

## **Report on Investment in Calgary's Cornerstone Arts Organizations**

---

### **EXECUTIVE SUMMARY**

The bridge funding of \$2 million that Council directed be invested immediately in the Cornerstone arts organizations has been distributed to the ten arts organizations supported by Calgary Arts Development Authority's (CADA) "Cornerstones" program (Alberta Ballet, Calgary Opera, Folk Festival Society, National Music Centre, Alberta Theatre Projects, Theatre Calgary, Glenbow Museum, Calgary Philharmonic Orchestra, One Yellow Rabbit and Theatre Junction Grand). The decisions about the amount of each organization's allocation were determined using the peer assessment process which is considered best practice by arts granting bodies. Decisions were based on analyses of each organization's financial state as well as on the investment case that each organization was required to make using the same criteria on which City Council had based its decision to provide the funding. The investment cases will also be used to help support the development of a sustainability framework that Council has directed be prepared by Q2 2018.

#### **ADMINISTRATION RECOMMENDATION:**

That the Priorities and Finance Committee recommend that Council:

1. Receive for information this report on the investment of the funds provided for the Cornerstone arts organizations.

#### **RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2017 DECEMBER 05:**

---

That the Administration Recommendation contained in Report PFC2017-1202 be approved.

#### Oppositions to the Recommendation:

Opposed: Councillor Chu and Councillor Woolley

Excerpt from the Minutes of the Regular Meeting of the Priorities and Finance Committee, held, 2017 December 05:

" That the Recommendation contained in Report PFC2017-1202 be amended by adding a new Recommendation 2, as follows:

**Moved by** Councillor Woolley

2. Direct Administration to hire a third party consultant to review the process undertaken to disperse these funds and report back to Council, through the Priorities and Finance Committee, with the review and any recommendations no later than Q2 2018.

#### **ROLL CALL VOTE**

For: (3): Mayor Nenshi, Councillor Sutherland, and Councillor Woolley

Against: (4): Councillor Chu, Councillor Keating, Councillor Magliocca, and Councillor Farrell

## **Report on Investment in Calgary's Cornerstone Arts Organizations**

---

### **MOTION DEFEATED**

**Moved by** Councillor Woolley

That the Recommendation contained in Report PFC017-1202 be amended by adding a new Recommendation 3 as follows:

3. Direct that Calgary Arts Development develop an Equity Diversity and Inclusion Framework as a part of their 2019-2022 Strategic Plan and bring forward for approval at the 2018 Shareholder meeting before moving forward on any further initiatives.

### **ROLL CALL VOTE**

For: (1): Councillor Woolley

Against: (6): Mayor Nenshi, Councillor Chu, Councillor Keating, Councillor Magliocca, Councillor Sutherland, and Councillor Farrell

### **MOTION DEFEATED"**

### **PREVIOUS COUNCIL DIRECTION / POLICY**

On 2015 February 10, Administration presented the Economic Resilience Strategy to Council (VR2015-0014) to focus efforts and to respond to the emerging economic downturn. One strategy singled out the need to contribute to the creation of a vibrant downtown, because a culturally vibrant downtown affects Calgary's ability to attract and retain businesses, residents and jobs.

On 2016 November 28, Council adopted the first Cultural Plan for Calgary that emphasized, as one of five key priorities, the need to Grow Calgary's Cultural Sector and Creative Industries, recognizing the economic and creative potential of Calgary's not-for-profit cultural sector and for-profit creative industries.

On 2017 March 06, Council directed Administration to explore the creation of an Economic Development Investment Fund (EDIF) to respond to the prolonged economic challenges and capitalize on new opportunities that will create jobs, drive economic recovery and revitalize the downtown core.

On 2017 June 29, as part of the discussion of the EDIF, Council referred Recommendation 5 of that Report and directed Administration to work with the Calgary Arts Development and bring forward a Report and Recommendations in regard to the 10 Cornerstones and report through the Priorities and Finance Committee with alternative funding sources, no later than 2017 July. On 2017 July 31, Council approved the Priorities and Finance Committee's recommendations to:

- Approve a one-time budget of \$2 million to Program 449 for Calgary Arts Development Authority funded from the Fiscal Stability Reserve (FSR) to invest immediately in the 10

## **Report on Investment in Calgary's Cornerstone Arts Organizations**

---

Cornerstone arts organizations and report back in Q4 2017 on the investment of the funds.

- Direct Calgary Arts Development to work with the Cornerstones to develop a sustainability framework and report back to Council through Priorities and Finance Committee with an update no later than Q2 2018.

### **BACKGROUND**

For each of the past eight years the Cornerstones organizations have received a total of \$1.7 million annually from The City through CADA. On average, this accounted for 3.5% of their total revenues. Until the economic downturn, sponsorships and donations from the private sector made up 38% of their revenues but those were reduced dramatically: corporate contributions to the Cornerstones decreased by over 30%, individual donations were down over 25% and revenues from fund raising events were down as much as 48%. This led to cutting budgets, using up reserves and job reductions.

With the prospect of a slow economic recovery for Calgary, CADA believed that Calgary was at risk of losing the Cornerstone arts organizations that have taken decades to build. In July Council provided an additional \$2 million to the Cornerstones as bridge financing to provide time to consider the appropriate level of annual funding going forward. Council was convinced that these organizations needed to adjust to the new economic situation and directed the Cornerstones and CADA to take the opportunity to develop a new framework for sustainability. The report on that framework is to be delivered in Q2 2018.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Recognizing the differences between the organizations that make up the Cornerstones, both Administration and CADA felt that simply dividing the \$2 million in 10 equal parts would not fulfil Council's intention of stabilizing each of the Cornerstones. It was also important to fulfil the assurance given to Council that the allocations would be determined through a peer assessment process, as is usual for CADA.

As a result, CADA developed the Cornerstone Bridge Funding Program (Attachment 1) which would provide the information required to make appropriate allocations for each Cornerstone. The Program consisted of two parts:

- a comprehensive analysis, by CADA, of each Cornerstone's liquidity and risk of insolvency based on financial statements going back to 2012;
- a case for investment developed by each Cornerstone organization.

Each Cornerstone was asked to develop a case for investment that spoke to the following criteria:

- Retaining jobs in the not-for-profit arts sector;
- Ongoing direct economic impact;
- Supporting Calgary's economic development and diversification efforts;
- Revitalizing and animating the downtown core;
- Demonstrating a responsibility to improve equity, diversity and inclusion in Calgary's arts sector; and,

## **Report on Investment in Calgary's Cornerstone Arts Organizations**

---

- Committing to artistic and operational sustainability through adaptive thinking and critical self-awareness.

The investment criteria reflected Council's belief that by directing CADA to invest funds in Calgary's 10 Cornerstone arts organizations The City will

- sustain non-profit organizations that have taken decades to build;
- retain jobs in the cultural sector;
- support economic recovery and diversification; and
- revitalize and animate the downtown core.

The Cornerstones' investment cases spoke to the fact that they are significant employers, cultural assets, tourism attractions, educational institutions, and community builders that support a diversified economy, a high quality of life, and a vibrant downtown core. In addition, the requirement to demonstrate how they were addressing equity, diversity and inclusion in the arts sector was a recognition that these arts organizations are only 10 of the 159 that CADA supports, yet they account for 52 per cent of the full-time jobs in Calgary's arts sector. They are the backbone of the arts eco-system in Calgary, serving as incubators, employers and content creators and, as such, have a responsibility to the wider community of both artists and audiences.

As part of the transfer of funds to CADA for disbursement to the Cornerstone organizations, Administration requested CADA undertake key due diligence requirements including a high level financial analysis that would inform the review panel's decisions by providing a snapshot of each Cornerstone's financial health. This practice aligns with standard due diligence processes in place within Administration's grant programs, and in the wider grant making community and provides valuable information for the development of a future sustainability plan.

The comprehensive analysis of each Cornerstone's financial vulnerability was provided as a report to the peer assessment committee in advance of the assessment meeting for consideration against each company's operational sustainability. Assessors also received copies of each case for investment.

A proposed investment schedule was put forward for consideration, based on increasing the percentage of municipal investment for each Cornerstone to a minimum of 5% of their average annual budget as a starting point. Based on their budget size, the percentage could go up to 9.5% but everyone would start at 5%. The proposed percentage process was approved by the assessors.

This was the starting point to which were added the assessors' scores. Scores were given based on how well the applicants' addressed the investment criteria, coupled with an understanding of each organization's financial vulnerability.

Final investment recommendations were agreed to and put forward by the assessment committee as follows:

## Report on Investment in Calgary's Cornerstone Arts Organizations

Company	2017 Municipal Grant	Municipal Grant % of Budget	Proposed One-Time Bridge Fund Allocation	Final One-Time Bridge Fund Allocation	NEW Municipal Grant % of Budget
Alberta Ballet*	\$466,070	3%	\$252,734	<b>\$263,647</b>	5%
Alberta Theatre Projects	\$297,285	8%	\$62,067	<b>\$72,980</b>	9.5%
Calgary Opera	\$213,180	3%	158,663	<b>\$158,663</b>	6%
Calgary Philharmonic Orchestra	\$303,050	2%	\$318,266	<b>\$318,266</b>	5%
Folk Festival Society of Calgary**	\$156,863	4%	\$110,510.32	<b>\$110,510</b>	6.5%
Glenbow	\$141,075	1%	\$367,793	<b>\$367,793</b>	5.5%
National Music Centre	\$57,475	1%	\$324,206	<b>\$324,206</b>	6%
One Yellow Rabbit	\$78,375	5%	\$79,008	<b>\$89,921</b>	9.5%
Theatre Calgary	\$303,050	3%	\$198,611	<b>\$198,611</b>	5%
Theatre Junction	\$80,465	4%	\$84,490	<b>\$95,403</b>	9.5%

\*Alberta Ballet municipal grant includes \$242,000 investment from the Edmonton Arts Council

\*\*Folk Festival Society of Calgary municipal grant includes \$62,813 in Festival and Event Subsidy from The City of Calgary

### Stakeholder Engagement, Research and Communication

CADA constructed an assessment committee that included a representative from each of the Cornerstones. The choice to include these representatives was an effort to ensure the assessors were knowledgeable about the local context, both in terms of the local economic conditions and the impact of companies of this size and scale, which is distinct from other companies in the arts community. It was a departure from discipline specific assessment and enabled the group to learn about the differing business models that exist from one art form to another. Terms of Reference were provided to ensure that requirements around conflict of interest and confidentiality were met. (Attachment 2)

Based on research comparing municipal arts grants in Canada, CADA determined that Cornerstone companies receive the lowest percentage of municipal funding, at an average of 3.5% of their annual budgets. By increasing the percentage of municipal investment for each Cornerstone to a minimum of 5% of their average annual budget and a maximum of 9.5%, this would put them more in line with what their counterparts across Canada receive from municipal funders.

CADA explains how each Cornerstone intends to use its funds in the Cornerstone Bridge Funding Investment Process report. (Attachment 3) The Evaluation of the process is included as Attachment 4.

## Report on Investment in Calgary's Cornerstone Arts Organizations

---

### Strategic Alignment

On 2016 November 28 Council approved the Cultural Plan for Calgary which outlines the central role that culture plays in city shaping, connecting people and ideas to strengthen communities. The Cultural Plan has five Strategic Priorities, one of which is to Grow the Cultural Sector and Creative Industries. By providing bridge financing to the Cornerstones, Council sought to sustain these arts organizations as they adjust to the new realities of funding.

The investment also aligns with The City's Economic Resilience Strategy and the results of the Downtown Economic Summit. In particular, providing bridge financing to these arts organizations will help to revitalize and animate the downtown core while maintaining jobs in the sector, which was a goal of Council's direction on Notice of Motion 2017-01 *Downtown Calgary and Economic Uncertainty: A Coordinated Response*.

### Social, Environmental, Economic (External)

The collective impact of this funding is enhanced resilience, a range of social and economic benefits including regional employment.

### Financial Capacity

#### ***Current and Future Operating Budget:***

There are no current operating budget impacts associated with this report or its attachments.

#### ***Current and Future Capital Budget:***

There are no current or future capital budget impacts associated with this report or its attachments.

### Risk Assessment

The Cornerstone arts organizations are so-called because they serve as the foundation of Calgary's cultural life. Calgarians have built these organizations over many decades but the current economic downturn has undermined their resiliency. The investment of this one-time \$2 million in bridge financing should enable them to navigate this shift in funding patterns. It is expected that, as a result, they will continue to explore opportunities for efficiencies as well as revenue generation and will report on the resulting sustainability framework to Council through CADA in Q2 2018.

## Report on Investment in Calgary' s Cornerstone Arts Organizations

---

### REASON(S) FOR RECOMMENDATION(S):

The 10 Calgary arts organizations that are included in Calgary Arts Development Authority's (CADA) "Cornerstone" program play a critical role in the arts eco-system, as incubators, employers, and cultural content creators. The allocations of this one-time \$2 million for the 2017 fiscal year will provide the Cornerstones with time to continue their work to adapt to the changing economic environment, investigating efficiencies and different business models and developing a framework to ensure future sustainability.

### ATTACHMENT(S)

1. Cornerstone Bridge Funding Program
2. Cornerstone Bridge Funding Program – Assessor Terms of Reference
3. Cornerstone Bridge Funding Investment Process
4. Cornerstone Bridge Funding – Assessment Evaluation