

# Analyst Briefing Notes

## Budget Committee

### (February 10, 2009)

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## Executive Summary

- The Theatres Program showcases a broad variety of entertaining performances: Broadway shows, orchestras and music concerts, and community and cultural events which enrich and enliven the cultural life of the citizens and tourists of Toronto. The Theatres provide state-of-the-art facilities and event services to performing arts, cultural, educational, community and business organizations, through three performing arts venues: Sony Centre for the Performing Arts, St. Lawrence Centre for the Arts and Toronto Centre for the Arts.
- The Theatres faces both shared and unique challenges and opportunities over the next 3 years. Challenges include surviving in an increasingly competitive theatres market, presenting a wide variety of programming that interests the public, and balancing rising production costs with new revenues to minimize reliance on City funding. Opportunities include redevelopment and renewal plans for facilities, and attracting multicultural and community groups, arts and theatre companies to its venues.
- The service objectives for the Theatres Program include:
  - Completing the Sony Centre for the Performing Arts' facility renovations on time and on budget;
  - Retaining and supporting the St. Lawrence Centre for the Arts' core clients, which include multicultural, not-for-profit, arts and community groups; and
  - Maximizing Toronto Centre for the Arts' facility utilization through marketing initiatives and strategic planning.
- The 2009 Recommended Operating Budget continues support for the Theatres' services and activities and includes funding for priority actions which address their respective challenges, opportunities, and services objectives.
  - Sony Centre for the Performing Arts' 2009 Recommended Budget allows the theatre to plan and ramp-up operations in the latter part of 2009 to prepare for re-opening in 2010. The rejuvenation of the theatre will provide a new and improved cultural venue.
  - St. Lawrence Centre for the Arts' 2009 Recommended Budget supports the theatre in resuming full programming and increases rental revenues by leveraging the revitalized facility in its marketing strategy over the next 3 years. The theatre will continue serving as a creative hub for multicultural and Canadian performing arts groups.
  - Toronto Centre for the Arts' 2009 Recommended Budget provides the Centre with funding to continue operations, and a marketing and strategic initiatives plan (\$0.175 million) will secure future revenues and programming for the Centre's venues.
- For 2008, the Theatres collectively are projecting a year-end net expenditure of \$3.970 million

which is \$0.154 million or 4% above its 2008 Approved Budget of \$3.816 million net. The unfavourable variance is attributed to the following:

- Sony Centre for the Performing Arts projects a year end unfavourable variance of \$0.065 million due to lower ticket sales and 12 “dark days” with no bookings in the first half of 2008. The Theatre has been closed since July 2008 and has undergone mechanical and technical upgrades.
- St. Lawrence Centre for the Performing Arts is projecting an unfavourable variance of \$0.096 million by year end. This is due to a shortfall in revenues as the Centre was unable to secure programming for the summer.
- Toronto Centre for the Arts is on target to achieve its 2008 Approved Operating Net Budget. The Centre projects a slight year end favourable variance of \$0.006 million due to operational efficiencies.

**Table 1: 2009 Recommended Budget**

	2008		2009 Recommended Operating Budget			Change - 2009 Recommended Operating Budget v. 2008 Appvd. Budget		FY Incremental Outlook	
	2008 Approved Budget	2008 Projected Actual	2009 Base	2009 New/Enhanced	2009 Operating Budget			2010	2011
	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>(In \$000s)</b>									
<b>GROSS EXPENDITURE</b>									
Sony Centre	14,574.6	9,924.3	5,139.6	0.0	5,139.6	(9,435.0)	(64.7)	13,925.4	183.0
St. Lawrence Centre	4,017.3	4,062.5	4,002.1	0.0	4,002.1	(15.2)	(0.4)	77.2	70.8
Toronto Centre for the Arts	4,672.1	5,196.0	4,893.3	175.0	5,068.3	396.2	8.5	(623.5)	134.9
	<b>23,264.0</b>	<b>19,182.8</b>	<b>14,035.0</b>	<b>175.0</b>	<b>14,210.0</b>	<b>(9,054.0)</b>	<b>(38.9)</b>	<b>13,379.1</b>	<b>388.7</b>
<b>REVENUE</b>									
Sony Centre	13,413.0	8,697.7	3,978.5	0.0	3,978.5	(9,434.5)	(70.3)	13,736.5	233.0
St. Lawrence Centre	2,491.3	2,440.9	2,506.3	0.0	2,506.3	15.0	0.6	43.4	36.8
Toronto Centre for the Arts	3,543.8	4,073.9	3,833.7	175.0	4,008.7	464.9	13.1	(570.6)	209.4
	<b>19,448.1</b>	<b>15,212.5</b>	<b>10,318.5</b>	<b>175.0</b>	<b>10,493.5</b>	<b>(8,954.6)</b>	<b>(46.0)</b>	<b>13,209.3</b>	<b>479.2</b>
<b>NET EXPENDITURE</b>									
Sony Centre	1,161.6	1,226.6	1,161.1	0.0	1,161.1	(0.5)	(0.0)	188.9	(50.0)
St. Lawrence Centre	1,526.0	1,621.6	1,495.8	0.0	1,495.8	(30.2)	(2.0)	33.8	34.0
Toronto Centre for the Arts	1,128.3	1,122.1	1,059.6	0.0	1,059.6	(68.7)	(6.1)	(52.9)	(74.5)
	<b>3,815.9</b>	<b>3,970.3</b>	<b>3,716.5</b>	<b>0.0</b>	<b>3,716.5</b>	<b>(99.4)</b>	<b>(2.6)</b>	<b>169.8</b>	<b>(90.5)</b>
<b>Approved Positions</b>									
Sony Centre	67.4	60.3	41.3	0.0	41.3	(26.1)	(38.7)	90.0	90.0
St. Lawrence Centre	48.6	40.4	48.6	0.0	48.6	-	-	48.6	48.6
Toronto Centre for the Arts	61.0	61.0	58.7	0.0	58.7	(2.3)	(3.8)	58.7	58.7
	<b>177.0</b>	<b>161.7</b>	<b>148.6</b>	<b>0.0</b>	<b>148.6</b>	<b>(28.4)</b>	<b>(16.0)</b>	<b>197.3</b>	<b>197.3</b>
<b>TARGET</b>			<b>3,815.9</b>		<b>3,815.9</b>				
<b>\$ Over / (Under) Program Target</b>			<b>(99.4)</b>		<b>(99.4)</b>				
<b>% Over / (Under) Program Target</b>			<b>-2.6%</b>		<b>-2.6%</b>				

- The 2009 Recommended Operating Budget for Theatres is \$14.210 million gross and \$3.717 million net. This is \$0.994 million or 2.6% below the 2009 target of \$3.816 million.
  - The Sony Centre for the Performing Arts' 2009 Recommended Operating Budget of \$1.161 million net is at the 2009 target of a 0% increase over the 2008 Approved Net Budget. The Centre manages its own labour relations as directed by its Board and will absorb any increases for COLA within its operations.
  - The St. Lawrence Center for the Arts' 2009 Recommended Operating Budget of \$1.496 million net is at 2% below the 2009 target. The Centre manages its own labour relations but has historically requested funds from the City for settlement proceeds. The Centre is expected to request additional funding from the City for COLA in 2009.
  - The Toronto Centre for the Arts' 2009 Recommended Operating Net Budget of \$1.060 million net is 6.1% below the 2009 target. The Centre also manages their own labour relations as directed by their Board and will absorb any increases for COLA within its recommended budget. The Centre has reduced reliance on City funding due to increased programming revenues and cost recoveries, as well as a completed review that streamlined operations.
- The Theatres' 2009 Recommended Operating Budget is comprised of base funding of \$14.035 million gross and \$3.717 million net and new/ enhanced funding of \$0.175 million gross and \$0 net.
  - The 2010 Outlook anticipates a net incremental increase of \$0.170 million in operating costs for the Program. The Sony Centre's renovations are expected to be completed by 2010, but a return to full-time programming is projected to create a \$0.189 million pressure. The Outlook also includes projected and known increases to merit and step amounts, COLA, employee benefits rates, and fee and revenue adjustments. St. Lawrence for the Arts and Toronto Centre for the Arts are projecting net incremental amounts which are below the anticipated 2010 1% target increase. The Sony Centre is projecting an increase of 48.7 approved positions as it returns to full programming in 2010.
  - The 2011 Outlook forecasts net incremental increases to revenues as the Sony Centre for the Performing Arts and the Toronto Centre for the Arts maximize use of theatres venues and programming.
- The 2009 Recommended Base Budget of \$3.717 million incorporates the Program's key cost drivers including COLA, merit and other non-discretionary expenditures that total \$0.156 million. These are offset by revenue increases of \$0.013 million and efficiencies and savings of \$0.242 million.
  - The key cost driver in 2009 for Sony Centre for the Performing Arts is the temporary shutdown of the theatre for the full year. The closure will lead to a reduction in salaries, operating and facility maintenance costs of \$9.435 million, with a corresponding reduction in programming and sundry revenue of \$12.044 million. The Centre is drawing an additional \$2.609 million from Reserve Funds, funded from the planned sale of the Centre's air rights to a developer, to cover the remaining shortfall in revenue.

- The 2009 recommended funding for new/ enhanced service priority action of \$0.175 million gross and \$0 net for Toronto Centre for the Arts will be used to stabilize programming in the Studio Theatre and Recital Hall through marketing initiatives, subscription campaign support and a meaningful resident program at the Centre. This recommended new/ enhanced service priority will be funded from the Centre's Stabilization Reserve, necessitating an expansion of the designated purpose of the Reserve.
- The 2009 Recommended Operating Budget addresses a broad range of priority actions that advance the Mayor and Council's priorities in the City's Prosperity Agenda. These include:
  - Leveraging cultural events and shows to enhance Toronto's international position as the 3rd largest live theatre market in the world;
  - Strengthening the city's tourist infrastructure;
  - Renewal and reinvestment of urban cultural attractions that support Toronto's unique identity; and
  - Promotion of cultural events and cultural diversity.
- The 2009 Recommended Operating Budget supports each City theatre in delivering its services in 3 different ways:
  - Sony Centre for the Performing Arts offers multi-functional space, comprehensive event services, a 3,000-seat auditorium, state-of-the-art lighting and sound systems, a world class stage and highly experienced event staff. The 2009 Recommended Operating Budget provides funding to enable the theatre to remain closed during renovations that will rejuvenate the theatre, and plan and ramp-up operations later in 2009 for start-up early in 2010. (\$5.140 million gross and \$1.161 million net);
  - St. Lawrence Centre for the Arts provides state-of-the-art facilities to Toronto's "not for profit" performing arts companies and local communities at an affordable cost. The Centre houses 2 theatres: the 876-seat Bluma Appel theatre and the 498-seat Jane Mallett theatre. The 2009 Recommended Operating Budget supports the Centre in resuming full programming while marketing the renewed facility. (\$4.002 million gross and \$1.496 million net); and
  - Toronto Centre for the Arts offers a first class venue for a full range of performing arts. The Centre holds 3 theatres: the 1,727-seat Main Stage theatre; 1,032-seat George Weston Recital Hall; and the versatile 200-seat Studio Theatre. The 2009 Recommended Operating Budget provides funding to allow the Centre to operate the facilities while embarking upon new marketing and strategic plans to secure operating income for its 3 venues for future years. The Centre has consistently reduced its requirement for City funding and this trend continues in 2009. (\$5.068 million gross and \$1.060 million net).

**Recommendations**

The City Manager and Acting Chief Financial Officer recommend that:

1. City Council approve the 2009 Recommended Operating Budget for Theatres of \$14,210.0 million gross and \$3,716.5 million net, comprised of the following services:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Sony Centre for the Performing Arts	5,139.6	1,161.1
St. Lawrence Centre for the Arts	4,002.1	1,495.8
Toronto Centre for the Arts	5,068.3	1,059.6
	<hr/>	<hr/>
Total Program Budget	<u>14,210.0</u>	<u>3,716.5</u>

2. Council approve an amendment to Municipal Code 227, Schedule 3, to revise the purpose of the “North York Performing Arts Stabilization Reserve” to “Provides funding to finance the North York Performing Arts Centre’s operating deficits or to support fiscal stabilization activity through revenue generating plans and initiatives”; and that leave be granted for the introduction of any necessary bills in Council to give effect thereto.



The Theatres Program provides world-class venues and facilities for a full range of performing arts, theatrical and concert events that enrich the cultural life of Toronto residents and tourists. The Program has three performing arts venues: Sony Centre for the Performing Arts, St. Lawrence Centre for the Arts and Toronto Centre for the Arts. Each theatre operates independently and delivers its services as indicated in the program map below:

**Program Map**



***Sony Centre for the Performing Arts***

The Centre provides theatrical facilities and services to 47 different organizations. The Centre’s mandate allows for facility rentals and risk presentations whereby the Centre is involved in the production and marketing of a program. Located at the corner of Yonge and Front Streets, the Centre offers multi-functional spaces and comprehensive event services. With over 3,000-seats, it is the largest soft-seat auditorium in Canada. The Centre also has state-of-the-art lighting and sound systems, a fully integrated Ticket Master TM box office, a world class stage, and highly experienced event staff.

***St. Lawrence Centre for the Arts***

The Centre’s mandate is a “rentals only” facility and in keeping with the mandate, the focus is to offer a well-equipped theatrical facility and event services to approximately 60 not-for-profit arts organizations and local groups in 2009. The Centre is located in downtown Toronto and houses 2 theatres: the 876-seat Bluma Appel Theatre which features state-of-the-art sound and lighting capable of accommodating a wide range of presentations; and the 498-seat Jane Mallett theatre which is equipped with exceptional acoustics for concerts.

***Toronto Centre for the Arts***

The Toronto Centre for the Arts complex currently functions as a “rentals only” facility to 150 different arts, cultural, educational, community and business organizations. The facility hosts approximately 300 performances and events per year. The Centre houses 3 main components. The Main Stage Theatre is a 1,727-seat theatre ideal for a wide variety of live performance events including musical, opera, ballet, symphony and corporate events. The 1,032-seat George Weston Recital Hall is known for stellar acoustics and is most frequently used for unamplified music

concerts. The Studio Theatre is a 200-seat "black box" and is an extremely versatile and affordable space used for music concerts, plays, meetings and receptions.

Each facility is unique and has the following program missions:

***Sony Centre for the Performing Arts***

- To present a broad variety of entertaining and profitable theatrical and concert events for the enrichment of the diverse public in Toronto
- To allow residents and tourists to celebrate the diversity and cultural interchange that is Toronto

***St. Lawrence Centre for the Arts***

- To provide Toronto's diverse cultural communities, residents and visitors with a professional, service-oriented theatrical and entertainment facility
- To act as a focus for Canadian performing arts, and continue to attract, facilitate and present varied, high quality cultural , artistic and public events

***Toronto Centre for the Arts***

- To ensure that the City-owned Toronto Centre for the Arts functions as a first class venue for a full range of performing arts
- To enliven and enrich the cultural life of the citizens of Toronto

## **Service Challenges and Opportunities**

Each City theatre strives to maintain or grow business in the increasingly competitive environment of the Toronto theatres sector. The ability to offer state-of-the-art facilities and a full range of event services are important competitive factors. Having the capability to consistently present programming that attracts a discerning public is also critical to the success of the theatres. As well, a common challenge that the theatres share, is the need to find supplementary revenue sources to meet continually escalating production/staging costs. Specifically, each theatre also faces unique challenges and opportunities over the next 3 years:

***Sony Centre for the Performing Arts***

- Completing the redevelopment of the facility within the timeframe and budget of the Business Plan;
- Finishing the mechanical and electrical systems upgrades and renovating the interior and exterior spaces of the Centre; and
- Returning to full-time programming.



***St. Lawrence Centre for the Arts***

- Targeting not-for-profit organizations, smaller production companies and multicultural groups given limited marketing budget;
- Balancing schedules for programming to maximize rental revenue; and
- Broadening the facility's use as an ideal corporate and community event venue.

***Toronto Centre for the Arts***

- Developing a longer-term plan to mitigate the shortfall in Main Stage revenues while maintaining its mandate as a "rentals only" facility; and
- Attracting resident companies for all its venues.

### **Service Objectives**

The theatres' service objectives are designed to meet the challenges and opportunities identified above:

***Sony Centre for the Performing Arts***

- Completing the planned shutdown upgrades and renovations on time and on budget; and
- Ramping-up of operations, marketing and strategies in latter part of 2009 to prepare for re-opening in 2010.

***St. Lawrence Centre for the Arts***

- Setting specific goals and targets that include:
  - Increasing theatre attendance from 132,000 in 2008 to 215,000 in 2009. The Centre will continue to serve as a venue for community forums, shows and public events.
  - Increasing the number of days booked for facility rentals from 195 to 202. This would increase program revenues to support the theatre operations.
  - Increasing the number of organizations served from 54 to 60. The Centre will strive to support not-for-profit, arts and community groups.
- Offering multi-cultural programming to meet the needs of multi-cultural groups; and
- Providing ticketing services to smaller arts organizations.

***Toronto Centre for the Arts***

- Increasing days booked for The Recital Hall and Studio Theatre to 120 and 135 respectively, by targeting specific groups through marketing initiatives; and
- Targeting and retaining repeat rental clients.

### Priority Actions

The Theatres will continue to expand and improve services to maintain its competitiveness within the market place, present a wide range of attractions that appeal to cultural patrons and tourists, maximize facility utilization, and strive to minimize reliance on City funding.

The Program's priority actions align with and support the Mayor and Council's priorities in its Prosperity Agenda, which include:

- Leveraging cultural events and shows to enhance Toronto's international position as the 3<sup>rd</sup> largest live theatre market in the world;
- Strengthening the city's tourism infrastructure;
- Renewal and reinvestment of urban cultural attractions that support Toronto's unique identity; and
- Promotion of cultural events and cultural diversity

The 2009 Recommended Operating Budget provides \$14.210 million gross and \$3.717 million net in base and new funding that addresses the challenges, opportunities and service objectives for each theatre through the following strategic priorities:

- *Sony Centre for the Performing Arts'* 2009 Recommended Budget of \$5.140 million gross and \$1.161 million net allows the theatre to remain closed during renovations that will revitalize the Centre and plan and ramp-up operations in the latter part of 2009 to prepare for re-opening in 2010. The rejuvenation of the One Front Street site will provide a new and improved cultural venue.
- *St. Lawrence Centre for the Arts'* 2009 Recommended Budget of \$4.002 million gross and \$1.496 million net supports the theatre in resuming full programming and increasing rental revenues by leveraging the revitalized facility in its marketing strategy over the next 3 years. The theatre will continue serving as a creative hub for multicultural and Canadian performing arts groups.
- *Toronto Centre for the Arts'* 2009 Recommended Budget of \$5.068 million gross and \$1.060 million net provides the Centre with support to continue operations, with new/ enhanced service priority of \$0.175 million for marketing and strategic initiatives to pursue stable programming and support community and resident theatre companies for its Studio Theatre and George Weston Recital Hall that will secure future revenues and reduce reliance on City funding. In previous years, the Centre has consistently reduced its requirement for City support and this trend continues in 2009.

Table 2: 2008 Budget Variance Review

(In \$000s)	2007 Actuals	2008 Approved Budget	2008 Projected Actuals*	2008 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
<b>GROSS EXPENDITURE</b>					
Sony Centre	23,472.3	14,574.6	9,924.3	(4,650.3)	(31.9)
St. Lawrence Centre	6,393.4	4,017.3	4,062.5	45.2	1.1
Toronto Centre for the Arts	3,667.0	4,672.1	5,196.0	523.9	11.2
	<b>33,532.7</b>	<b>23,264.0</b>	<b>19,182.8</b>	<b>(4,081.2)</b>	<b>(17.5)</b>
<b>REVENUE</b>					
Sony Centre	22,301.2	13,413.0	8,697.7	(4,715.3)	(35.2)
St. Lawrence Centre	4,659.3	2,491.3	2,440.9	(50.4)	(2.0)
Toronto Centre for the Arts	2,403.0	3,543.8	4,073.9	530.1	15.0
	<b>29,363.5</b>	<b>19,448.1</b>	<b>15,212.5</b>	<b>(4,235.6)</b>	<b>(21.8)</b>
<b>NET EXPENDITURE</b>					
Sony Centre	1,171.1	1,161.6	1,226.6	65.0	5.6
St. Lawrence Centre	1,734.1	1,526.0	1,621.6	95.6	6.3
Toronto Centre for the Arts	1,264.0	1,128.3	1,122.1	(6.2)	(0.5)
	<b>4,169.2</b>	<b>3,815.9</b>	<b>3,970.3</b>	<b>154.4</b>	<b>4.0</b>
<b>Approved Positions</b>					
Sony Centre	101.1	67.4	60.3	(7.1)	(10.5)
St. Lawrence Centre	39.9	48.6	40.4	(8.2)	(16.9)
Toronto Centre for the Arts	46.5	61.0	61.0	0.0	0.0
	<b>187.5</b>	<b>177.0</b>	<b>161.7</b>	<b>(15.3)</b>	<b>(8.6)</b>

Source: \* Projected Actuals based on the September 30, 2008 Operating Variance Report

**2008 Experience**

The Theatre Program is projecting total year end net expenditures of \$3.970 million. This represents an unfavourable variance of \$0.154 million or 4.0% over the 2008 Approved Operating Budget of \$3.816 million net. The variance is primarily attributed to the Sony Centre for the Performing Arts and the St. Lawrence Centre for the Arts.

- Sony Centre for the Performing Arts projects a year end unfavourable net variance of \$0.065 million, due to lower ticket sales and 12 “dark days” with no bookings at the Centre. Gross expenditures are expected to be under spent by \$4.650 million and revenues are expected to be under-achieved by \$4.715 million. The Theatre has been closed since July 2008 in anticipation of major capital renovations. The Centre completed mechanical and electrical upgrades in 2008.
- St. Lawrence Centre for the Performing Arts is projecting an unfavourable net variance of \$0.096 million net by year end. Gross expenditures are expected to be \$0.045 million overspent and revenues will be underachieved by \$0.050 million, as the Centre was unable to secure programming for the summer.
- The Toronto Centre for the Arts is on target to be at its 2008 Approved Operating Net Budget. The Centre projects a slight year end favourable variance of \$0.006 million due to operational efficiencies. Gross expenditures and Revenues are projected to be \$0.524 million and \$0.530 million higher than budget, respectively, due to an extended run of shows on the Main Stage.

**Impact of 2008 Operating Variance on the 2009 Recommended Budget*****Sony Centre for the Performing Arts***

- Reduced expenditures and revenues will continue into 2009 for the full year, as the theatre will remain closed for renovations throughout 2009 resulting in a reduction of \$9.435 million in total expenditures and \$9.435 million in total revenues for a net revenue decrease of \$0.005 million. These reductions are reflected in the 2009 Recommended Operating Budget which will be offset by City funding of \$1.161 million.

***St. Lawrence Centre for the Arts***

- The Centre is continuing its marketing efforts to increase facility utilization and rental revenues to return to full-programming after renovations in 2007. The Theatre is expected to meet its target for total number of days booked (202 days) for 2009.

Table 3: 2009 Recommended Base Budget

(In \$000s)	2008 Approved Budget	2009 Recommended Base	Change 2009 Recommended Base v. 2008 Appvd. Budget		FY Incremental Outlook	
	\$	\$	\$	%	2010 \$	2011 \$
<b>GROSS EXPENDITURE</b>						
Sony Centre	14,574.6	5,139.6	(9,435.0)	(64.7)	13,925.4	183.0
St. Lawrence Centre	4,017.3	4,002.1	(15.2)	(0.4)	77.2	70.8
Toronto Centre for the Arts	4,672.1	4,893.3	221.2	4.7	(623.5)	134.9
	23,264.0	14,035.0	(9,229.0)	(39.7)	13,379.1	388.7
<b>REVENUE</b>						
Sony Centre	13,413.0	3,978.5	(9,434.5)	(70.3)	13,736.5	233.0
St. Lawrence Centre	2,491.3	2,506.3	15.0	0.6	43.4	36.8
Toronto Centre for the Arts	3,543.8	3,833.7	289.9	8.2	(570.6)	209.4
	19,448.1	10,318.5	(9,129.6)	(46.9)	13,209.3	479.2
<b>NET EXPENDITURE</b>						
Sony Centre	1,161.6	1,161.1	(0.5)	(0.0)	188.9	(50.0)
St. Lawrence Centre	1,526.0	1,495.8	(30.2)	(2.0)	33.8	34.0
Toronto Centre for the Arts	1,128.3	1,059.6	(68.7)	(6.1)	(52.9)	(74.5)
	3,815.9	3,716.5	(99.4)	(2.6)	169.8	(90.5)
<b>Approved Positions</b>						
Sony Centre	67.4	41.3	(26.1)	(38.7)	48.7	0.0
St. Lawrence Centre	48.6	48.6	0.0	0.0	0.0	0.0
Toronto Centre for the Arts	61.0	58.7	(2.3)	(3.8)	0.0	0.0
	177.0	148.6	(28.4)	(16.0)	48.7	0.0
<b>NET TARGET</b>		<b>3,815.9</b>				
<b>\$ Over / (Under) Program Target</b>		<b>(99.4)</b>				
<b>% Over / (Under) Program Target</b>		<b>-2.6%</b>				

## 2009 Recommended Base Budget

The 2009 Recommended Operating Base Budget of \$14.035 million gross and \$3.717 million net is \$0.099 million or 2.6% under the 2009 target of a 0% increase over the 2008 Approved Operating Budget. The 2009 Recommended Base Budget of 148.6 total approved positions reflects a reduction of 28.4 positions below the 2008 staffing complement of 177.0. The reasons for the reductions in expenditure and approved positions are detailed by theatre below:

***Sony Centre for the Performing Arts***

- Sony Centre for the Performing Arts' 2009 Recommended Operating Base Budget of \$1.161 million net is at the 2008 Approved Operating Budget level. The Theatre is dark for all of 2009. This temporary shutdown for redevelopment will result in the 2009 Recommended Base Budget being reduced by \$12.044 million in programming and sundry revenues and an increase in funding from Reserve Funds of \$2.609 million. The offsetting reduction in programming and other expenditures will result in a net zero impact. The Centre has included ramp-up costs at the end of 2009 to prepare for re-opening in 2010.

The Program's approved positions will be reduced by 39.9 positions early in 2009 and will increase by 13.6 during the ramp-up stage, resulting in a net reduction of 26.1 approved positions for 2009.

***St. Lawrence Centre for the Arts***

- The 2009 Recommended Base Budget for St. Lawrence Centre for the Arts is \$1.496 million net, representing a \$0.030 million net (2.0%) decrease over its 2008 Approved Operating Budget and has met the 2009 target. The net expenditure reduction is due to lower salary and benefits costs for new staff hires and increases in food & beverage, box office and equipment rental revenues. The Centre is maintaining the same level of service and approved complement of 48.6 positions as in 2008.

***Toronto Centre for the Arts***

- Toronto Centre for the Arts' 2009 Recommended Base Budget of \$1.059 million net is \$0.069 million net (6.1%) below its 2008 Approved Operating Budget. Increased utilities, equipment, repair and maintenance costs are offset by decreased labour and other costs arising from programming that is not carried into 2009, leading to a reduction of 2.3 approved positions. The Centre will be maintaining the same service levels as in 2008.

**2009 Key Cost Drivers and Reduction Strategies*****Sony Centre for the Performing Arts***

- The key cost driver for Sony Centre for the Performing Arts is the temporary shutdown of the theatre for the full year. The closure will lead to a reduction in operating and facility maintenance expenditures of \$9.435 million. The corresponding reduction in programming and sundry revenue is \$12.044 million. Full year shutdown was not part of the original 2009 redevelopment plan.
- The Centre is also increasing its draw from Reserve Funds by \$2.609 million to \$3.894 million to cover the remaining shortfall in revenues for 2009. These funds are derived from proceeds from the sale of air rights and other revenues raised by the Centre in an agreement with the developer of the condominium project on the theatre site.

***St. Lawrence Centre for the Arts***

- Merit and step increases for management staff create a pressure of \$0.025 million, which are offset by lower salary and benefit costs for new hires of \$0.042 million.
- Non-economic factors account for a pressure of \$0.012 million.
- A lease expiry on office equipment and lower utility consumption as a result of planned energy conservation initiatives lead to expected savings of \$0.012 million.
- Increases to food & beverage, box office and equipment rental revenues will costs by \$0.013 million.

***Toronto Centre for the Arts***

- COLA and merit increases for staff add a pressure of \$0.086 million.
- Non-labour economic factors account for an additional increase of \$0.033 million.
- Programming that is not repeating into 2009 will reduce salaries and benefits and equipment costs with a corresponding reduction in stage revenue and recoverable expenses. This will lead to a reduction in net expenditures by \$0.089 million.
- The 2009 Recommended Base Budget also includes funding of \$0.593 million for special item improvements, which is offset by a reserve fund contribution of \$0.593 million.

**2010 and 2011 Outlook: Net Incremental Impact**

- Sony Centre for the Performing Arts projects a net incremental increase in its Operating Budget in 2010. Although the Centre's renovations are expected to be finished by then, support for service activities towards full programming will be required, resulting in a net incremental impact of \$0.189 million in 2010. The Centre is projecting a net incremental reduction of \$0.050 million in 2011.
- St. Lawrence Centre for the Arts projects a net incremental increase in 2010 and 2011 of \$0.034 million and \$0.034 million, respectively. The 2010 and 2011 Outlooks include known increases in salaries and wages with partial offsetting increases in programming revenues.
- Toronto Centre for the Arts projects a net incremental reduction in 2010 and 2011 of \$0.053 million and \$0.075 million, respectively. Since the Main Stage programming is successfully underway, the Centre intends to stabilize and support programming for its other venues, which will increase future programming revenues.

**Table 4**  
**2009 New / Enhanced Service Priority Actions: Summary**  
**(In \$000s)**

Description	2009 Recommended		Rec. New Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2010	2011
	\$	\$	#	\$	\$
<b>Enhanced Services:</b>					
(a) Enhanced Services - Council Approved	0.0	0.0	0.0	0.0	0.0
(b) Enhanced Services - Program Initiated	0.0	0.0	0.0	0.0	0.0
<b>Sub-Total Enhanced Services</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>New Services:</b>					
(a) New Services - Council Approved	0.0	0.0	0.0	0.0	0.0
(b) New Services - Program Initiated Utilizing Toronto Centre for Arts Reserve for proactively providing programming and financial stability for the Studio Theatre and Recital Hall.	175.0	0.0	0.0	0.0	0.0
<b>Sub-Total New Services</b>	<b>175.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total New/Enhanced Services</b>	<b>175.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### 2009 Recommended New / Enhanced Service Priority Actions

#### New Service Priority Actions – Program Initiated

##### *Toronto Centre for the Arts - Utilization of Stabilization Reserve*

The Centre will use its Stabilization Reserve, the “North York Performing Arts Stabilization Reserve”, to proactively market and develop strategic plans for the Centre, which would provide long-term financial and programming stability for its 3 theatre venues: Main Stage; Studio Theatre and Recital Hall. The Centre has been dependent, in prior years, on budgeting based on one-time events in the Main Stage theatre. Developing strategies to diversify and increase programming will lead to higher revenues and stabilize operations, reducing the Centre’s reliance on City funding. In previous years, the Centre has consistently reduced its requirement for City support, and the use of the Reserve to generate future programming revenues will continue this trend.



The Reserve's current purpose is to provide funding to finance the Centre's operating deficits. In order for the Centre to use these funds for the initiatives discussed, the purpose of the Reserve must be amended. It is recommended that the purpose of the Reserve be expanded to include support of fiscal stabilization activity through revenue generating plans and initiatives.

The 2009 recommended new/ enhanced service priority action of \$0.175 million gross and \$0 net, will be used to stabilize programming in the Studio Theatre and Recital Hall theatres through marketing initiatives, subscription campaign support and a meaningful resident program at the Centre that will create an environment of support for not-for-profit organizations and community theatre companies and other valued clients.

## 2009 Budget Issues

### 2009 Recommended Operating Budget vs. Guideline.

The Theatre's 2009 Recommended Operating Budget is 2.6% below the 2009 budget target of \$3.816 million. The Program has reduced its net operating expenditure by \$0.99 million over the 2008 Approved Operating Net Budget, reducing City funding to \$3.717 million in 2009. The 3 theatres provide world-class venues and services to the arts and culture community, striving to be efficient and viable operators, while facing unique circumstances.

- The Sony Centre for the Performing Arts 2009 Recommended Operating Budget of \$1.161 million net is at the 2009 target of a 0% increase over the 2008 Approved Net Budget. The Centre did not submit additional reductions for COLA budgeted corporately as it manages its own labour relations as directed by its Board and will absorb any increases for COLA within its operations.
- The St. Lawrence Center for the Arts 2009 Recommended Operating Budget of \$1.496 million net is 2% below the 2009 target. The Centre manages its own labour relations but has historically requested funds from the City for settlement proceeds. The Centre is expected to request additional funding from the City for COLA in 2009.
- The Toronto Centre for the Arts 2009 Recommended Operating Budget of \$1.060 million net is 6.1% below the 2009 target. The Centre also manages their own labour relations as directed by their Board and will absorb any increases for COLA within its recommended budget. The Centre has reduced reliance on City funding due to increased programming revenues and cost recoveries, as well as a completed review that streamlined operations.

### *Sony Centre for the Performing Arts Facility Redevelopment*

The Sony Centre Theatre was closed in July 2008. A capital program to rejuvenate the Centre is proceeding, with preparatory work being done in 2008. The 2009 Recommended Operating Budget assumes that the theatre will remain closed throughout 2009, but begin to scale up in the latter part of the year for a re-opening in 2010.

The 2009 Recommended Operating Budget with gross expenditures of \$5.140 million assumes two primary sources of funding: City funding of \$1.161 million and \$3.894 million from the developer of the property. The sale of air rights to this developer will raise \$15 million that will be used to partially fund the Centre's capital project and provide a contribution to offset reduced net revenues due to closure during 2009. The timing of receipt of the funding from the developer has not yet been established.

A separate report on the status of the agreement with the developer is to be provided to City Council.

***Toronto Centre for the Arts Stability Funding***

The Toronto Centre for the Arts wants to proactively market and develop strategic plans and initiatives for the Centre to provide long-term financial and programming stability for its theatre venues. An amount of \$0.175 million funded from the Centre's Stabilization Reserve is recommended for this purpose. This use of reserve funding requires an amendment to the purpose of the Reserve.

The current balance in the Reserve of \$1.275 million is derived from the Centre's prior year operating surpluses and disbursements from its successful claim against Livent Inc, received in 2005 and 2006. The Reserve's current purpose is to provide funding for the Centre's operating deficits.

It is appropriate to use the Reserve for the intended purpose as it will secure future programming and revenues for the Centre which will stabilize its operations and further support the trend of reduced City funding.

## Appendix A

## 2009 Recommended Base Budget Changes vs. 2008 Approved Budget

(In \$000s)	Summary of 2009 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2010	2011
		\$	\$	\$	\$	\$
<b>2008 Council Approved Operating Budget</b>	<b>177.0</b>	<b>23,288.7</b>	<b>19,448.1</b>	<b>3,840.6</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments		(24.7)		(24.7)		
<b>2008 Approved Operating Budget</b>	<b>177.0</b>	<b>23,264.0</b>	<b>19,448.1</b>	<b>3,815.9</b>	<b>0.0</b>	<b>0.0</b>
Prior year impacts	(39.9)	(10,757.2)	(12,567.3)	1,810.1		
Zero base items		(250.0)	(250.0)	0.0		
Economic factors		127.4		127.4		
<b>Adjusted Base Budget</b>	<b>137.1</b>	<b>12,384.2</b>	<b>6,630.8</b>	<b>5,753.4</b>	<b>0.0</b>	<b>0.0</b>
Other base changes	11.5	1,791.2	3,725.8	(1,934.6)		
Base revenue changes		(140.4)	(38.1)	(102.3)		
Recommended Base Adjustments:						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
<b>Total Recommended Base Adjustments</b>	<b>11.5</b>	<b>1,650.8</b>	<b>3,687.7</b>	<b>(2,036.9)</b>	<b>0.0</b>	<b>0.0</b>
<b>2009 Recommended Base Budget</b>	<b>148.6</b>	<b>14,035.0</b>	<b>10,318.5</b>	<b>3,716.5</b>	<b>0.0</b>	<b>0.0</b>
<b>2009 Program Operating Target</b>				<b>3,815.9</b>		
<b>% Over (Under) Program Target</b>				<b>-2.6%</b>		
<b>% Over (Under) 2008 Appvd. Budget</b>				<b>-2.6%</b>		

**Appendix C**

**Summary of 2009 Recommended New/Enhanced  
Service Priority Actions**

**Appendix D - 1**  
**Program Summary by Expenditure Category**  
**(in 000's)**

CLUSTER: ABC PROGRAM: THEATRES - SONY CENTRE							
	2008 Approved Budget	2008 Projected Actuals	2009 Recommended Budget	Change from 2008 Approved Budget		2010 Outlook	2011 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	5,118.4	4,300.7	3,297.0	(1,821.4)	(35.6%)	5,500.0	5,555.0
Materials and Supplies	771.9	601.0	647.5	(124.4)	(16.1%)	1,200.0	1,212.0
Equipment	13.9	13.2	39.9	26.0	187.1%	15.0	15.0
Services & Rents	5,737.6	3,222.3	1,041.0	(4,696.6)	(81.9%)	9,500.0	9,595.0
Contributions to Capital							
Contributions to Reserve/Res Funds	455.6	420.8	42.7	(412.9)	(90.6%)	850.0	851.0
Other Expenditures	2,477.1	1,366.3	71.5	(2,405.6)	(97.1%)	2,000.0	2,020.0
Interdivisional Charges							
<b>TOTAL GROSS EXPENDITURES</b>	<b>14,574.5</b>	<b>9,924.3</b>	<b>5,139.6</b>	<b>(9,434.9)</b>	<b>(64.7%)</b>	<b>19,065.0</b>	<b>19,248.0</b>
Interdivisional Recoveries							
Provincial Subsidies							
Federal Subsidies							
Other Subsidies							
User Fees & Donations	11,715.6	7,084.8	84.8	(11,630.8)	(99.3%)	16,930.0	17,163.0
Transfers from Capital Fund							
Contribution from Reserve Funds	1,284.4	1,244.4	3,893.7	2,609.3	203.2%		
Contribution from Reserve							
Sundry Revenues	413.0	368.5	0.0	(413.0)	(100.0%)	785.0	785.0
<b>TOTAL REVENUE</b>	<b>13,413.0</b>	<b>8,697.7</b>	<b>3,978.5</b>	<b>(9,434.5)</b>	<b>(70.3%)</b>	<b>17,715.0</b>	<b>17,948.0</b>
<b>TOTAL NET EXPENDITURES (EXCLUDING CAPITAL FINANCING)</b>	<b>1,161.5</b>	<b>1,226.6</b>	<b>1,161.1</b>	<b>(0.4)</b>	<b>(0.0%)</b>	<b>1,350.0</b>	<b>1,300.0</b>
<b>APPROVED POSITIONS</b>	<b>67.4</b>	<b>60.3</b>	<b>41.3</b>	<b>(26.1)</b>	<b>(38.7%)</b>	<b>90.0</b>	<b>90.0</b>

**Appendix D - 2**  
**Program Summary by Expenditure Category**  
**(in 000's)**

CLUSTER: ABC PROGRAM: THEATRES - ST. LAWRENCE CENTRE							
	2008 Approved Budget	2008 Projected Actuals	2009 Recommended Budget	Change from 2008 Approved Budget		2010 Outlook	2011 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	2,909.2	2,788.2	2,892.7	(16.5)	(0.6%)	2,962.4	3,033.2
Materials and Supplies	457.8	440.4	452.5	(5.3)	(1.2%)	460.0	460.0
Equipment							
Services & Rents	493.6	487.0	505.2	11.6	2.4%	505.2	505.2
Contributions to Capital							
Contributions to Reserve/Res Funds	88.9	275.6	88.9	0.0	0.0%	88.9	88.9
Other Expenditures	67.8	71.3	62.8	(5.0)	(7.4%)	62.8	62.8
Interdivisional Charges							
<b>TOTAL GROSS EXPENDITURES</b>	<b>4,017.3</b>	<b>4,062.5</b>	<b>4,002.1</b>	<b>(15.2)</b>	<b>(0.4%)</b>	<b>4,079.3</b>	<b>4,150.1</b>
Interdivisional Recoveries							
Provincial Subsidies							
Federal Subsidies							
Other Subsidies							
User Fees & Donations	2,398.3	2,147.3	2,407.2	8.9	0.4%	2,450.6	2,487.4
Transfers from Capital Fund							
Contribution from Reserve Funds	75.0	261.7	75.0	0.0	0.0%	75.0	75.0
Contribution from Reserve							
Sundry Revenues	18.0	31.9	24.1	6.1	33.9%	24.1	24.1
<b>TOTAL REVENUE</b>	<b>2,491.3</b>	<b>2,440.9</b>	<b>2,506.3</b>	<b>15.0</b>	<b>0.6%</b>	<b>2,549.7</b>	<b>2,586.5</b>
<b>TOTAL NET EXPENDITURES (EXCLUDING CAPITAL FINANCING)</b>	<b>1,526.0</b>	<b>1,621.6</b>	<b>1,495.8</b>	<b>(30.2)</b>	<b>(2.0%)</b>	<b>1,529.6</b>	<b>1,563.6</b>
<b>APPROVED POSITIONS</b>	<b>48.6</b>	<b>40.4</b>	<b>48.6</b>	<b>0.0</b>	<b>0.0%</b>	<b>48.6</b>	<b>48.6</b>

**Appendix D - 3**  
**Program Summary by Expenditure Category**  
**(in 000's)**

CLUSTER: ABC PROGRAM: THEATRES - TORONTO CENTRE FOR THE ARTS							
	2008 Approved Budget	2008 Projected Actuals	2009 Recommended Budget	Change from 2008 Approved Budget		2010 Outlook	2011 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	2,876.2	3,150.2	2,680.3	(195.9)	(6.8%)	2,760.7	2,843.5
Materials and Supplies	598.8	648.4	617.8	19.0	3.2%	636.3	655.4
Equipment	257.9	255.0	608.0	350.1	135.8%	16.0	18.0
Services & Rents	593.9	782.5	861.4	267.5	45.0%	707.0	728.2
Contributions to Capital							
Contributions to Reserve/Res Funds	345.3	359.9	300.8	(44.5)	(12.9%)	324.8	334.6
Other Expenditures							
Interdivisional Charges							
<b>TOTAL GROSS EXPENDITURES</b>	<b>4,672.1</b>	<b>5,196.0</b>	<b>5,068.3</b>	<b>396.2</b>	<b>8.5%</b>	<b>4,444.8</b>	<b>4,579.7</b>
Interdivisional Recoveries							
Provincial Subsidies							
Federal Subsidies							
Other Subsidies							
User Fees & Donations	3,293.8	3,823.9	3,240.7	(53.1)	(1.6%)	3,438.1	3,647.5
Transfers from Capital Fund							
Contribution from Reserve Funds	250.0	250.0	593.0	343.0	137.2%		
Contribution from Reserve			175.0	175.0	100.0%		
Sundry Revenues							
<b>TOTAL REVENUE</b>	<b>3,543.8</b>	<b>4,073.9</b>	<b>4,008.7</b>	<b>464.9</b>	<b>13.1%</b>	<b>3,438.1</b>	<b>3,647.5</b>
<b>TOTAL NET EXPENDITURES (EXCLUDING CAPITAL FINANCING)</b>	<b>1,128.3</b>	<b>1,122.1</b>	<b>1,059.6</b>	<b>(68.7)</b>	<b>(6.1%)</b>	<b>1,006.7</b>	<b>932.2</b>
<b>APPROVED POSITIONS</b>	<b>61.0</b>	<b>61.0</b>	<b>58.7</b>	<b>(2.3)</b>	<b>(3.8%)</b>	<b>58.7</b>	<b>58.7</b>



## Appendix E

## Inflows / Outflows to / from Reserves &amp; Reserve Funds

Reserve / Reserve Fund Name (In 000's)	Reserve / Reserve Fund Number	Balance as of December 2008 \$	Proposed Withdrawals (-) / Contributions (+)		
			2009	2010	2011
			\$	\$	\$
<b>Sony Centre:</b>					
Insurance Reserve Fund	XR1010	28,050.4	42.7	42.7	42.7
Sony Centre Capital Improvement Fund	XR3003	871.7	0.0	807.3	808.3
	XR3003		(3,893.7)		
<b>St. Lawrence Centre:</b>					
Insurance Reserve Fund	XR1010	28,050.4	13.9	13.9	13.9
St. Lawrence Centre for the Arts Reserve Fund	XR1046	0.0	75.0	75.0	75.0
	XR1046		(75.0)	(75.0)	(75.0)
<b>Toronto Centre for the Arts</b>					
Insurance Reserve Fund	XR1010	28,050.4	15.4	15.8	16.3
North York Performing Arts Centre Capital Reserve Fund	XR3007	7,403.5	285.4	309.0	318.3
	XR3007		(593.0)		
North York Performing Arts Centre Stabilization Reserve	XQ1060	1,274.7	(175.0)		
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>(4,304.3)</b>	<b>1,188.7</b>	<b>1,199.5</b>