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2016 OPERATING BUDGET BRIEFING NOTE

Impact of Increased Investments in Arts and Culture

Issue:

Budget Committee at its meeting on January 11, 2016 requested the General Manager of Economic Development and Culture to provide a budget briefing note on the economic and employment impact of freezing spending on arts and culture.

Background:

In January 2013, City Council approved an increase to the City's spending on arts and culture from \$18.36 to \$25.00 per capita, resulting in the addition of \$17.5 million in permanent expenditures to the Operating Budget. In order to alleviate the pressure to the tax base, Council approved that the increase be phased in over 4 years, and assigned the accumulated Sign Tax appeal revenue of \$22.5 million to support the funding strategy.

The Arts and Culture Phase-in Plan (below) was developed to reach the \$25 per capita target by 2017.

Arts and Culture Phase-in Plan <i>(Dollars in thousands)</i>					
Year	Total Increased Culture Spending (Reserve Funding + Property Tax)	Increase in Culture Spending	Reserve Funding	Property Tax Base	Tax Base Pressure
2013	6,000	6,000	6,000	0	0
2014	10,500	4,500	7,500	3,000	3,000
2015	12,500	2,000	5,500	7,000	4,000
2016	15,500	3,000	3,500	12,000	5,000
2017	17,500	2,000	0	17,500	5,500
2018	17,500	0	0	17,500	0

Increased investments in arts and culture were approved as part of the 2013, 2014 and 2015 Operating Budgets based on the Arts and Culture Phase-in Plan. In 2015, the \$2 million increase was allocated to Pan/Parapan Am Games events and celebrations, but is being repurposed to new arts and culture expenditures in 2016.

While the Phase-In Plan is approved, the allocation of increased funding has not been included in the 2016 Preliminary Operating Budget for Economic Development and Culture (EDC). New

arts and culture initiatives for 2016 are included for Committee's and Council's consideration as part of the list of New/Enhanced requests referred to the Budget Process.

Key Points:

- The new tax funding in 2016 will replace reserve funding of \$2 million that was approved as part of the 2015 Operating Budget and provide additional funding of \$3 million. As a result, if the \$5 million in new / enhanced initiatives for arts and culture do not proceed, it will result in an effective \$2 million reduction from 2015 (as reserve funding will decrease from \$5.5 million in 2015 to \$3.5 million in 2016) and degrade the progress that was made in 2015 in increasing the per capita investment in arts and culture.
- A decision to freeze spending on arts and culture would result in significant opportunity loss for the sector and for the City of Toronto. The increased investment is expected to generate considerable economic impact, employment, audience engagement, and tourism.

Economic Impact

- Toronto's arts and culture sector contributes \$11.3 billion annually to Ontario's gross domestic product. This significant economic impact is supported by the City's annual investments in arts and culture.
- In 2014, for every additional dollar invested by the City of Toronto, City-funded cultural organizations leveraged \$6.45 in revenue from other sources, including earned revenue, the private sector, and other orders of government. It is anticipated that a similar amount of funds could be leveraged from an increased municipal investment in 2016, and that this incremental economic impact would be foregone if spending is frozen at current levels.
- The proposed increase in arts and culture funding is also expected to encourage further investment in Toronto by the creative industries. The list of new / enhanced initiatives for arts and culture includes new resources for EDC's Film and Entertainment Industries Unit to meet increased demand for services from these growing sectors which include film, television, digital media, music, live events and tourism.
- Investment by screen-based production companies in Toronto reached a record \$1.23 billion in 2014, a 4.3% increase over the year prior. 2014 was the fourth consecutive year that total production spending in Toronto exceeded \$1 billion. The proposed new initiatives for arts and culture include the creation of two new Film Permit Officer positions to help promote and to meet this growing demand, and provide timely, professional service to production companies.
- New staff resources are also proposed that will improve the City's ability to service the music industry, and implement the Toronto Music Strategy, which will be presented to City Council in 2016. The economic impact of Toronto's music industry was estimated to be \$700 million in 2014. Further investments in the City's support for music are expected to increase this already significant impact.

Employment Impact

- The culture sector is a major employer in Toronto. According to Statistics Canada's Labour Force Survey and the Toronto Employment Survey, 105,514 cultural workers were employed in Toronto in 2014, representing 6.52% of the city's total labour force. The broader definition of the cultural sector pegs employment much closer to 175,000. Statistics Canada's Canadian Business Patterns showed that there were 20,396 cultural businesses and enterprises in Toronto in 2014. Continued investment by the City of Toronto will help to sustain and grow this segment of the labour force.
- Increased investment will also promote volunteerism in the arts. The proposed new initiatives for arts and culture include the creation of a new Coordinator of Volunteer Resources position, who will be responsible for recruiting and training volunteers for up to 1,200 shifts at signature City events such as Doors Open, Nuit Blanche, and the Cavalcade of Lights.
- Without the increased investment in grants, there would be lost opportunities as Toronto arts and culture organizations would not be able to undertake new projects and leverage funding from other sources (\$6.45:1).

Audience Engagement

- Greater investment in arts, culture and heritage increases participation and engagement across Toronto. As a result of increased funding, attendance at City-funded cultural events grew by over 750,000 (4%) between 2013 and 2014. The total number of City-funded cultural events increased from 2,109 in 2013 to 2,526 in 2014 – a growth of 19.7%. Without continued investment, the sector will not have the resources needed to further expand its reach.
- Municipal investments in culture also have a significant impact on tourism. In 2012, the Ontario Ministry of Tourism, Culture and Sport reported that the total number of visitors to Toronto who participated in cultural activities was 7,496,300, representing 63.7% of all visitor activities in the city, and an increase of 252,328 person visits from the year prior. New investment by the City of Toronto in the culture sector has the potential to encourage even greater tourist attendance at Toronto's cultural attractions.
- The proposed new initiatives for arts and culture include investments in City-operated museums that will broaden their prospective visitor base. An increase to the marketing budget for museums will raise their public profile among residents and visitors, and proposed new staff positions will increase the quality and quantity of programming offered at the sites. Attendance at City operated museums was 394,513 in 2014, and 421,152 projected for 2015. New investment in 2016 will be key to increasing the economic and cultural impact of Toronto museums.

Questions and Answers

Q: What is the impact on Toronto's per capita investment in arts and culture if the proposed budget increase for 2016 is not approved?

A: If the proposed increase is not approved, Toronto's per capita investment in arts and culture would revert to its 2014 level of \$22.38 per capita.

Q: How does Toronto's per capita investment in arts and culture compare to other major municipalities in North America?

A: Research by Hill Strategies showed that Toronto lagged behind other major Canadian municipalities in per capita investment in arts and culture. In 2009, Toronto invested \$19 per capita, compared with \$55 in Montreal, \$47 in Vancouver, \$42 in Calgary, and \$29 in Ottawa. Research by the Economic Development and Culture Division also showed a gap between Toronto and major US cities including San Francisco (\$87), New York (\$74), and Chicago (\$26) in 2009.

Q: If the \$5 million in new arts and culture initiatives is not approved in 2016, can the Council-directed target of \$25 per capita still be reached by 2017?

A: If the increase is not approved, spending on arts and culture would revert back to the 2014 level, representing a \$2 million decrease from 2015, as 2015 increase was used for one-time funding for the Pan/Parapan Am Games. As indicated in the table below, in order to reach the Council approved target of \$25 per capita by 2017, the pressure to the tax base would be \$10.5 million in 2017.

Year	Total Increased Culture Spending (Reserve Funding + Property Tax)	Increase in Culture Spending	Reserve Funding	Property Tax Base	Tax Base Pressure
2013	6,000	6,000	6,000	0	0
2014	10,500	4,500	7,500	3,000	3,000
2015	12,500	2,000	5,500	7,000	4,000
2016	10,500	(2,000)	3,500	7,000	0
2017	17,500	7,000	0	17,500	10,500
2018	17,500	0	0	17,500	0

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