

**ROTARY CENTRE FOR THE ARTS**  
**PRESENTATION TO KELOWNA CITY COUNCIL**  
**MARCH 2005**

**Request**

Kelowna Visual and Performing Arts Centre Society (KVPACS), the organization charged with operating the Rotary Centre for the Arts (RCA), is requesting that the City of Kelowna assume full responsibility for an outstanding building loan in the amount of \$1.081 million.

KVPACS is not requesting additional operating support at this time but will report back to the City in late 2005 with an update on the RCA's revised business plan and a report from the new Executive Director regarding organizational restructuring, staffing, operations and financing. This report and any identified funding requests will be completed in conjunction with Cultural Services staff through the City's normal budget cycle.

**Background**

In 2000 with 90% of the fundraising completed, the City approved the construction of the building. In August 2001, in order to proceed with construction of the building the City required KVPACS to obtain bridge financing in the form of a \$1.1 million loan with the City as a Guarantor. The Rotary Centre for the Arts, a superb multi-purpose arts facility, opened in 2002 at a final cost of \$6.93 million. While the RCA building is now a significant City asset, KVPACS remains responsible for the \$1.1 million bank loan and its respective debt servicing costs.

Through continual fundraising efforts and strong financial direction, KVPACS has managed to service the debt for over two years with no late payments. However, KVPACS has only been able to reduce the total principal portion of the debt by \$19,000 and the debt servicing has a substantial impact on the operating budget of the RCA (interest costs alone amount to almost \$40,000 per annum and are rising). Allocation of already scarce funds for this purpose stifles programming and marketing initiatives that are needed to make the RCA a truly vibrant and successful showcase.

**Debt**

KVPACS continues to work diligently to manage and operate the RCA in a fiscally responsible manner and execute a realistic debt retirement plan. The current plan indicates that it would be possible to repay the debt within the next 20 years but unforeseen challenges and circumstances could easily derail this plan. The RCA/KVPACS does not have the luxury of a strong Balance Sheet and surplus cash flow to absorb such things as rising interest rates.

The debt remains an albatross around the neck of KVPACS and the RCA as it restricts KVPACS from accessing funding from Government and private granting agencies due to their funding guidelines. As well local fundraising initiatives are more difficult as contributors do not want to give money to pay off debt.

In a report commissioned by Grant Thornton as part of Cultural Services' Capacity Building project, Lamont Management (the Consultant) noted that the factors for success at the Rotary Centre for the Arts include dealing with the capital debt, recruiting the most qualified Executive Director and ensuring effective board development. The first factor affects the other two and must be dealt with first.

The Consultant noted that due to the debt load, KVPACS would not likely be able to recruit the type of Executive Director who would provide KVPACS, the RCA and the community with the kind of programs and opportunities that are warranted and expected from such an exceptional facility. According to the Consultant, it is well known in the arts community throughout the province that KVPACS is burdened with debt. The Consultant believes this debt will prevent the most qualified executives from applying for employment at the RCA; and the effect of debt servicing on current operating budgets will prevent KVPACS from offering a competitive salary for the Executive Director position.

As to effective board development, clearly it is difficult for the Board to focus on effective development when running the day-to-day operations of the RCA is its prime focus because a suitable Executive Director cannot be found.

### **Summary**

Since its inception, the RCA was destined to become the Crown Jewel in the City's Arts Community. While a combination of circumstances may have temporarily taken some of the sparkle off this vision, KVPACS and the community nevertheless believe that the future remains very bright.

KVPACS continues to evolve the Business Plan of the RCA, and the Board of Directors is committed to fulfilling the vision set down by the community several years ago. Relieving KVPACS of the responsibility of this debt will benefit not only the RCA but also the entire Cultural District and all the citizens of and visitors to Kelowna.

Respectfully submitted by

KVPACS Board of Directors