

Report to Council



Date: 7/10/2017
File: 0270-02
To: City Manager
From: Jackie Dueck, Controller
Subject: Library Society Dissolution

Recommendation:

THAT Council approve the dissolution of the Library Society effective October 31, 2017

AND THAT Council Policy 294 "Council Appointee to Library Society" be rescinded.

AND FURTHER THAT all Library Society assets be transferred to the City of Kelowna, those being the Land and Building valued at \$3,950,464.

AND FURTHER THAT the lease with the Okanagan Regional Library be transferred to the City of Kelowna.

Purpose:

To seek approval from Council to have the Library Society's Board of Directors dissolve the society effective October 31, 2017.

Background:

On February 19, 1996 bylaw 7879 was adopted by Council authorizing the City of Kelowna to enter into a Mortgage with Montrose Mortgage Corporation Ltd. for the construction costs of the Library building on Ellis street. It was determined that the City could not borrow from a Mortgage corporation which delayed the advancement of funds. To resolve the problem, the Kelowna Library Society was formed and the borrower was changed from the City of Kelowna to City of Kelowna Library Society.

The Library Society was incorporated on February 28, 1997 for the purpose of the establishment, operation and maintenance of libraries and library services for the perpetual benefit of the city and citizens of the City of Kelowna, to acquire from the City of Kelowna

the lands and improvements consisting of the main branch of the Kelowna Library and to borrow or raise funds.

The Society's primary purpose was to facilitate the mortgage. The original mortgage amount was \$5,100,000 and was repayable over a period of 20 years. The final payment was April 11, 2017 and formal notice was received from the mortgage company releasing the debt on May 3, 2017.

There are 5 members of the Society. The Chairman is appointed by the City of Kelowna's Council through Council policy 294. The current Chairman of the Library Society is Councillor Gray. The remaining members of the Society are appointed by the City of Kelowna Council and include people who are residents or electors of the City of Kelowna and who are not members of Council or employees of the City of Kelowna.

At the end of each year the City of Kelowna staff prepare separate financial statements for the Library Society as well as consolidating the Library Society fund amounts into the City of Kelowna Financial Statements. This was required because the Library Society was considered to be a closely held organization by the Public Sector Accounting Board. This determination was made because the City has control over operations of the society by appointing the Chairman of the Board of Directors, managing the lease with Okanagan Regional Library and providing capital improvements and maintenance to the Library land and building.

Yearly in May the Board of Directors for the Society have an Annual General Meeting where they review and approve the Financial Statements and the Audit report for the Library Fund.

The intention for the City of Kelowna and the Library Society board was to have the Library Society active until the last mortgage payment was complete and then to dissolve the society as there would no longer be a reason to continue with a separate entity to manage this. Within the incorporation documentation it is noted that upon dissolution the remaining assets, after payment of all debts and liabilities, shall be turned over to the City of Kelowna.

Annual General Meeting Discussion

On May 19, 2017 the Library board discussed potential reasons to keep the Library Society operational but it was determined that there were none that warranted continuing the Society. As a result, the Board resolved to seek permission to dissolve the society.

Next steps will be to produce the final 2017 Financial Statements for the Library Society. To have the statements externally audited and then approved by the Library Board of Directors and finally to sign the dissolution papers for the Society. Once signed they will be filed, and the Library property and building lease will revert to the City of Kelowna.

Considerations not applicable to this report:

Internal Circulation:

Legal/Statutory Procedural Requirements:

Personnel Implications:

External Agency/Public Comments:

Communications Comments:

Alternate Recommendation:

Submitted by:

J. Dueck, Controller

Approved for inclusion:



Genelle Davidson, Divisional Director, Financial Services