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2019 OPERATING BUDGET BRIEFING NOTE

Economic Development and Culture Division's 2019 Staff Recommended Operating Budget

Issue/Background:

At Budget Committee on February 4, 2019, Motion 2b - *Motion to Amend Item (Additional) moved by Councillor Shelley Carroll was **carried***:

Economic Development and Culture

That the General Manager, Economic Development and Culture provide a budget briefing note on the following:

- a. the specific areas that cuts are anticipated to be made in 2019 as part of the base expenditure review;
- b. the specific Economic Development and Culture services being examined for efficiencies in 2019;
- c. how savings were achieved in the area of Cost of Living Adjustment Expenditures in 2018;
- d. the specific funding that was reversed in 2018 to achieve one-time funding savings;
- e. what studies, if any, were originally planned to be initiated in 2019 that are being delayed to 2020 or later;
- f. whether delays to Building Condition Audits in the 2019 budget will risk increased costs or irreparable damage to heritage properties in the Economic Development and Culture portfolio; (*transferred to a Capital Budget Briefing Note entitled "Economic Development and Culture's Building Condition Audits".*)
- g. when would the Major Special Events Reserve Fund be exhausted, based on proposed and projected spending levels; and
- h. what groups are currently renting museum spaces and which among them represent equity-seeking or low-income groups.

Key Points:

The following are responses to questions a, b, c, d, e, g and h in Motion 2b (response to question f is submitted in a separate Briefing Note on the 2019-2028 Capital Budget and Plan):

- a. **the specific areas that cuts are anticipated to be made in 2019 as part of the base expenditure review;**

1) Detailed Expenditure Review of the Film and Television Office:

As sound financial practice, EDC reviews its budgets against actual on an ongoing basis. A detailed non-payroll base expenditure review was conducted during the 2019 Budget process aligning cost centres and cost elements to reflect efficiencies achieved by the introduction of the On-Line Film Permitting System and historical under-spending, resulting in a reduction of \$52,000 gross and net within the Film and Television office under the Entertainment Industries Services. There is no impact to service as a result of this reduction.

b. the specific Economic Development and Culture services being examined for efficiencies in 2019;

The 2019 Staff Recommended Operating Budget for EDC includes the establishment of an Office for Creative Spaces funded by reallocating funding from the Culture Build Investment Program.

The Office of Creative Spaces will:

- strategically focus the City's resources on high-visibility, high-impact capital projects across the city;
- support community efforts to create new community hubs across the inner suburbs, similar to the new Weston Common development led by Artscape;
- provide responsive client service to venues and organizations in crisis;
- work at a structural level to produce sustainable solutions through land use planning, partnerships, and tax policy to preserve existing spaces and create new ones;
- address creative space issues at a higher sector-wide level and find ways to collaborate with all the community partners in the non-profit sector, as well as look at policies to support the for-profit creative sector's spaces;
- support for-profit creative space venues, which the City's community grants policy does not allow;
- work with community partners such as Artscape, Akin Collective, 401 Richmond, Center for Social Innovation, National Trust for Canada, Faith and the Common Good, etc. to find ways to ensure cultural and community space is created with new developments; and
- create new cultural space in new major developments such as the Etobicoke Civic Centre, the former Unilever lands, Villiers's Island, and the repurposing of sites such as the Wellington Destructor.

This will result in greater access to culture in neighbourhoods throughout Toronto, and increased long-term sustainability for the arts sector. To achieve the best possible impact for the City and its residents, EDC requires human resources to be more strategic and proactive in addressing space needs, over a much longer term. Therefore, funding for a permanent planner position to begin in June 2019 is required to accelerate work on major capital projects for the culture sector.

Culture Build Investment Program – Current Status:

The Culture Build Investment Program (CBIP) has served the non-profit cultural sector from 2002-2008 in its first iteration, was suspended from 2009-2012 under budget constraints, and

reinstated from 2013-2018. The grant program supported small scale state of good repair projects in cultural facilities. Maximum funds available to a single project was \$100,000 and the maximum percentage of the grant was 50% of total eligible project costs.

Since 2015, the annual CBIP program budget has been \$330,000. In 2017 and 2018, the demand for the program has been low despite extensive marketing of the program to the non-profit arts sector. In 2018, CBIP did not receive enough quality applications to allocate the entire program budget.

The Culture Build program, while somewhat useful to the non-profit arts sector, has limited public impact and visibility, and does not have impact on the for-profit creative industries or for-profit entrepreneurs which are equally affected by lack of access to affordable space. Furthermore, it does not add space and generally does not prevent the loss of space.

City staff firmly believe that is in the best interests of the public and the creative sector to suspend the Culture Build Investment Program while the demand is low and reallocate those resources to longer-term strategies with greater impact to ensure the availability, affordability and sustainability of cultural and entrepreneurship spaces for the city. The financial impact of the reallocation is a gross and net reduction of \$268.6K in 2019, \$221.3K in 2020 and \$218.0 in 2021, included in EDC's 2019 Staff Recommended Operating Budget to offset pressures in order to meet its base budget target of zero increase over 2018.

Please note that this does not mean a reduction in overall spending on Culture since the pressures noted above increase cultural spending (added staff costs due to salary, etc. increases).

2) Shift to Digital Media:

Marketing in EDC will be concentrating on digital media instead of traditional print media. Digital media service delivery has greater potential to reach a larger audience with fewer resources. Strategies can also be deployed to target certain segments, change messaging and adapt to changing demographics and expectations of potential consumers. In addition, fewer resources are wasted on campaigns for unintended audiences. Costs for digital media are less expensive resulting in savings in print and advertising costs. The reduction of \$41,000 gross and net in advertising represents approximately 10% of the current marketing budget. The change will have a positive impact on service delivery.

c. how savings were achieved in the area of Cost of Living Adjustment Expenditures in 2018;

There are no savings in Cost of Living Adjustment (COLA) expenditures. Non-Union COLA was not included in the EDC's 2018 Council Approved Operating Budget. During 2018, the Non-Union COLA was adopted by City Council, and a subsequent in-year budget adjustment through the 2018 Q1 Operating Variance Report was made to transfer the Non-Union COLA from Non-Program to EDC's 2018 Operating Budget. This one-time funding was reversed because all the 2018 Non-Union COLA has been accounted for in the 2019 projected salaries and benefits budget.

EDC is offsetting all its budget pressures including COLA in 2019 through efficiency savings and revenues in the 2019 Staff Recommended Operating Budget.

d. the specific funding that was reversed in 2018 to achieve one-time funding savings;

Due to the expected decrease in travel in 2018 as a result of the municipal election, Economic Development and Culture Division (EDC) reduced its travel budget in the International Strategy on a one-time basis to help offset the costs of a the new BIA Locate Services in 2018.

In 2019, the focus on expanding Toronto's economy and presence globally by growing exports and attracting investments to the city is expected to resume. As a result, EDC has reinstated the travel budget of \$165.9K gross and net to historical levels in the 2019 Staff Recommended Operating Budget.

Restoring this funding will enable Economic Development and Culture to continue the momentum of past trade missions, establishing partnerships and agreements with other cities and at the same time meet obligations to the BIAs (the owners of the underground asset) as per the requirements of the Ontario Underground Infrastructure Notification System Act 2012. The budget for the Locate Services remains the same as 2018 and is offset by the reduction in funding that was used for one-time studies in 2018.

e. what studies, if any, were originally planned to be initiated in 2019 that are being delayed to 2020 or later;

Nighttime Economy Economic Impact Study:

This request was focused on a study assessing the economic impact of businesses operating at night, including music venues and studios, attractions, restaurants, film and digital media, and others. The data from the study would feed into the Action Plan. Without updated, comprehensive economic impact data of this kind, EDC's Nighttime Economy Action Plan will have to rely on data that EDC already has. The Action Plan will not include an inventory of nighttime businesses and their economic impact in the project and instead focus on strategic and tactical steps to encourage the nighttime economy to develop.

Comprehensive Music Economic Impact Study:

No funding for this work in 2019 means that Toronto continues to lack accurate data to benchmark the economic impact of the entire music sector. However, in 2019 the City of Toronto through Film, Entertainment Industries is partnering on and helping to fund a study focused on the economic impact of live music venues in Toronto. The project is being led by Canada Live Music Association, with research being done by Nordicity.

Planning for Creative Hubs outside the downtown core:

Finding operational efficiencies within EDC has meant that the Division has been unable to support research and planning proposed by Artscape to develop five Creative Hubs across Toronto's inner suburbs. The work would include lessons from the development of Weston Common as well as work on financial models, private sector partners, and site selection.

g. when would the Major Special Events Reserve Fund be exhausted, based on proposed and projected spending levels

The amount in the Major Special Events Reserve Fund (MSERF) as of December 31, 2018 is \$3,466,139. This amount would be exhausted sometime after 2021 based on proposed and projected spending levels, and assuming no additional replenishment from 2018 and future year-end operating surpluses.

The following table illustrates the projected withdrawals from MSERF and ending balances from 2019 to 2021:

MSERF Balance as of December 31, 2018	3,466,139
<u>2019 EDC Commitments:</u>	
Indian Residential School Survivors (IRSS) Legacy Structure	(250,000)
Toronto Significant Events Investment Program - 2018	(367,500)
Toronto Significant Events Investment Program - 2019	(750,000)
Canada 150 Legacy Project	(124,984)
Total 2019 Commitments	(1,492,484)
Projected MSERF Balance December 31, 2019	1,973,656
<u>2020 EDC Commitments:</u>	
Toronto Significant Events Investment Program Phase-In to the Tax Base – 2020	(1,000,000)
Projected MSERF Balance December 31, 2020	973,656
<u>2021 EDC Commitments:</u>	
Toronto Significant Events Investment Program Phase-In to the Tax Base – 2021	(500,000)
Projected MSERF Balance December 31, 2021	473,656

As the Toronto Significant Events Investment Program (TSEIP) has become an ongoing program to support special events, a permanent and sustainable funding source must be identified such that EDC can plan strategically at the requests for financial support from significant event organizations and to ensure funding is available. A report entitled "*Strengthening Toronto's ability to attract and host major events through the Toronto Significant Events Investment Program (BU3.4s)*" requests the General Manager of Economic Development and Culture to submit a plan to establish an ongoing tax-supported base budget for the TSEIP to the 2020 Budget process.

h. what groups are currently renting museum spaces and which among them represent equity-seeking or low-income groups.

Groups that are currently renting museum spaces include:

- Individuals
- Businesses
- Community groups (of diverse types)
- Community theatre organizations, including organizations representing ethno-cultural communities, youth and persons with disabilities
- Emerging artists, many of whom are women

Museums and Heritage Services estimates 24 organizations (18 at Todmorden, 3 at Fort York, and 3 at Montgomery's Inn) (or 18% of rentals) represented equity-seeking groups who rented spaces in City of Toronto museums in 2018. It is important to note that Museums and Heritage Services does not formally collect this data and so the number may well be higher. It is the intention of Museums and Heritage Services to align their work with the Data for Equity Strategy that is being led by EDHR and SDFA (formerly the Disaggregated Data Community of Practice) to help the Division develop a process to obtain the data in the future.

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