

3. ORANA PARK AND SCIENCE ALIVE

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The purpose of this report is to provide information on the above organisations which are in their final year of a five year major grant commitment from the Council.

BACKGROUND

During 1996 both of the above organisations encountered financial difficulty and approached the Council for financial support. As a result of this approach the Council contracted Deloitte Touché Tohmatsu to prepare a review of the operations of these two organisations and their long term funding requirements. The following were the terms of reference for this review.

- To carry out a market analysis/impact study, which includes reference to the mix, size and style of exhibits and trends in attendances.
- Positioning in the market place.
- Other market influences.
- Ability to response to market changes.
- Value to local community and tourism market.
- To provide details on the current operational cost structure including staffing levels, overheads and management costs.
- To provide details of proposed capital expenditure listed under the headings essential and desired.
- To provide details on revenue streams and potential revenue streams for both core business and other opportunities.
- To provide details on financial budgets, both operational and capital for the next two years and any significant amendments over the following three years.
- To review the current management and management structure in light of the current situation and its appropriateness for the future.
- To provide details on future financial options for these organisations.
- To provide recommendations in respect to the establishment and maintenance of the financial viability of both of these organisations.

Deloitte carried out this work and in early 1997 they reported, via the Major Grants Committee, that in the case of Science Alive they needed \$275,000 p.a. inflation adjusted over the next five years to meet their operational and maintenance requirements.

In the case of Orana Park it was indicated that they needed \$175,000 p.a. inflation adjusted to meet their operational and other ongoing maintenance and capital requirements. The report also recommended some staffing/management changes which were carried out in the initial years of the grant agreement.

Both of the organisations received copies of the report which helped to provide direction for them over the five year term.

In the 1997/98 Annual Plan the Council agreed to provide Science Alive with \$225,000 p.a. inflation adjusted for a five year term and to provide \$150,000 inflation adjusted for a five year term for Orana Park. It should be noted that in both these cases the Council agreed to figures slightly below the recommended amount from the report.

FUNDS THAT HAVE BEEN ALLOCATED

Science Alive

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|--|--------------------|---------------------------|
| Year one 1997/98 | \$225,000 | |
| Year two 1998/99 | \$229,500 | |
| Year three 1999/2000 | \$234,000 | |
| Year four 2000/01 | \$238,000 | |
| Year five the current financial year 2001/02 | \$242,000 | |
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| Total | \$1,168,500 | Over the past five years. |

Orana Park

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|--|------------------|---------------------------|
| Year one 1997/98 | \$150,000 | |
| Year two 1998/99 | \$153,000 | |
| Year three 1999/2000 | \$156,000 | |
| Year four 2000/01 | \$159,000 | |
| Year five the current financial year 2001/2002 | \$162,000 | |
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| Total | \$780,000 | Over the past five years. |

CURRENT SITUATION

Over the five year period of this Council commitment both of these organisations have provided regular financial and other reports to the Council. Both of these organisations are now operating in a more responsible financial manner and although debt repayment has perhaps not met original expectations, this is in part due to the fact that the Council did not provide the full level of subsidy recommended by Deloitte. In general they are operating with good financial control and meeting budget predictions.

The level of debt for these organisations over the past six years is set out below.

Orana Park

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|--------------|-----------|
| September 96 | \$774,151 |
| September 97 | \$516,582 |
| March 98 | \$519,813 |
| March 99 | \$435,155 |
| March 00 | \$352,318 |
| August 2001 | \$169,654 |

| Science Alive | Working Capital | Term Loan | Total |
|---------------|-----------------|-----------|-----------|
| December 96 | (\$196,263) | \$609,212 | \$805,475 |
| December 97 | (\$227,165) | \$647,164 | \$874,329 |
| December 98 | (\$70,241) | \$869,307 | \$939,548 |
| December 99 | (\$147,019) | \$847,458 | \$994,477 |
| December 00 | (\$109,148) | \$826,344 | \$935,492 |
| July 01 | \$286,469 | \$813,755 | \$527,286 |

It should be noted that in the early years Science Alive increased its loan to allow for the upgrading of the building so that the space was available for rental and this is now paying dividends. Working capital has improved dramatically over the later two years and the debt to equity position has dropped to 17.3% having been in excess of 20% since 1998.

Both of these organisations will need to prepare significant proposals for Council consideration for the 2002/03 Annual Plan process and it is anticipated that they will request ongoing support from the Council. This support however should be at a level somewhat reduced from the current level of the Council grants.

Chairman's

Recommendation: That the information be received.