2021 BUDGET COMMENTARY

Executive Summary

TO Live is requesting continued support of $5.3M from the City of Toronto to invest in its 2021 budget. As a result of lower insurance fees, this level of funding would be a slight decrease from the operating subsidy received in 2019 and 2020.

Management trusts that the Board will support the 2021 requested budget.

Summary

This budget (see Appendix 1) was scheduled to be presented to the Board in May 2019 and was based on pre COVID-19 conditions. Since the pandemic hit in March, everything from that moment forward has changed. The pandemic has decimated the live performance and event industry in Toronto and elsewhere, and with it, TO Live's revenue base from venue rentals to arts organizations, commercial promoters and the corporate sector.

Prior to COVID-19, the competitive landscape for consumer entertainment was increasingly complex and challenging. Now, added to this dynamic is the uncertainty created around the pandemic, specifically with restrictions around gatherings. In large part, the business model for live entertainment is predicated on groups of people congregating in a space together.

In that earlier context, the risk, rental and corporate programming component of the budget reflected the ambition for a renewed vision and fresh articulation of TO Live's cultural purpose within the artistic and broader Toronto communities. We will continue this in the post COVID-19 environment and remain committed to fulfilling our vision and the principals underpinning it. However, the persisting uncertainties around when and how live performance will again be both a financially viable, and a satisfying experience for audiences and artists, means that we will have to wait.

Management pondered what to do with the budget already prepared for the 2021 fiscal year. The multitude of variables involved in setting the budget (capacity limits, dates of opening, health and safety processes, types of tickets, hiring artists, stage set ups, backstage parameters, financial viability, to name a few) are numerous, and change/fluctuate daily. Management decided that no matter what budget we came up with, it would be no more accurate than the budget being presented today. All we know is that we are committed to maintaining and achieving a balanced budget.

Management is committed to staying on top of variables and is steadfast to revisiting the 2021 budget and updating the Board in early 2021.

COVID-19 Efforts

- Staff are committed to:
  - creating a safe and welcoming environment and communicating this to patrons. This will be our main priority as we resume performances and look to build audiences once again.
  - rebuilding our ticketing processes and policies to serve new needs and expectations within the performing arts industry.
  - rebuilding the confidence of our patrons through increased flexibility of service, variety of offerings, transparency of practices and increased personalization.
  - overhauling our Patron Services processes, training and procedures in dealing with the public.

A. Operating Budget

The following are the departmental highlights of focused activities, risks, opportunities and challenges in reopening post COVID-19.

Focus will be on:

- transforming our venues into vibrant social and professional cultural hubs.
- our wide-ranging family of resident and other companies from both the not-for-profit and for-profit sectors.
- the vitally important community groups with which TO Live partners with through the Education and Engagement program.
- our need to minimize risk and to prioritize revenue from rental and corporate event clients to create the financial stability needed for TO Live to rebuild and to secure a robust future.
- ensuring that both our commercial and non-commercial relationships, many of which have been the result of years of nurturing, remain close, purposeful and strong throughout this time of limitations and restrictions.

Branding efforts will include:

- promoting the TO Live brand as a new strategy to engage audiences with our mission and vision, complementary to stage programming. Our goal is to position TO Live in the minds of Torontonians as the city’s foremost brand for arts and culture.

- identifying and implementing strategies, in cross departmental efforts between Programming, Development and Marketing, that support fundraising, sales potential and brand building.
- redoubling our focus on attracting audiences to our “Presents” shows and strengthening our brand in the market.

Audience and Revenue Building

- a key feature for ticketing will be balancing analytics on previous years’ activities with expectations from the changing marketplace in order to set fee amounts and fee policies that maximize revenue without simply adding a blanket fee increase which could deter returning sales activity.
- Patron Services, working closely with the Development department, will continue to provide value to existing sponsorship partners while exploring new opportunities to help offset the cost of goods. We are also exploring new opportunities to provide extra value to individual Patrons and Donors.
- individual giving is a completely new source of revenue. This is a key program dependent on the organization’s full commitment and involvement to growth.

Challenges/Opportunities

- Pursuing TO Live’s Digital Transformation project.
- The landscape for the next while will make it challenging to raise funds from corporations and individuals.
- Cyber Security will continue to be a strong focus point as the technology being used and consumed by TO Live is continually evaluated and analyzed. A concern here will be establishing an appropriate budget amount for Cyber Security going into 2021 and beyond.

Human Resources

- Ensure we have a sufficient baseline of staffing support in all departments to be flexible in adapting our offerings and policies to meet the changing expectations of consumers and patrons.
- Development department will require additional headcount in order to raise additional revenues particularly for the next 5 years.
- In 2021, the executive compensation policy and the pay equity review will be completed and developed. The 2021 budget does not include any allowance for adjustments should they become necessary.

- As a continuation of our journey for developing a safe and inviting workplace, training will continue to be rolled out on such topics as Organizational Equity, AODA, Equity Diversity and Inclusive and Respectful Workplace training.
- Further development and rollout of the Diversity Equity and Inclusive Committee.

External Challenges

- Adherence to COVID-19 continued restrictions and guidelines.
- City of Toronto funding levels.
- The expected re-opening of Massey Hall and anticipated opening of a Live Nation venue in Toronto lead to uncertainty in our anticipated event bookings. This is particularly true at Meridian Hall, our largest source of ticketing revenue, so fluctuations would have a substantial impact on 2021 totals.

B. Facility Reserve Fund (FFRF) Budget

The FFRF is restricted to general maintenance, purchase of chattels and equipment, minor state of good repairs, heritage preservation and interior renovation of the theatres. Funding sources include ticket surcharge, capital salvage and naming rights monies. As with the building infrastructure, there is also a backlog of items and projects in FFRF. The FFRF will be managed via prioritization of projects, and only up to the level of funding available.

C. State of Good Repair (SOGR) Budget

The SOGR budget is to maintain building infrastructure, major theatre equipment and Heritage Agreement obligations, funded mostly by City of Toronto debt. Through its charity status, TO Live will be able to apply for grants to assist with capital project funding.

Based on a ten-year plan established with the assistance of building condition audits completed for each building, the 2021 budget reflects a planned budget of $10.7M with $10.68M remaining unfunded (below the line, cumulative) at this time.

TO LIVE

Statement of Operations Summary

(in 000's)	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget Approved	2020 Budget V6 (Q1)	2020 COVID-19 Forecast	2021 Budget
Summary									
Total Gross Revenue	27,125	32,359	30,477	39,799	36,695	38,699	35,398	15,153	40,818
Total Gross Costs	27,198	32,359	30,089	39,798	37,233	38,699	35,398	15,153	40,819
Total Operating Surplus/(deficit) before Subsidy	(73)	-	388	0	(538)	-	0	0	(0)
Subsidy									
Total Net Operating surplus/(deficit)	**(73)**	**-**	**388**	**-**	**(538)**	**-**	**-**	**-**	**-**
Stage Rentals Division									
Gross revenue	6,251	7,297	7,548	6,730	7,700	7,726	7,156	1,521	6,858
Direct expenses	3,911	4,731	4,908	3,841	4,924	4,558	3,841	993	3,860
Total Net revenues/(costs) Stage Rentals	**2,340**	**2,566**	**2,640**	**2,889**	**2,776**	**3,168**	**3,315**	**528**	**2,998**
Presentations Division									
Gross revenue	4,904	6,096	3,160	7,973	6,435	5,500	4,088	623	7,321
Direct expenses	4,370	5,998	3,231	8,019	8,073	5,254	4,320	1,140	7,413
Total Net revenues/(costs) Programming	**534**	**98**	**(71)**	**(46)**	**(1,638)**	**246**	**(232)**	**(517)**	**(93)**
Corporate Rental Division									
Gross revenue	3,807	4,131	5,038	5,336	4,874	5,928	5,145	713	5,402
Direct expenses	2,109	2,280	2,894	3,033	2,939	3,337	2,950	519	3,022
Total Net revenues/(costs) Corporate Rental	**1,698**	**1,851**	**2,144**	**2,303**	**1,935**	**2,591**	**2,195**	**194**	**2,380**
Development Division									
Gross revenue	777	1,560	905	1,957	1,604	2,889	2,800	2,141	3,428
Direct expenses	263	215	61	188	213	479	428	171	430
Total Net revenues/(costs) Development	**514**	**1,345**	**844**	**1,769**	**1,391**	**2,410**	**2,372**	**1,970**	**2,997**
Ancillary Division									
Gross revenue	2,913	4,000	4,195	4,069	4,827	5,575	5,258	767	5,389
Direct expenses	841	906	927	979	998	1,188	1,019	211	1,050
Total Net revenues/(costs) Ancillary	**2,072**	**3,094**	**3,268**	**3,090**	**3,829**	**4,387**	**4,239**	**556**	**4,339**
Other Division									
Gross revenue	1,657	653	883	892	1,171	796	795	160	886
Direct expenses	1,047	375	431	482	436	388	368	102	419
Total Net revenues/(costs) Other	**610**	**278**	**452**	**410**	**735**	**408**	**427**	**58**	**468**

APPENDIX 1

TO LIVE

Statement of Operations Summary

(in 000's)	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget Approved	2020 Budget V6 (Q1)	2020 COVID-19 Forecast	2021 Budget
Overhead									
Programming Services	272	840	749	923	631	1,282	939	406	965
Production Services	763	1,213	1,223	1,492	1,387	1,512	1,524	716	1,539
Development Services	134	275	261	362	228	366	428	199	444
Marketing Services	771	1,344	865	1,445	1,134	1,542	1,121	345	1,179
Education & Engagement	108	349	261	546	283	399	312	91	341
Ticket Services	283	710	752	740	736	852	819	278	849
Food & Beverage Services	708	881	789	894	763	903	607	143	601
Patron Services	317	771	754	784	636	743	705	173	751
Producing Services	-	-	-	-	-	-	588	204	584
Executive Office	649	672	734	632	664	759	663	264	659
Finance & Administration	1,641	1,035	1,063	1,450	1,541	1,715	1,719	1,211	1,490
Human Resources & Payroll	324	651	520	1,104	1,019	1,193	1,088	304	1,085
Technology Services	475	480	553	606	595	852	789	540	1,054
Facility Services	4,516	4,806	4,754	4,663	4,928	5,197	4,984	2,846	5,253
CTT	517							-	
Compensation (COVID19 July-Dec 2020)		-	-	-	-	-	-	2,613	
Total Costs Overhead	**11,478**	**14,027**	**13,278**	**15,641**	**14,545**	**17,315**	**16,286**	**10,332**	**16,794**
SOGR Project Mgmt									
Gross revenue	-	-	-		344	483	483	556	993
Direct expenses	-	-	-		344	483	483	230	993
Total Net revenues/(costs) Other	**-**	**-**	**-**	**-**	**0**	**-**	**-**	**326**	**-**
Reserve Fund Transfers (FFRF)									
Gross revenue	909	3,348	1,601	4,569	1,812	4,203	4,074	303	5,193
Direct expenses	1,326	3,827	2,034	5,292	2,781	5,197	5,203	1,455	6,337
Total Net revenues/(costs) Other	**(417)**	**(479)**	**(433)**	**(723)**	**(969)**	**(994)**	**(1,129)**	**(1,152)**	**(1,144)**
Reserve Transfers (Programming RF)									
Gross revenue	-	-	-	350	350	-	-	-	
Direct expenses	-	-	-	-	-	500	500	-	500
Total Net revenues/(costs) Other	**-**	**-**	**-**	**350**	**350**	**(500)**	**(500)**	**-**	**(500)**
Transfer to Foundation									
Gross revenue	-	-	-	2,323	2,323	-	-	-	
Direct expenses	-	-	-	2,323	2,323	-	-	-	
Total Net revenues/(costs) Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transition Costs									
Gross revenue	-	-	-	-	-	-	-	-	
Direct expenses	1,853	-	-	-	-	-	-	-	
Total Net revenues/(costs) Transition	**(1,853)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
One time Settlement									
Gross revenue	-	-	1,873	-	-	-	-	-	
Direct expenses		-	2,325	-	-	-	-	-	
Total Net revenues/(costs) Settlement	**-**	**-**	**(452)**	**-**	**-**	**-**	**-**	**-**	**-**
Surplus (Deficit) before Subsidy	(5,980)	(5,274)	(4,886)	(5,599)	(6,136)	(5,599)	(5,599)	(8,369)	(5,349)
City operating subsidy	5,907	5,274	5,274	5,599	5,599	5,599	5,599	5,599	5,349
Extra Naming Rights Revenue								481	
Emegency Funding								2,288	
Net Operating Surplus/(Deficit)	**(73)**	**-**	**388**	**-**	**(537)**	**-**	**-**	**-**	**-**
	-	-	-	-	-	-	-	-	-