



## Cornerstone Bridge Funding Investment Process

On July 31, 2017, City Council approved a one-time budget of \$2 million as bridge funding to Calgary's Arts Cornerstone Companies. Calgary Arts Development was directed to complete a peer assessment process to invest the \$2 million amongst the 10 Cornerstone Companies and report back in Q4 2017 on the investment of the funds.

The subsequent application and investment criteria were based on the business case that City Council used in making their investment decision, and using this same application to garner information in anticipation of the sustainability framework taking place subsequently. The investment criteria were:

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

Calgary Arts Development worked closely with each Cornerstone Company to craft their application. In addition, Calgary Arts Development completed a comprehensive analysis of each Cornerstone's financial vulnerability using the audited or draft financial statements of each company, and where appropriate, related entities that manage an endowment on behalf of a Cornerstone Company. The financial review was based on Tuckman and Chang measures of financial vulnerability in not-for-profit organizations. The measures include:

- **Equity balance.** An organization's equity is calculated by subtracting its liabilities from its assets.
- **Operating margin.** An organization's operating margin is calculated by subtracting expenditures from revenues and dividing this difference by total revenue. The result is a ratio yielding the percentage that net income represents of total revenue.
- **Revenue concentration.** An organization's revenue concentration refers to the proportion of funding it receives from its different sources of income.



- **Administrative costs.** Administrative costs are spent to run an organization, whereas program costs are spent to run specific programs or projects.

### **Cornerstone Bridge Funding Process Outline**

- Full Cornerstone Bridge Fund information was published on the Calgary Arts Development website and emailed directly to the 10 Cornerstone Companies on August 21, 2017, including guidelines and program policies. The application was available in the grant interface beginning September 5, 2017.
- Calgary Arts Development staff met with each Cornerstone Company between September 5-27, 2017 to discuss the investment process and application.
- Calgary Arts Development staff reviewed and provided feedback on applications. Staff have continually documented communications with applicants throughout the process.
- Financial reviews were completed by Calgary Arts Development and financial information was verified as accurate by each Cornerstone Company.
- The Deadline Extension Approvals policy details the steps staff follow in accepting deadline extension requests. Two deadline extension requests were approved and documented.
- Calgary Arts Development constructed an assessment committee comprising:
  - One representative from each Cornerstone Company;
  - One representative from Calgary Economic Development;
  - One representative from Tourism Calgary;
  - One representative from the community-at-large;
  - Sarah Iley, Manager, Arts and Culture, City of Calgary (non-voting); and,
  - Patti Pon, President & CEO, Calgary Arts Development (non-voting).
- The choice to include representatives from each Cornerstone Company was an effort to ensure a “made in Calgary” solution that had a 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.
- Cornerstone Assessment Committee received all of the grant applications for initial review and scoring one week prior to the assessment meetings.
- Cornerstone Assessment Committee met to discuss applications, deliberate, and make investment recommendations on November 8 & 9, 2017.
- In Calgary Arts Development’s estimation, the Cornerstone Bridge Funding assessment was conducted in accordance with the process described in the Assessment Committee



Terms of Reference (attached) and assessor recommendations were made based on the criteria described in the same document and in the guidelines.

### Cornerstone Bridge Funding Allocations

Based on research comparing municipal arts grants in Canada, our Cornerstone companies receive the lowest percentage of municipal funding, at an average of 3.5% of their annual budgets. This puts them at a distinct disadvantage compared to their peers across Canada. 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%. This would put them more in line with what their counterparts across Canada receive from municipal funders.

There was a great deal of thoughtfulness and a spirit of generosity in the room over the two days of assessment. The proposed percentage process was approved by the assessors. Final investment recommendations were agreed to and put forward by the assessment committee as follows:

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



### **Intended Use of Funds:**

The Cornerstone Companies are not receiving the ongoing level of operational support they need relative to their size, reach, and impact in the community. Even though many of them have undergone significant transition as a response to the new normal, first and foremost they need to be given a chance to stabilize their organizations as the first step of the sustainability framework.

Here is what each company said they would do with the bridge funding:

#### Calgary Philharmonic Orchestra

The CPO has an imbalance in their funding model compared to their peers across Canada, receiving the lowest amount of municipal funding. In addition to this already precarious funding model, they saw significant impact from the recession because of their reliance on private sector funding and have had to draw down their reserves. The bridge funding will get them back to a balanced operating budget for their 2017/18 fiscal year. Their vision is to be the best orchestra in North America in cities under 1.5 million people. This funding will allow them to move out of a deficit position so they can start moving toward that goal.

#### Glenbow

The Glenbow has just completed a new strategic plan and needs to realign their staff and hire a change manager. In implementing this strategic plan the Glenbow will be making some tough decisions. Although the Glenbow believes they have shown a commitment to being an Arts Cornerstone, they have not received funding that reflects the contributions made as one. This bridge funding will help them navigate the change ahead.

#### Folk Festival

The Calgary Folk Music Festival has spent the last three or four years just getting by. This funding will help them imagine beyond simply maintaining their activity, add to the organization's stability and help make improvements to their facility that will allow them to shore up this significant capital asset for the society as well as the community more broadly.

#### Alberta Theatre Projects

Alberta Theatre Projects has historically had more municipal funding as a percentage of their budget than other Cornerstone companies because of the risk they've taken in new play development. That said, the company is undertaking an exciting new direction, Project 50,



and the bridge funding will help them deliver on this new direction, become more adaptive, and weather the loss of philanthropic revenue.

#### Theatre Calgary

Theatre Calgary will use their bridge funding to support a paid mentorship program. The next generation of artists is important to the company and they'll be hiring a paid position to run the mentorship program. Theatre Calgary is also under extraordinary pressure with a decline in their subscriber base, which has been the largest in the city. They need to make decisions about their future, get themselves ahead of the curve and not get stuck in past models of revenue generation such as subscription models.

#### Alberta Ballet

Alberta Ballet has been experiencing financial challenges with a large accumulated deficit which they are beginning to work down. This bridge funding will help to get them address that deficit and allow them to invest in more earned revenue opportunities.

#### National Music Centre

The National Music Centre will use the bridge funding to invest in programming, artists, live music presentation, new exhibitions, and educational offerings. This funding is to activate programming to help them reach the potential of the building. National Music Centre will be taking a different approach to handling their mortgage and debt in the future, and the bridge funding will allow them to focus more on what they were conceived to do – provide music programming.

#### Calgary Opera

Calgary Opera will use these funds to invest in currently underfunded programs. The company is currently undertaking a search for a new artistic leader. The bridge funding will provide important working capital to support the artistic and operational ideas of that new leader.

#### Theatre Junction GRAND

Theatre Junction will use the bridge funding to explore a new direction they've started to become an outward facing arts organization that can convene and connect people in new ways. It will give them a buffer as they undertake this emergent practice for the company, providing a safety net to try experiments and learn from them.



One Yellow Rabbit

Bridge funding is necessary to help One Yellow Rabbit get through the current year. The company recognizes a need to adapt to the new normal, and this fund will help take some of the daily anxiety away so they can think more about the bigger picture challenges they have to address going forward.