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| <b>TO:</b>      | <b>CHAIR AND MEMBERS<br/>INVESTMENT AND ECONOMIC PROSPERITY COMMITTEE<br/>MEETING ON JUNE 24, 2013</b>                     |
| <b>FROM:</b>    | <b>MIKE TURNER<br/>DEPUTY CITY TREASURER<br/><br/>HARVEY FILGER<br/>DIRECTOR OF CORPORATE INVESTMENTS AND PARTNERSHIPS</b> |
| <b>SUBJECT:</b> | <b>ORCHESTRA LONDON BUSINESS PLAN</b>  |

**RECOMMENDATIONS**

That on recommendation of the Deputy City Treasurer and the Director, Corporate Investments and Partnerships, the following report **BE RECEIVED** for information.

**PREVIOUS REPORTS PERTINENT TO THIS MATTER**

1. Investment and Economic Prosperity Committee, January 23, 2012, Orchestra London
2. Investment and Economic Prosperity Committee, April 29, 2013, Orchestra London Business Plan

**BACKGROUND**

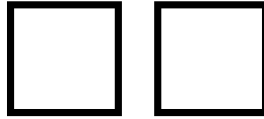
During the series of Strategic Priorities and Policy Committee meetings on the 2013 Budget from January 24 – February 11, 2013 approval of the Culture Services budget was completed and funding for Orchestra London was awarded on a prorated monthly basis, conditional upon receipt of a satisfactory business plan by April 2013.

On February 20, 2013 members of the City’s Investment and Partnerships team and the Deputy City Treasurer met with the Chair of the Board of Orchestra London, the Executive Director and the Chief Operating Officer of Orchestra London to discuss the timing and available templates used for the proposals presented to the Investment and Partnerships team by other entities.

On April 25, 2013 the Orchestra London Business Plan was submitted to the Clerk’s Department for submission to the Investment and Economic Prosperity Committee meeting on April 29, 2013.

Upon preliminary review, Civic Administration requested the submission of further information to supplement the initial Orchestra London submission. Particulars associated with the additional information were discussed during a meeting held on May 9<sup>th</sup>, 2013. The Orchestra London Bravo Strategic Plan was discussed among the City’s Investment and Partnerships team, the Deputy City Treasurer, the City Treasurer, the Chair of the Board of Orchestra London, the Executive Director and the Chief Operating Officer of Orchestra London.

Representatives of Orchestra London agreed to provide the additional information and as a result submitted the supplementary information on June 5<sup>th</sup>, 2013.



## DISCUSSION

The Orchestra London Bravo Strategic Plan, submitted April 25, 2013, with supplementary information submitted June 5<sup>th</sup>, 2013, presents an overview of the Orchestra's business operations and future direction. This document is considerably more comprehensive than strategic plans previously submitted by Orchestra London and addresses many of the business planning elements Civic Administration recommended for inclusion. The relationship among strategy, action plans and outcomes could have been further articulated.

The analysis revealed that a small margin of error exists in the Bravo Strategic Plan; this is best exemplified by the less than \$7,000.00 operating surplus expected in fiscal years: 2013-2014; 2014-2015; 2015-2016. This small margin of error reduces the Orchestra's options to manage operational deviations and exposes the Orchestra to risk should financial projections not be realized. It being noted that the current line of credit will be difficult to pay down given the minimal yearly surpluses, as a result, continued monitoring is suggested.

Additionally, Orchestra London has predicted an increase in corporate revenue from \$196,489 in fiscal year 2011-2012 to \$385,000 for fiscal year 2014-2015. This represents a 96% increase in corporate revenue. According to Orchestra London the significant spike in corporate revenue is due to a change in the fund development strategy and the introduction of "Red Hot Insiders Club" a corporate table program.

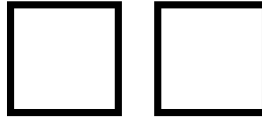
Further, it has been identified that income ratios would best summarize the financial reliance of Orchestra London; these ratios outline the revenue stream of a non-profit company. The most important of the income ratios for a non-profit are the reliance ratios; we will review both the reliance ratio and the "reliance on government" ratio. These ratios represent percentages of revenue from a specific funding source. They provide information regarding reliance on a funding stream and allow for the assessment of risks based on dependencies. Due to the nature of grant funding, a non-profit can end up with a disproportionate amount of its funding coming from one source. In the case of Orchestra London, the largest source of income is the "Concert Revenue" followed closely by "Government Revenue". It is important to note that a high "reliance on government ratio" indicates a risk to the organization, should that grant source was to be considerably reduced.

Based on Orchestra London's 2012 fiscal year-end results, the total concert revenue was \$1,135,368, and the total income was \$2,761,580. As a result, the reliance ratio in 2012 was 0.41. In other words, about 41% of the Orchestra's revenue comes from concert revenue.

Largest type of income = Reliance ratio  
Total income

\$1,135,368 = 0.41, therefore 41%  
\$2,761,580

The second key ratio is the reliance on government funding. It is important to be aware of risks associated with reliance and autonomy ratios. Government funding is often closely tied to specific contracts and budgets with limited cost allocations and flexibility. The total government contribution that Orchestra London received for the 2011-2012 fiscal year was \$914,293, resulting in a reliance on government ratio of 33%. This means that slightly more than one third of the Orchestra's revenue comes from the government, of which over 50% comes from the City.



Total grants & contracts  
From government = Reliance on govt.  
 Total income funding

\$914,293 = 0.33, therefore 33%  
 \$2,761,580

It is determined that reliance on government funding, which represents the second highest source of income for Orchestra London (government revenue 33%), is only 8% less than the primary income source (concert revenue 41%). This indicates that the Orchestra is heavily dependent on government funding, which could present a challenge of sustainability should government funding be significantly reduced or stopped; ultimately presenting the additional challenge of finding alternative sources of funding.

Lastly, the Civic Administration supports the current monthly monitoring reports, and recommends that the monthly reports continue, which are consistent with what has been recommended previously by Council, and include a full **variance analysis**. Information such as guest count, number of concerts, demographics, revenue, costs and gross profit, gross profit margin, sponsorship update and progress related to reaching the specified goals outlined in the strategic priorities piece of the business plan should also be reported on quarterly.

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| <b>REVIEWED AND RECOMMENDED BY:</b>  | <b>REVIEWED AND RECOMMENDED BY:</b>   |
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