

Memo



Date: April 14, 2010
File: 7930-20
To: City Manager
From: Cultural Services Manager
Subject: Kelowna Museums Society

Recommendation:

THAT Council receives for information the report dated April 14, 2010 from the Cultural Services Manager regarding the financial position and business plan of the Kelowna Museums Society.

Purpose:

COUNCIL RESOLUTION FROM THE DECEMBER 17, 2009 SPECIAL MEETING (BUDGET DELIBERATIONS): THAT Council direct staff to report back to Council, prior to the 2010 final budget, outlining the financial position, and business plan of the Kelowna Museum Society.

Background:

The Kelowna Museums Society operates four museums in three different facilities:

- The Okanagan Heritage Museum, located at the corner of Queensway Avenue and Ellis Street;
- The Okanagan Military Museum, located within Memorial Arena on Ellis Street;
- The BC Orchard Industry Museum and the BC Wine Museum, both located within the Laurel Packinghouse at the corner of Cawston Avenue and Ellis Street.

A fifth museum, The Central Okanagan Sports Hall of Fame, is in development, with the Kelowna Museums Society playing a key role in management of the growing archives and artefacts collection, fundraising, and annual induction ceremonies.

Through the Cultural Services budget, the City of Kelowna provides annual funding to the Kelowna Museums Society to support facility operations and programming. This funding of \$617,700 (2010) represents approximately 41% of the organization's total revenues of \$1,483,900.

The balance of revenues generated by the organization comes from:

- Earned 40%
- Grants (including gaming) from other agencies and levels of government 12%
- Fundraising and other sources 7%

The organization has managed, despite revenue losses and recent fluctuations and uncertainties in provincial funding, to adjust its budgets and apply reserves to minimize or eliminate any operating deficits. Typically, expenditures are categorized as follows:

- Cost of Goods 32%
- Operating Costs 16%
- Salaries and Benefits 48% (programming staff 64%, administration staff 23%, operating staff 12%)
- Miscellaneous costs 4%

The organization has recently approved a new Lease & Operating Agreement with the City of Kelowna which provides a long term management and operating framework, including building maintenance.

The organization has also recently completed a comprehensive visioning and planning process, involving the Museum's staff and Board of Directors. City staff also participated. This process resulted in re-formulated statements of Vision, Mission and Values and also led to a new Business Plan which will revitalize and stimulate many aspects of the Society's mandate and engagement with the community. Improved revenue generation is a foundation for the Plan. Statements and key elements of the Business Plan are provided on the attached Appendix A.

The Cultural Services Manager is the current City liaison to the Society's Management and Board of Directors and attends Board meetings regularly.

The Society's revenues have been significantly impacted by the closure of the Laurel Packinghouse. The Packinghouse is the subject of major structural upgrades. Construction is scheduled to continue until the end of September, 2010, with the facility re-opening to the public after that time. The Society derived revenue from the following operations within the Laurel:

- Rental of approximately 20 second floor office spaces
- Rental of main floor event/meeting room space
- Operation of the VQA wine shop
- Visitation (including school programming, special events and cash donations) in the Orchard Industry Museum and Wine Museum

As of Fall, 2008, all of the second floor office spaces were vacated, and all revenue from main floor rentals ceased resulting in an ongoing reduction of \$115,000 in annual revenue. There have also been additional revenue losses and costs due to suspension of school programming, closure of the Orchard Industry and Wine Museums and closure/relocation of the VQA Wine Shop during the construction period.

More specifically, the Society has advised that there are ongoing financial impacts arising from:

- Office rental revenue - permanently lost due to removal of second floor office spaces
- Event/Meeting room space revenue - lost for all of 2009 and most of 2010 - will be re-instated over time, with acknowledgement that there will be a phasing in period required before bookings reach capacity. It may take a full annual rental cycle (Fall, 2010/Winter 2011 to Fall 2011/Winter 2012) - before the building will be in full use and revenues will stabilize.
- Staff layoffs - 2.5 staff positions continue to be affected. In preparation for the re-opening of the facility and the anticipated increased demand, it will be necessary to re-hire the necessary staff by summer, 2010 to consult with the events community, prepare new rental policies and procedures, create booking systems and calendars, do marketing and promotion, and as opening approaches, monitor facility systems and deficiencies.
- Loss of related revenues (sales, donations, visitation)
- Provincial funding - eligibility criteria for gaming funding have changed. Applications have been submitted, but results will not be known until June, 2010. BC Arts Council funding, although reduced since the 2008/09 government fiscal year, is secure.

Internal Circulation:

- R. Forbes, Property Manager, Real Estate & Building Services
- A. Thiessen, Manager, Financial Planning

Existing Policy:

This report is submitted pursuant to Cultural Policy 274 and Chapter 15 of the Official Community Plan.

Financial/Budgetary Considerations:

The 2009 City of Kelowna budget provided to the Society a supplemental amount of \$54,000 for the years 2009, 2010 and 2011 to offset a portion of the \$115,000 in lost revenues. The balance of lost revenues (\$61,000 out of the \$115,000 total) remained as a priority 2 item.

As part of the 2010 preliminary budget, a supplemental was submitted to address the remainder of the lost revenue (\$61,000). While this item remained as a priority 2, Council also requested that staff report back prior to final budget outlining the financial position and business plan of the Kelowna Museum Society.

A budget request on behalf of the Kelowna Museums Society has been submitted for consideration as part of the final 2010 budget deliberations. The supplemental is a one-time contribution in 2010 of \$25,000 to assist the organization in preparation for re-opening of the facility. Funds are required to re-hire staff to consult with the community, prepare new rental policies and procedures, create booking systems and calendars, marketing and promotions and other necessary requirements as the opening approaches. The Museum Society has depleted resources and to cover this additional cost and program requirements would necessitate additional program cuts.

External Agency/Public Comments:

The Executive Director of the Kelowna Museums Society has provided information for use in this report and has been consulted in the preparation of this report and the budget request.

Considerations not applicable to this report:

- Alternate Recommendation
- Community & Media Relations Comments
- Legal/Statutory Authority
- Legal/Statutory Procedural Requirements
- Personnel Implications

Submitted by:



S. Kochan, Cultural Services

Approved for inclusion:



J. Gabriel, Director, Recreation & Cultural Services

CC:

R. Forbes, Property Manager, Real Estate & Building Services

A. Thiessen, Manager, Financial Planning

**COUNCIL REPORT APRIL 14, 2010 - KELOWNA MUSEUMS SOCIETY
APPENDIX A**

**Kelowna Museums Society
Vision**

To be the Okanagan's leader in making the connection between people and place.

Mission

To illuminate and strengthen the community's cultures, histories and possibilities by encouraging personal participation, stimulating curiosity and engaging the senses.

Values

- o **Ethical** - high standards in all curatorial and operational practices
 - o **Inclusive** - accessible to all in our community engagement
 - o **Authentic** - accurate, truthful, respectful and comprehensive representation of the human experience and the natural setting
 - o **Responsive** - trusted, relevant and representative of the community and its histories
 - o **Inspiring** - creative, innovative and thoughtful in our approach, sparking curiosity to enhance the experience
-

Highlights from the Kelowna Museums Society Business Plan 2010:

General comments about the process:

- Driven at the Board Level by the Finance Committee
- Driven at the staff level by Management staff
- Refinement of Goals and Objectives to revolve more around community reach and revenue generation
- Combined with Board 'Visioning' sessions to revisit and update the Society's Vision/Mission/Values statements

1.1. Increase Community Involvement and Support

Tasks under this Goal relate directly to the Kelowna Museums Society's capacity to engage the public and to generate revenues directly and indirectly.

1.1.1. Develop and implement a membership growth strategy

1.1.2. Increase family attendance at our facilities

1.1.3. Increase out-of-town visitor attendance by 25% in 2010

1.2. Improve Museum Facilities

Relates to our new Lease and Operating Agreement. Expands the capacity of the KMS in terms of both programming and revenue generation.

1.2.1. Complete renovations and retrofit of the Laurel Packinghouse facility

1.2.2. Develop plans for a new façade treatment for the OHM

1.2.3. Commence a facilities review and long-term space plan for the Museums

1.2.4. Develop and implement a regular scheduled major maintenance program for all museum facilities

1.3. Financial Sustainability

These tasks relate most directly to the KMS approach to Business Development that sees areas of our work as 'profit centres' which, at the same time, meet our curatorial mandate according to our Constitution and Bylaws on behalf of the City.

- 1.3.1. Institute new fund raising programs to ensure financial sustainability of the Society and its operations
- 1.3.2. Develop and document a revenue plan for each profit centre within the museum's operations
- 1.3.3. Develop and implement a full scale marketing plan

1.4. Improve Operating Efficiencies

In terms of the collections being an 'asset', these tasks relate directly to building the quality and quantity of that asset-base on behalf of the City. These tasks also reflect an interest in developing efficiencies that lower our operational expenses.

- 1.4.1. Present the administration's Rolling Collections and Acquisition Strategy to the Board for consideration and approval
- 1.4.2. Present the administration's Rolling Exhibition Strategy to the Board for consideration and approval
- 1.4.3. Develop and implement new cost savings and efficiency measures

1.5. Support and Strengthen our People - the Staff and Board

Recognizing that our staff and our volunteers bring significant value to our community, these tasks help strengthen our capacity in these areas.

- 1.5.1. Develop and conduct an Orientation Program for Board members and new staff as appropriate
- 1.5.2. Develop a new partnering strategy to build on the strength of our current staff and the cultural community
- 1.5.3. Develop a staff retention and recruitment plan and policy