



SUBJECT: Financial Support for Sound of Music Inc.

TO: Mayor and Members of Council

FROM: Finance Department

Report Number: F-36-22

Wards Affected: All

File Numbers: 126-01

Date to Committee: September 20, 2022

Date to Council: September 20, 2022

Recommendation:

Approve a short-term loan to Sound of Music Inc. in the upset amount of \$200,000 to provide interim financial support for the remainder of 2022.

Direct the Chief Financial Officer to advance the Sound of Music Inc.'s 2023 base budget of \$100,093 in January 2023 to provide financial support in the early part of 2023.

Authorize the execution of any documentation (agreements) necessary to secure the City's interests, subject to the satisfaction of the Executive Director of Legal Services and Corporation Counsel.

PURPOSE:

Vision to Focus Alignment:

- Increase economic prosperity and community responsive city growth
- Building more citizen engagement, community health and culture

Background and Discussion:

Sound of Music Inc.

Sound of Music Inc. (SOM) is a non-profit organization that has been bring people to the City of Burlington's waterfront to celebrate live music for over 40 years. They host two live entertainment events each year: Live on the Lake and The Sound of Music Festival. These events are made possible by the support of local levels of government, sponsors, and volunteers. The events provide cultural and community value to Burlington, while also providing a strong economic impact to local businesses.

As with many live entertainment events, SOM was severely impacted by the pandemic over the last 2 years. The in-person festival was cancelled in 2020 and 2021. The event in 2020 was moved to an online platform designed to entertain, educate, and support the community during Covid. 2021 saw a revised experience that had multiple events that took place over several months. The return of the SOM festival in 2022 saw the event flourish with a record turnout. Unfortunately, revenues fell short due to the loss of sponsors who were struggling with their own pandemic issues. Uncertainty around the Covid recovery also impacted the SOM's ability to sell tickets to their "Live on the Lake" event. Compounding to the impact of the revenue losses was an increase in costs due to supply chain issues. These factors devastated the festivals' ability to generate a profit in 2022 despite the successful turnout.

The SOM needs immediate interim financial support in order to continue their operations through for the remainder of 2022 and in order to not impact the planning for the 2023 festivals.

Strategy/process

The SOM has submitted a written request to the City for interim financial support in order to maintain their operations for the remainder of 2022. They have provided projected cash flow figures through to the end of the year, 2021 draft financial statements and their Sound of Music Festival Community Impact Report for 2020, 2021 and 2022. The 2022 report is included in Appendix A. Based on the information provided staff recognize that an immediate solution is necessary to address SOMs short term cash flow needs. The recommendation is for the City to provide a short-term loan to the SOM to address their need for interim financial support. This option would not impact the operating budget but would result in a loan receivable on the City's books from SOM. The loan would be repayable within the next calendar year based on council approval of a business case for one-time funding in 2023 in addition to the consideration of an increase to the base budget grant.

Options Considered

The other option would be for the City to provide one-time funding in 2022 to the SOM to address their need for interim financial support. This would require funding from the Tax Rate Stabilization Reserve Fund. This option is not recommended as it is important

for the next council to have a complete understanding of the business model and budget request for 2023 as part of the business case submission.

Financial Matters:

The City's annual operating budget provides a grant to support the SOM festival. For 2022 this grant was \$100,093. Additional "in-kind" support is also provided annually from the City;

- RPF and Transportation staff time and resources used for planning and the management of multiple road closures throughout the event.
- ITS provides Wi-Fi access through the City's provider (new in 2022)
- The use of Central Park field for SOM parade staging
- Additional power used in Spencer Smith Park for the event

Other City fees associated with the events, such as permits and licenses, are billed directly to SOM.

In addition to the City's annual grant, SOM also receives supporting contributions from various Provincial and Federal government programs. During Covid they were also able to access to the emergency wage subsidy grant, the Federal "Reconnect" grant and "Operational support" grant. These additional funds helped keep the SOM operational through the pandemic.

Total Financial Impact

The options recommended by staff in the report will have a nil impact the 2022 operating budget.

Source of Funding

SOM's annual grant is approved as part of the City's operating budget. A business case for the 2023 budget will be submitted by the Sound of Music to address the 2022 financial support matters as well as ongoing budget funding.

Other Resource Impacts

Not applicable.

Climate Implications

Not applicable.

Conclusion:

The SOM events provide a cultural, community and economic value to the City. Staff are recommending that Council support the request for funding through a short-term loan and advancement of their 2023 base budget allocation to assist SOM's need for financial support.

Respectfully submitted,

Tim Commisso

City Manager

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Joan Ford

Chief Financial Officer

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Appendices:

- A. Sound of Music Festival Community Impact and Funding Request

Notifications:

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Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.