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2014 OPERATING BUDGET BRIEFING NOTE

THEATRES - Evaluating Strategic Plans and Impact On Proposed Budgets

Purpose:

This Briefing Note responds to the December 11th, 2013 Budget Committee request that the General Manager of Economic Development and Culture provide a briefing note on the process for evaluating the strategic plans of the 3 theatres and the impact on the proposed budgets.

Issue and Background:

- The City's major civic theatres are: the **Sony Centre for the Performing Arts** (3,191 seats); the **St. Lawrence Centre for the Arts** (housing the Bluma Appel Theatre, 878 seats, and Jane Mallett Theatre, 498 seats); and the **Toronto Centre for the Arts** (comprised of three venues – the George Weston Recital Hall 1,032 seats; the Main Stage, 1,727 seats and Studio Theatre flexible seating of 200 seats). These theatres have been the subject of ongoing reviews of their operations and sustainability.
- At its meeting of September 26 and 27, 2011 City Council considered a Core Service Review and authorized the City Manager to issue a Request for Expression of Interest (REOI) to determine options for sale, lease, operation or other arrangement for any or all of the three theatres to meet the City's cultural, social and economic goals.
- The findings of the REOI were detailed in a report entitled "Future of the Three Major Civic Theatres – Directions Resulting from the Request for Expression of Interest" dated October 22, 2012 (Item EX25.5) which was adopted by City Council on November 27, 28, and 29, 2012.
- At that time, City Council recognized the St. Lawrence Centre for the Arts (St.LCA) and the Toronto Centre for the Arts (TCA) as community cultural assets and directed the Boards of these two theatres, in consultation with the General Manager, Economic Development and Culture, to develop long term strategic and five-year business plans that ensure creative, cost effective and sustainable operations, minimize the City's tax funding, include performance measures for its service to the community, and provide for operating and capital reserves. These plans were completed in 2013 and approved by their respective boards.
- As well, Executive Committee requested the Sony Centre Board to develop and submit to the City of Toronto through the City Manager's Office, a long-term strategic plan and a five-year business plan. The plans are in the final stages of completion and are expected in early 2014.

- The respective consultants engaged to undertake these planning processes observed that the theatres could benefit from greater collaboration and leveraging of each other's human and capital assets. In response, the theatres created a Theatres Working Group and each board endorsed the exploration of "closer co-operation between the St. Lawrence Centre for the Arts, The Toronto Centre for the Arts and the Sony Centre for the Performing Arts and third parties with respect to providing greatly enhanced services to the City of Toronto, directly and through co-operating third parties, and explore means to realize significant efficiencies and leverage each other's human and physical assets."
- The Theatres Working Group is comprised of staff from EDC, representatives from the boards and senior managements of each theatre, and community members with relevant experience and expertise.
- On December 16, 2013 City Council adopted the report titled "Major Civic Theatres – Update on Strategic and Business Plans" which provided information on the status of the three civic theatres strategic plans and the establishment of the Theatres Working Group. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX36.6>

Key Points:

- **Process for the evaluation of Strategic Plans** - The City supports the three civic theatres to promote diverse, artistic and cultural programming, access by the community to quality performing arts venues, and related cultural, social and economic benefits. Part of the planning process for all theatres was to identify appropriate performance measures such as community engagement, rental usage, fee for services, quality of audience services, marketing and communications, and cost effectiveness of administration and facility management.
- All three strategic plans will inform the next study for the "Evaluation of Governance and Operational Models for Toronto's Civic Theatres." The primary intentions of the study are to identify and recommend how best to leverage areas of shared interest and achieve the aspirations of each theatre by maximizing collaboration between them, with a specific focus on the successful implementation of the recommendations.
- A Request for Proposal to select a qualified consultant was issued on **December 9, 2013** and has a closing date of **January 20, 2014**.
- The call document outlining the scope of work and deliverables may be found here: <https://wx.toronto.ca/inter/pmmd/calls.nsf/0/831FF4A3FC242B8985257C3C004FA998?OpenDocument>
- The Theatres Working Group, with the General Manager, Economic Development and Culture, will make recommendations on an implementation strategy for the three theatres in a report to the Economic Development Committee by the end of the second quarter of 2014.
- The 2013 Approved Operating Budget for the three theatres was \$23.609 million gross and \$4.329 million net.

- The Theatres' 2014 Recommended Operating Budget is \$21.822 million gross and \$4.757M net. See table on the next page for details.

THEATRES' OPERATING BUDGETS		
(In \$000s)	2013 Approved Budget	2014 Recommended Budget
By Service	\$	\$
<i>Sony Centre for the Performing Arts</i>		
Gross Expenditures	16,441.5	15,013.3
Revenue	15,182.3	13,775.3
Net Expenditures	1,259.2	1,238.0
<i>St. Lawrence Centre for the Arts</i>		
Gross Expenditures	3,425.0	3,264.3
Revenue	1,973.9	1,516.4
Net Expenditures	1,451.1	1,747.9
<i>Toronto Centre for the Arts</i>		
Gross Expenditures	3,742.6	3,544.6
Revenue	2,123.8	1,773.1
Net Expenditures	1,618.8	1,771.5
Total		
Gross Expenditures	23,609.1	21,822.2
Revenue	19,280.0	17,064.8
Net Expenditures	4,329.1	4,757.4

- The 2014 Recommended Budget, when approved by City Council, will ensure stable, ongoing operations for all three theatres. Ensuring stable operations over the short term requires sufficient funding based on current operations. In order to achieve optimum effectiveness and sustainability, the strategic plans for all three theatres recommend enhanced operating funding over the long term.
- The Sony Centre has presented a supplemental request to Budget Committee for an additional \$0.749 million net in 2014 and an incremental increase of \$0.624 million net in 2015. This would amount to a total increase of \$1.373 million net in 2015 over the Sony's 2014 Recommended Operating Budget. The increases would fund the expansion of Sony Centre's programming, educational and development activities. At this time, the request is considered premature, as it is an implementation action of the Sony's strategic plan that has not yet been sufficiently reviewed by City staff or the TWG. Therefore, enhanced operating funding should wait until the recommendations of the study above are presented to Council in 2014 and a plan for all three theatres is recommended by Council.
- An exception to this is the Toronto Centre for the Arts Main Stage Reconfiguration recommended capital project costing \$6.925 million over two years, (\$2.253 million 2014 and \$4.672 million in 2015) for the Toronto Centre for the Arts (TCA). The recommended funding for this project is \$3.462 million of City debt and \$3.463 million from the Toronto Centre for the Arts Improvement Reserve Fund. This project is included in the Economic Development and Culture 2014-2023 Recommended Capital Budget and Plan, and will reconfigure the Main Stage Theatre into two smaller theatres, which is expected to result in greater utilization. Under any proposed operating model, it will benefit the TCA and the community to have the reconfigured venues.

Questions & Answers:

- **When will the new study be done?**

The work will commence in early February 2014 with the final report due in May 2014. It is the City's goal to have an implementation plan approved for the 2015 Budget year.

- **Who is doing the study and who's paying for it?**

The RFP is an open call and consultants across Canada and the USA have been notified. The cost of the study will be absorbed in EDC's base budget for 2014.

- **Will it be possible for theatres to receive supplementary increases in 2014?**

There is currently no financial provision in the 2014 Recommended Operating Budget for supplemental increases. Re-allocations within the City's 2014 Operating Budget are possible.

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