts. The recommendation further stated that if such efforts were unsuccessful, that the City of Kelowna be prepared to provide the financial assistance necessary.

Upon review of the Grant Thornton report and in response to the recommendation to re-evaluate the organization, Mr. Howard Jang, a consultant and current Artistic Director for Arts Club Theatre in Vancouver was retained in December 2003 by Sunshine Theatre to prepare and guide the organization in some initial steps required to begin a strategic plan. This preliminary work helped to sharpen the focus of the board and staff and helped to determine the overall artistic vision and governance required to strengthen the company.

In June 2004 Grant Thornton were back at the table with Sunshine Theatre to lead them through the Capacity building project funded by the Department of Canadian Heritage and Cultural Services which moved the strategic planning process through to completion. A draft copy of the Capacity Building report was provided to Council during the Cultural Services Workshop held on January 18th, 2005.

At their fiscal year end of August 31st, 2004 Sunshine Theatre Company reported Revenues of \$404,493.00 and Expenditures of \$404,147.00 with an accumulated year end surplus of \$29,465.00. Reported attendance over the course of the 2004 season was 6,502 patrons.

DISCUSSION:

The lack of operating funding support from other levels of government and the timing of certain grant funding continues to pose challenges to Sunshine Theatre's bottom line and cash flow. Over the past number of years, financial support from Canada Council has decreased, as has support from BC Arts Council. Sunshine Theatre are not alone in their challenges with decreases in funding, many organizations within our community and province have suffered. Cultural Services staff will be working with Sunshine Theatre and other local arts organizations to lobby for increased financial support from these funding bodies by providing information on our regional population growth and growing cultural infrastructure however these efforts will take time.

Despite the challenges, and by the time that the 2004/2005 season closes with "Jacques Brel is Alive and Well and Living in Paris" in April, Sunshine Theatre Company will have provided our community a strong, high caliber artistic product. Audience support continues to grow and both Sunshine's staff and the board of directors are committed to ensuring the financial stability and growth of the organization.

As mentioned, funding is a challenge for many arts organizations and in an effort to find as many solutions as possible, both Sunshine Theatre Company and the Okanagan Symphony have been meeting in recent weeks to discuss the potential for sharing operational resources that could provide mutual cost savings. City staff is encouraged by the efforts of both organizations to seek ways to build capacity through mutual collaboration.

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Sunshine Theatre Company

In order to deal with current cash flow challenges, Sunshine Theatre Company requires a \$50,000 loan to be available in the current year. The Society is expected to repay the loan in full by November 15th, 2005 and to remain at a zero balance for a minimum of 90 days. Upon successful repayment of the loan and the implementation of their business plan, Council will be asked to consider a further \$50,000 loan for year two. 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.

Council should be aware that within the next few weeks, the Kelowna Arts Foundation will be deliberating Sunshine's annual application for operating funds. The terms and conditions set out in this report are separate from the Kelowna Arts Foundation application however if approval of the KAF grant is received together with this loan then both sources of revenues will provide a stronger cash position for Sunshine Theatre.

David Graham
Director of Parks and Leisure Services

Lorna Gunn
Cultural Services Manager

Cc: Financial Planning Manager

TERMS AND CONDITIONS

Facility Demand Note up to a maximum of \$50,000 for 2005 (further \$50,000 in 2006)

Term: Two 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 2005/2006 season (deferred revenue) up to a maximum.

Repayment: Out of operating cash flows.

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 Sunshine Theatre Company's year end.

Other Requirements:

Sunshine Theatre Company 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 their business plan.