

## **New Partnership and Funding Agreements for Cultural Organizations**

**Date:** April 11, 2023

**To:** Economic and Community Development Committee

**From:** General Manager, Economic Development and Culture

**Wards:** All

### **SUMMARY**

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This report seeks authority to create a new operating funding model - to be known as the Cultural Organization Operating Partnership (COOP) program - to provide operating support to not-for-profit cultural organizations, replacing the former Major Cultural Organizations (MCO) and Specialized Collections Museums (SCM) grant programs, which have been discontinued based on direction from City Council.

The City of Toronto, through the Economic Development and Culture (EDC) Division, currently provides annual operating grants to eight organizations who had received ongoing funding through the MCO and SCM programs. These organizations vary considerably in terms of mandate, size, and budget, making it challenging to create a single program with common criteria that can apply to each recipient. Under the COOP program, EDC staff will develop individual, customized partnership and funding agreements for each recipient with criteria and objectives that reflect the organization's unique role in the cultural ecosystem.

In 2023, EDC proposes to fund each of the eight organizations previously supported through the MCO and SCM programs with a one-year agreement under the COOP program, with funding levels equal to the organization's 2022 grant. Beginning in 2024, and informed by the development of a new Culture Plan for Toronto, EDC will develop three-year agreements for the COOP program, with funding levels to be determined based on advice from a community assessment panel. EDC has consulted with grant recipients about the changes proposed through this report.

The introduction of the COOP program is in alignment with EDC's ongoing grant reform efforts, as approved by City Council in February 2023, which aim to ensure that grants are equitable, transparent and in compliance with the City's Community Grants Policy while advancing and supporting Toronto's cultural vibrancy. COOP will contribute to greater impact and accountability for City funding, and increase collaboration between the City and individual funding recipients.

At the same time, there continues to be a significant need to increase municipal support to new and emerging cultural organizations, particularly those serving equity-deserving communities and communities outside the downtown core. This report recommends that EDC develop strategies to improve the City's cultural funding models to increase support to such organizations, and improve partnership opportunities and support for major institutions beyond grants, while recognizing the City's current budget limitations. EDC will include such strategies as part of a new Culture Plan for Toronto, which will be submitted to City Council for consideration in early 2024.

**RECOMMENDATIONS**

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The General Manager, Economic Development and Culture, recommends that:

1. City Council authorize the General Manager, Economic Development and Culture, to create the Cultural Organization Operating Partnership program to provide operating funding to not-for-profit cultural organizations in accordance with the City's Community Grants Policy.
  
2. City Council authorize the General Manager, Economic Development and Culture, to negotiate, enter into and execute single- and multi-year contribution agreements for not-for-profit cultural organizations funded through the Cultural Organization Operating Partnership program, with funding recipients and grant amounts to be determined annually by the General Manager within the budget allocation for the program, and on such content, terms and conditions deemed necessary by the General Manager and in a form satisfactory to the City Solicitor.
  
3. City Council direct the General Manager, Economic Development and Culture, to develop strategies to support the long-term sustainability of Toronto's not-for-profit cultural sector, including strategies to support major cultural institutions beyond grants and to increase municipal support to new and emerging cultural organizations, and to include any such strategies as part of a forthcoming Culture Plan for Toronto.

**FINANCIAL IMPACT**

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Funds for grants that would be provided under the proposed Cultural Organization Operating Partnership program are included as part of the 2023 Council Approved Operating Budget for Economic Development and Culture. This includes:

<b>Organization</b>	<b>Proposed 2023 Grant</b>
Aga Khan Museum	\$ 175,000
Art Gallery of Ontario	\$ 660,000
Canada's National Ballet School	\$ 210,000
Gardiner Museum	\$ 140,000
Harbourfront Centre	\$ 1,315,500

MOCA Toronto	\$	321,313
Toronto Artscape	\$	415,000
Toronto International Film Festival Inc.	\$	1,195,735
<b>Total Proposed 2023 COOP Grants</b>	<b>\$</b>	<b>4,432,548</b>

As part of the grant reform, the above eight organizations, which were previously funded under Major Cultural Organizations (MCO) and Specialized Collections Museums (SCM) grant programs, will enter into a one-year COOP agreement with the City.

This report also directs Economic Development and Culture to develop strategies to support the long-term sustainability of Toronto's not-for-profit cultural sector as part of the forthcoming Culture Plan for Toronto. The financial impact of any such strategies will be included as part of the Culture Plan for Toronto for Council's consideration.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the information as presented in the Financial Impact section.

## DECISION HISTORY

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At its meeting on February 7, 2023, City Council adopted several measures to modernize and update EDC's funding structures, improve transparency and accountability regarding grants, and achieve greater results for the community. The establishment of a "Cultural Access and Development Program" (which had been previously contemplated as the name for the Cultural Organization Operating Partnership program) was noted as a next step in EDC's grant reform.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EC1.4>

At its meeting on November 9, 2021, the Cultural Festivals Funding Program, the first of EDC's new programs to replace the Major Cultural Organizations and Specialized Collections Museums grant programs, was approved by City Council.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.EC25.2>

At its meeting on October 29, 2019, City Council directed the General Manager, Economic Development and Culture, to discontinue the Major Cultural Organizations and Specialized Collections Museums grant programs in 2019, and replace them with new programs.

<https://secure.toronto.ca/council/agenda-item.do?item=2019.EC8.8>

## COMMENTS

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### Context and Council Direction

In October 2019, City Council directed staff to discontinue the Major Cultural Organizations (MCO) and Specialized Collections Museums (SCM) grant programs,

and replace them with new programs to better align with current funding priorities. The report to Council noted that changes would support key objectives including:

- increased distribution of resources outside the downtown core;
- encouraging innovation in programming and partnerships; and
- achieving greater openness and transparency in funding decisions.

Changes were to be introduced in 2020, but were put on hold to ensure stability among funded organizations during the COVID-19 pandemic. From 2020-22, former recipients of MCO and SCM funding received annual operating grants through a streamlined arrangement as an interim measure. Clients were advised that 2022 would be the final year of the interim arrangement and that new guidelines would be introduced in 2023.

The first of EDC's new programs, the Cultural Festivals Funding Program, was launched in 2022. The program provides close to \$2 million in operating and project funding to help cultural event organizers deliver diverse and sustainable programming that contributes to the vibrancy of Toronto's neighbourhoods. In 2023, the program is supporting 44 cultural festivals across Toronto.

The former MCO program funded large cultural institutions with significant economic and cultural impacts. Recipients were grouped into three streams based on their mandate (Producers and Curators; Festivals; and Cultural Support and Infrastructure). A peer assessment committee evaluated funding requests annually, scoring recipients based on cultural merit; community impact; and organizational resiliency and financial management. The program operated on a closed basis, with new applicants only admitted through Council decision. By 2019, the MCO program included 11 organizations. Following dissolution, 3 clients whose mandates were weighted heavily to artistic excellence, were transferred to the Toronto Arts Council (include the Canadian Opera Company, National Ballet of Canada, and Toronto Symphony Orchestra) and another 3 clients were moved to the Cultural Festivals Funding following its creation (including Luminato, Pride Toronto, and Toronto Caribbean Carnival).

The Grants to Specialized Collections Museums program, in turn, was established by City Council in 2017. It was created as a mechanism to fund three organizations that had been receiving funding through EDC's operating budget outside of a regular grant program (Gardiner Museum, MOCA Toronto, and Design Exchange [prior to its dissolution]). The program's objectives included supporting sustained cultural programming through unique collections, relevant programming, and accessible community activities. Recipients were required to demonstrate excellence in cultural merit, community participation, sound financial management, and professional collections management and museum standards. Like MCO, SCM operated as a closed program. One new organization - the Aga Khan Museum - was admitted to the program by City Council in 2019.

## **Review Process and Program Design Objectives**

The 2019 report to Council contemplated replacing the MCO and SCM programs with a new program tentatively titled the "Cultural Access and Development Program". EDC commissioned a third-party funding consultant to recommend a structure for this

program that would accommodate existing MCO and SCM clients as well as new entrants. However, the review concluded there was no logical model to bring together the eight legacy clients under a single program, given the significant differences in their budgets and mandates. These findings echo feedback from successive peer advisory committees, which found the organizations in the MCO and SCM programs to be too disparate to accurately assess performance as a group. At the same time, the consultant's report also encouraged the City to create new funding streams to support priorities that are not currently funded through City or TAC programs, such as cultural space development.

Building on the consultant's report, EDC identified a number of objectives to achieve as part of a new program design:

- **Transparency:** Any new funding program must include clear criteria and rationale for funding organizations. In addition, new programs must employ peer / community assessment methods to ensure transparency, in keeping with best practices for arts funding.
- **Reaching new clients:** New funding programs must provide an opportunity to provide City funding to more and new cultural organizations.
- **Alignment with Toronto Arts Council (TAC) Funding:** Any new program must complement, not duplicate, TAC's existing funding programs for cultural organizations. Prospective applicants should be able to clearly understand what type of funding is offered by TAC and the City.
- **Addressing Council priorities:** City funding must be leveraged to support Council priorities, including any new priorities that will be established as part of the forthcoming new Culture Plan for Toronto.

To best achieve these priorities, while bearing in mind the challenges of developing a single program, EDC is proposing a phased approach to introducing changes to cultural funding. As a first step, this report requests approval to launch the Cultural Organization Operating Partnership program. This report also requests direction to undertake a second phase of work, which will explore strategies to increase the City's support for new and emerging cultural organizations.

### **Phase 1: Cultural Organization Operating Partnership (COOP) Program**

The Cultural Organization Operating Partnership (COOP) program will allow the City to develop individual partnership agreements to provide annual operating grants to cultural organizations. COOP agreements will each set out customized funding criteria that reflect the organization's unique role in Toronto's cultural ecosystem and align with City Council's objectives. Examples of such criteria could include providing year-round, accessible public programming; ensuring diversity and representation in programming and administrative leadership; supporting cultural tourism; or providing affordable spaces for other artists or arts organizations. COOP funding recipients will be required to submit annual reports to the City that describe how these criteria were met in their previous year of operations and how they will continue to be achieved in the following year of their funding term.

In 2023, each of the eight organizations previously funded under MCO and SCM will enter into a one-year COOP agreement with the City. Organizations will receive grants at the same level as their 2022 funding. 2023 will be approached as a transitional year to launch the COOP program. Beginning in 2024, EDC will develop three-year COOP agreements with recipient organizations. EDC will also review the division of granting responsibilities between the City and TAC, with the intention of limiting the COOP program to those organizations that have clear governance and/or operating links to the City.

- Examples of **governance links** could include instances where the organization leases City land or operates City properties; where there is representation by the City on the organization's Board of Directors; or where there is a longstanding historical governance relationship.
- **Operational links** would include a significant and direct role played by City staff to support the organization's core operations, including in-kind logistical support for events.

Organizations that are funded primarily for their artistic excellence will be considered for transfer to the Toronto Arts Council beginning in 2024. The work and impact of such organizations will be best assessed by a peer advisory with expertise in arts programming and management.

The performance of organizations funded through COOP agreements will continue to be subject to community assessment. A panel consisting of leaders in the cultural sector will review the impact of each of the organizations individually based on their customized funding criteria ahead of the renewal of the agreements, and make recommendations to inform funding levels. For three-year agreements, this will include a peer review ahead of execution of the agreement in Year 1 (2024), and interim reviews by City staff in Years 2 and 3 (2025 and 2026).

EDC has consulted with each of the eight organizations that will receive funding through COOP about the proposed program and its requirements. Staff will work closely with clients to develop the COOP agreements in 2023, and to prepare for further changes to funding processes in 2024.

Use of COOP agreements will provide benefits for the funded organization, the City, and the broader community. Multi-year agreements will reduce administrative burden on clients and provide greater stability to project cash flow. For the City, introducing partnership agreements will allow for greater collaboration with funded organizations on shared priorities. And ultimately, the community will benefit from this arrangement by having municipal funding tied to customized objectives that incentivize recipient organizations to deliver on key objectives that link to their mandates.

## **Phase 2: Supporting the Cultural Ecosystem**

Historically, a significant portion of the City's support for the arts sector has been concentrated within a select number of major institutions. Of the 900+ arts grants issued by the City through EDC and TAC in 2022, the 20 largest represent 36% (\$12.5M) of all municipal arts funding (\$35M). Grants to the top 20 funded organizations ranged from

\$200,000 to \$1.5 million, with an average of just under \$612,000. For all other grants, the average amount was approximately \$19,000 – or just 3% of the average of the top 20 institutions.

As a result of this pattern of investment, the City and TAC have limited funding available to seed and support new and emerging cultural organizations, leading to instability and uncertainty among this next generation of cultural leaders. Notably, this includes organizations with mandates to serve equity-deserving communities and communities outside the downtown core. Ensuring the overall health and sustainability of the cultural sector will likely require a combination of new investment and reallocation.

In 2023, EDC will begin the process of developing a new ten-year Culture Plan for Toronto. This plan will set out an ambitious vision to support the long-term sustainability of the cultural sector, and ensure that all residents have opportunities to participate in high-quality, accessible cultural programming. The Culture Plan will consider strategies to support new and growing cultural organizations, and enhance the City's support of major institutions beyond grants. EDC will hold community and stakeholder consultations to identify priorities and directions for the Culture Plan, which is due to be completed and presented to Council for consideration in early 2024.

## **CONTACT**

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## **SIGNATURE**

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