

**Community Services Report to
Priorities and Finance Committee
2018 May 01**

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Report on Sustainability Framework for Calgary's Cornerstone Arts Organizations

EXECUTIVE SUMMARY

Council granted \$2 million in bridge funding to Calgary's Cornerstone arts organizations in 2017 July, with the proviso that they work with Calgary Arts Development Authority (CADA) to develop a sustainability framework for the future. Subsequently, the ten Cornerstones (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) worked with CADA to develop a framework which helped to determine what would be required to sustain the cohort of key cultural assets now and into the future.

The Cornerstone Sustainability Framework (Attachment 1) was developed by consultant Karen Ball, working collaboratively with executive staff and board members of the current Cornerstone organizations. The framework provides a baseline snapshot of their current resources, both human and financial, and the capacity they have to effectively invest in employment and audience outreach to meet the expectations of Calgarians.

The Framework also provides suggested interventions to help sustain these key arts organizations. These include: increased use of technology and digital tools to better serve audience needs; enhanced use of data to develop better knowledge of the market of potential investors, donors and sponsors; working with culturally diverse and equity-seeking communities to reach a wider audience; training staff to work in both the non-profit sector and the creative industries; and developing creative partnerships with communities to encourage public interaction.

The key finding of the Framework is that a lack of reliable sustainable operating funding prevents the Cornerstones from achieving the outputs that fulfill their missions and create value for citizens. Particularly with the instability of private sector funding caused by the economic downturn and with benchmarking from other Canadian municipalities, the conclusion is that the amount of municipal funding required to sustain their operations would represent an average of 8% of their annual operating budgets. Such an investment would significantly affect the ability of organizations to maintain operating funds at a level which could support course correction and strengthen adaptive capacity. The CADA Board and Executive will, therefore, be taking that into consideration as they develop their strategic plan and budget for 2019-2022.

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ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommends that Council:

1. Accept Calgary Arts Development Authority's (CADA) use of the Sustainability Framework as an assessment tool to determine the sustainability and impact of arts organizations in Calgary; and
2. Direct Administration to take into account CADA's recommendation for increased municipal funding to sustain arts organizations as part of the development of One Calgary.

PREVIOUS COUNCIL DIRECTION / POLICY

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 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.

On 2017 June 29, as part of the discussion of the Economic Development Investment Fund (EDIF), Council referred Recommendation 5 of that report and directed Administration to work with 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 March 06, Council directed Administration to explore the creation of an Economic Development Investment Fund 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 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 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.

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BACKGROUND

For each of the past eight years the Cornerstone arts 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 with the downturn those were reduced dramatically. This led to cutting budgets, using up reserves and reducing services and jobs. As labour market reviews suggested 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 2017 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.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Arts Consultant Karen Ball was contracted by CADA to work with the Cornerstone arts organizations to develop a framework through which the sustainability of the Cornerstones could be assessed. She began by examining the data collected by CADA over the past few years, as well as the Cornerstones' applications for bridge financing. Based on this information, a Framework was developed which examined the following inputs:

- Resources (operating reserves, human resources, working capital, etc.);
- Capacity (technical tools, fixed assets, ability to innovate, etc.);
- Production and creation (product offering, development of new work, etc.) and
- Reach and Relationships (market, partnerships, local and national reputation, etc.).

Consideration of these inputs indicated that there were opportunities as well as challenges. Cornerstone companies identified opportunities to support organizational adaptation through the use of technology and digital tools, but their adaptive capacity is hampered by the dated technology currently available to them. While volunteer numbers have increased substantially, they have not been able to sustain the number of full time staff employed, leaving gaps in knowledge and training. Excited that their audiences grew by more than 10% from 2010-2016 these companies are frustrated that they have not yet been able to meet the demand of increasingly diverse audiences and artists. Despite actively employing ways to manage operating funds by building reserves and endowments, the gap between revenues and expenses is growing. While they consider a variety of ways to increase revenues, as non-profit arts organizations that have charitable status and receive public funding to increase access and maintain affordability, they must be conscious of ensuring that they continue to provide public benefit.

Recognizing that these organizations must provide a public good, the Framework also considered as outputs the economic, social and cultural impacts on Calgary's quality of life made by the Cornerstones. These outputs were determined to be in strong alignment with the Council-approved goals of Calgary Economic Development, Tourism Calgary and the Cultural Plan for Calgary as well as CADA's arts development strategy, Living a Creative Life.

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The analysis concluded that, despite their best efforts to reduce costs and raise revenues from a variety of sources, the Cornerstones are facing reduced resources and capacity which seriously affects their ability to enhance the quality of life in Calgary.

Stakeholder Engagement, Research and Communication

Calgary-based consultant Karen Ball, whose experience includes work with provincial and federal arts funders and organizations, was hired to work with CADA's staff to lead the process, visualize the Framework, and help prepare the final report. Executive staff and board members from each of the ten Cornerstones participated in a Sustainability Framework Working Group. They were joined by representatives from the following non-Cornerstone organizations: Quickdraw Animation, Shakespeare Company, Sled Island. The Working Group met five times and collaboratively developed the Sustainability Framework.

CADA also undertook research to compare municipal arts grants in Canada, including benchmarking data from MBN Canada. That research indicated that Cornerstone companies receive the lowest percentage of municipal funding of any of their counterparts across the country, at an average of 3.5% of their annual budgets. CADA concluded that increasing the municipal investment to an average of 8% of Cornerstones' annual operating budgets would put them more in line with what their counterparts across Canada receive from municipal funders.

The Sustainability Framework Working Group believes that the Framework it developed can be effectively applied to Calgary's entire arts sector, or even to an individual arts organization, to assess its sustainability. Going forward, CADA can use this as an assessment tool, with the original data providing a baseline against which to measure the health of the sector.

Strategic Alignment

Social, Environmental, Economic (External)

The Sustainability Framework seeks to ensure that the Cornerstones can be sustained as the engines of Calgary's arts eco-system. Their collective impact is enhanced resilience and a range of social and economic benefits, including regional employment.

The following plans and strategies, endorsed by Council, rely in part on the health and contribution of the Cornerstones to be fully realized. These plans and more, identify the arts, specifically the downtown arts sector and Cornerstones, as important drivers to many of their outcomes and goals:

- The City of Calgary's Quality of Life and Triple Bottom Line Strategy
- Calgary's Centre City Strategy (City of Calgary),
- Living a Creative Life (Calgary Arts Development),
- Building on Our Energy – an Economic Development Strategy for Calgary (Calgary Economic Development)
- Calgary Ultimate Hosts, Ultimate Host City Destination Strategy (Tourism Calgary), and
- A Cultural Plan for Calgary (City of Calgary),
- Civic Arts Policy (City of Calgary)

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Financial Capacity

Current and Future Operating Budget:

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

Future operating budgets will consider CADA's recommendation to increase the municipal funding investment for Cornerstone arts organizations to an average of 8% of their operating budgets.

Current and Future Capital Budget:

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

Risk Assessment

The ten Calgary arts organizations that are included in the CADA "Cornerstone" program play a critical role in Calgary's arts eco-system as incubators, employers, and cultural content creators. The indications from the information collected to inform this Sustainability Framework are that their resources and capacity have been diminished as a result of the economic downturn, which in turn erodes the sustainability of the Calgary's entire arts sector.

REASON(S) FOR RECOMMENDATION(S):

The development of the Sustainability Framework will provide CADA with a tool by which to assess the ongoing sustainability of individual arts organizations and the sector at large. The Framework's recommended level of municipal investment in arts organizations is well-timed for consideration in the development of One Calgary.

ATTACHMENT(S)

1. Cornerstone Sustainability Framework