
CITY OF KELOWNA

MEMORANDUM

Date: March 9, 2005
File No.: 0710-20
To: City Manager
From: Director of Parks and Leisure Services
Cultural Services Management
Subject: Rotary Centre for the Arts Capital Loan

RECOMMENDATION:

THAT City Council approve in principle the City of Kelowna taking over full responsibility for the \$1.081 million Rotary Centre for the Arts (RCA) capital loan given to the Kelowna Visual and Performing Arts Centre Society (KVPACS) by HSBC;

AND THAT the Financial Services Department recommend a funding source to be considered by City Council in Final Budget for 2005;

AND FURTHER THAT final approval be subject to the City and KVPACS agreeing on an appropriate approach to dealing with outstanding capital pledges and planned capital fund raising, and the required amendments to the Management and Operating Agreement.

BACKGROUND:

The Kelowna and Visual Performing Arts Centre Society obtained a \$1.1 million loan to assist in the capital financing of the R.C.A. on the strength of future fundraising and a loan guarantee provided by the City of Kelowna. The interest and principle repayments have created an unmanageable burden for the Society preventing the Centre from operating effectively. The competition for fundraising dollars in our community and internationally is such that the Society is unable to meet its fundraising goals.

As noted in the submission by KVPACS, a recent report completed by Grant Thornton Chartered Accountants and Lamont Management Inc. identifies eliminating the debt as essential for success in the future. The consultant also 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 the kind of programs and opportunities that are warranted and expected from such an exceptional facility.

While it is unfortunate that KVPACS has been unable to meet its fundraising goals, it is important to note that the Rotary Centre for the Arts is a state of the art facility providing excellent cultural services to our community. Of the total capital cost of \$6.93 million, the City of Kelowna contributed approximately \$2.8 million. Even with this additional contribution of \$1.081 million, this facility still represents excellent value for money for Kelowna's taxpayers.

The staff assessment is that the loan is crippling the organization's operational effectiveness and in time will result in the termination of the current Management and Operating Agreement. The Agreement with KVPACS needs to be reviewed in the context of the loan change. The City and KVPACS also need to agree on an approach to dealing with pledges and future capital fund raising. We are recommending that this approach be determined prior to Council's final approval of taking over the loan.

The Financial Services Department will bring forward to Final Budget a recommended approach and funding source to service the debt. City Council's approval in Final Budget is required before the City takes over responsibility for the loan.

David Graham
Director of Parks & Leisure Services

Lorna Gunn
Cultural Services Manager

cc: Director of Financial Services

bcc: Recreation Manager