

Response to Motion Arising from C2018-1080 Heritage Park Financial Update

Executive Summary

This attachment is in response to a Motion Arising brought forward 2018 September 25 as part of the One Calgary service plan preview that directed Administration to explore a number of aspects of the Heritage Park Society's (the Society) financial sustainability, and present options for consideration by Council. Since the Society first identified financial sustainability challenges related to increased costs and reduced revenues starting in 2015, the Society has implemented significant cost mitigation strategies. As presented at the Civic Partner Presentations at Priorities and Finance Committee on September 17th, due to rising operating costs, the Society projects deficits for the 2019-2022 budget cycle if The City's operating grant remains stagnant at 2018 levels, and has requested additional investment of operating funding to remain financially sustainable and reduce The City's exposure to risk. This attachment includes funding options for consideration, and additional details from the Society in Schedule A.

Background

The Heritage Park Society (the Society) is a registered charity with a mission to connect people with the settlement of Western Canada, and a vision of preserving and sharing our Western Canadian heritage. Through The City's investment of operating and capital funding, Calgarians and visitors have access to an acclaimed cultural attraction, programming about the history of Western Canada, and a unique cultural and recreation space. The Society operates a valuable City-owned asset under a lease and operating agreement with The City, and its operations contribute to economic development and tourism services including supporting *Calgary in the New Economy: An updated economic strategy for Calgary*, and *A Cultural Plan for Calgary*. Due to the City's significant annual capital and operating investments in the Society, it falls within the category of Civic Partner under the *Investing in Partnerships Policy*.

As part of the development of the 2019-2022 One Calgary business plans and budgets, all Civic Partners, including the Society, were invited to submit requests for additional capital and operating funding required "*to meet increased demand for services, maintain current service levels, or respond to Council Directives*".

At the September 17 Priorities and Finance Committee meeting, the Society presented Board approved budgets using the assumption of 2018 grant funding levels from The City for 2019 to 2022. The budget projected that flat grant funding in each year from 2019 to 2022 would result in a deficit ranging from \$389 thousand in 2019 to \$504 thousand in 2020.

Investigation: Alternatives and Analysis

In response to the four areas of focus in the Motion Arising, the Society provided a detailed report which is attached in Schedule A.

The following provides additional information and analysis from Administration to inform Council's consideration of the recommended capital and operating funding in the 2019-2022 budget cycle.

MOTION ARISING ITEM 1: UPDATE ON HERITAGE PARK'S 2018 FINANCIAL SITUATION, AND THE CHANGES AND FACTORS THAT HAVE HAD AN IMPACT, INCLUDING THE REVIEW OF YEAR OVER YEAR REVENUES FOR 2015-2018, AND ANALYSIS OF LOST REVENUES AND EXPENDITURES DIRECTLY RELATED TO THE OPERATIONS OF THE S.S. MOYIE IN 2018.

To better understand the full picture of the Society's organizational health, The City has a number of accountability measures in place as part of the Civic Partner Audit Report and Civic Partner Annual Report. Each year, as part of the Civic Partner Audit Report, Administration undertakes a thorough annual financial health review of the Society based on their audited financial statements. Since 2015, financial statements for the Heritage Park Foundation (the Foundation) have also been included in the review to understand the full picture of the Society's financial resources. Administration's audit review identifies the level of risk the Society represents for The City based on financial measures of liquidity, leverage, and performance. Since 2015, the Society has effectively mitigated the effects of a challenging economic climate and maintained a rating of "Low Risk".

Administration has analyzed information about the impact of the economic downturn on the Society's operations including their mitigation of risk. Since 2015, the Society raised concerns with their growing operating costs, and reduced earned revenue streams, as detailed later in this report, and consistently developed strategies to contain costs.

The Society has identified a number of challenges that will lead to the deficits projected each year from 2019 to 2022. These financial challenges include:

- minimum wage increases that have had significant impact on staffing costs,
- cost increases as a result of the provincial Carbon Levy,
- two years of BRT construction on 14th street that has impacted access to the Park, and
- significant reduction in corporate sponsorships and event revenues related to the economic downturn.

Wages continue to be the Society's largest single operating cost, totaling 60 per cent of all expenses. Since 2016, the minimum wage has increased 34 per cent and has affected the Society's part-time and seasonal positions, and many full-time permanent staff.

For 2019-2022, based on all the information provided to Administration during the One Calgary budget development, and trends in their financial health since the economic downturn began in 2015, Administration included operating and capital funding recommendations for the Society in the *Economic Development and Tourism* service line pages for Council's consideration in November.

Since the Society submitted their original request for additional funding during the One Calgary budget development process, they identified an additional gap in their budget for 2019-2022. The Society's report, included in Schedule A, outlines their request for an additional base increase of \$1,034 million for consideration during One Calgary budget deliberations to restore programs and services to the minimum credible level. Administration's recommendation for additional funding under One Calgary responded to the Society's original projections and do not reflect the gap as detailed by the Society in Schedule A. Information about the Society's original operating funding

request and Administration's recommendations are included in the Investment Package Options 4-Civic Partners (Operating) included in Attachment 2.

In 2018, as a result of The City's Glenmore Reservoir flood mitigation project, the Society had to dry dock the S.S. Moyie sternwheeler, which has led to additional financial challenges. The Society is projecting a \$700 thousand net reduction to 2018 revenues based on an estimated 14 per cent drop in paid day gate numbers and loss of direct revenue related to operation of the S.S. Moyie.

Following a review of the information provided by the Society, and in consideration of ongoing financial challenges, Administration will provide a one-time allocation from Program 449 in 2018. This will address the one-time revenue shortfalls in 2018, support the organization's financial sustainability, and protect the health of The City-owned assets the Society manages and operates. The final amount of the one-time funding will be determined following further analysis of the Society's annual interim financial statements for 2018.

MOTION ARISING ITEM 2: STRATEGIES APPROVED BY HERITAGE PARK BOARD OF DIRECTORS TO BALANCE THE 2019-2022 BUDGET, AND A SUMMARY OF STRATEGIES ALREADY IN PLACE FROM 2015-2018 TO MANAGE EXPENDITURES.

Since the start of the economic downturn in 2015, Administration has worked with all Civic Partners to better understand the impact of the economic downturn on their operations, and how they were implementing cost savings or efficiencies to offset reduced revenues. Information about the impact and mitigation has been included in the Civic Partner Annual Report and Civic Partner Audit Report.

In response to reduced revenues since 2015, the Society implemented a Board approved four-stage cost mitigation strategy from 2015 to 2018 (detailed in section 2 of the Society's attached report). Measures included significant reductions in seasonal hiring, elimination of full-time positions through attrition, reduced operating hours, and wage freezes. In addition to cost reductions, the Society also implemented revenue-building strategies including the addition of paid parking in 2016.

Following concerns from the Society about the potential impact of the Glenmore Reservoir project on their revenues, Administration also requested a monthly financial pulse check from the Society to understand the variance between budget and actuals to date.

Given the level of cost mitigation strategies already implemented by the Society, and revenue shortfalls, it is increasingly challenging for the organization to implement new strategies without a significant impact on programs, services and operating hours.

MOTION ARISING ITEM 3: ANALYSIS OF HERITAGE PARKS' CAPITAL EXPENDITURES OVER THE PAST FIVE YEARS INCLUDING A BREAKDOWN OF GROWTH AND LIFECYCLE SPENDING, AND ANY OPERATING BUDGET IMPACTS OF CAPITAL PROJECTS.

Details about capital expenditures are outlined in section three of the Society's report (Schedule A). The last growth project was the \$3.4 million *Famous 5 Centre of Canadian Women*, created as part of Heritage Park's 50th anniversary celebrations in 2014. The City contributed \$300

thousand for this project and the full budget included a \$250 thousand endowment for the long-term sustainability and preservation of the building.

Lifecycle projects undertaken from 2013 to 2017 totaled \$11.4 million and focused on critical repairs to infrastructure, underground systems, and protection of artifacts. The City invested \$6.9 million towards this work through The City's Civic Partner Infrastructure Program. In 2016, following financial challenges, and concerns about meeting The City's 50 per cent match threshold for the infrastructure program, Administration reduced the Society's required match for the program from 50 per cent to 25 per cent for lifecycle project (upgrade projects remain at 50%) and it remains at this adjusted level.

As part of the One Calgary budget process, Administration is recommending two capital funding requests for the Society be considered for funding: \$6.5 million in lifecycle work (essential projects) that are included as part of a larger Civic Partner Infrastructure Grant program business case, and a separate \$2.2 million business case to replace the wet dock (essential project). The Society also submitted a \$1.9 million request to support the development of a new Natural Resources Area Interpretive Centre (growth project) for consideration, however it is not recommended for funding as the focus for 2019-2022 is on essential projects.

MOTION ARISING ITEM 4: CLARIFICATION OF THE ROLE, RELATIONSHIP AND INTERFACE BETWEEN THE HERITAGE PARK SOCIETY AND THE HERITAGE PARK FOUNDATION. INCLUDING ANY BEST PRACTICES FOR INTERFACES BETWEEN ENTITIES AND THEIR FOUNDATIONS.

The Foundation was established by the Society in 1976 under the *Societies Act* (Alberta) for the purpose of receiving property by way of donation, gift, legacy or otherwise, and contributing all or part of the income or capital to the Society. The Foundation, as a registered charity, is exempt from income tax and may issue receipts for donations.

The Society clarifies the relationship between the Society's Board of Directors and the Foundation's Board of Directors in section 4 of Schedule A. Although each is a separate legal entity, the Foundation and the Society share an annual general meeting, and members of both Boards of Directors sit on joint committees. The Foundation does not have any staff, instead the Society provides administrative and management services to the Foundation for a fee (\$168 thousand in 2017 and \$189 thousand in 2016). A significant part of the funds of the Foundation are held as endowments and are externally and internally restricted. The Foundation fund balances totaled \$8.6 million in 2017 with \$826 thousand classified as unrestricted, and \$1.13 million in collection assets. The total investment value at 2017 Dec 31 was \$7.4 million.

As a charitable foundation, the Foundation is subject to Canada Revenue Agency disbursement rules and must spend a minimum amount annually on gifts to qualified donees, in this case, the Society. The Foundation's minimum contribution to be disbursed in 2017 was \$229 thousand. In their response, the Society has noted that most of the funds held by the Foundation are externally restricted, and the remaining amounts are internally restricted by the Board.

Options for Consideration

Based on the information collected during the development of this attachment and the One Calgary Service Plans and Budget, and recommendations included in One Calgary, Administration has three options for Council's consideration to address the Society's financial situation.

OPTION 1 - COUNCIL MAY CONSIDER FUNDING LEVEL RECOMMENDED IN ONE CALGARY.

Under the Economic Development and Tourism line of service, Administration has recommended an additional \$491 thousand be added incrementally to the Society's base operating funding by 2022. This recommendation was based on initial information provided by the Society during the development of the budget, and was originally intended to offset increased operating costs including inflation and legislation, and allow programs and staffing to remain at minimum credible levels. However, during the Society's 2018 September 17 presentation to the Priorities and Finance Committee, the Society identified additional financial challenges for its 2019 to 2022 budget. These are detailed in Schedule A. Approving the original level of funding recommended in One Calgary would still lead to funding gaps and impacts the Society's long term financial sustainability.

OPTION 2- COUNCIL MAY CONSIDER AN ADDITIONAL FUNDING LEVEL TO THE RECOMMENDATION IN ONE CALGARY.

Given information the Society has provided Administration since its original One Calgary funding request in early 2018 Q3, and based on the Society's budget projections, the base funding increase to \$491 thousand by 2022 recommended in One Calgary will likely not be sufficient to address the Society's longer term financial situation. To address the Society's concerns about deficits, Council may consider additional base funding of \$384 thousand in 2019 to the One Calgary recommendation. While this is not as high as the \$1 million proposed by the Society in Schedule A, it will support financially sustainable operations.

OPTION 3 - COUNCIL MAY CONSIDER THE REVISED FUNDING REQUEST PRESENTED BY THE SOCIETY IN SCHEDULE A (PAGE 10).

New budget projects following the Society's original One Calgary submission have identified new financial challenges, and they have requested an additional \$1 million be added to their base operating grant in 2019. This would mean a total annual operating grant of \$4.1 million starting in 2019. While they also requested The City to consider adding annual increases from 2019-2022 consistent with other Civic Partners, inflation increases are not being recommended in the One Calgary budget pages for Civic Partners. The new \$1 million request would provide the financial resources they need for sustainable operations.

Stakeholder Engagement, Research and Communication

Administration has met with key representatives from the Society's Board of Directors and management team to prepare of this report. The Society provided a detailed report with information that responded to the four areas of focus in the Motion Arising.

As part of the One Calgary budget process, the Society provided information about additional funding requests and prepared a Board-approved budget, assuming a zero increase in The City's operating grant from 2019 to 2022. Regular meetings are planned to continue monitoring the organization's operational and financial sustainability.

Strategic Alignment

The Society manages and operates Heritage Park which is a significant City-owned cultural attraction. Its program and services align with the One Calgary Citizen Priority and Council Directives for a Prosperous City by contributing to the local economy both directly and indirectly and offering recreational and educational opportunities for Calgarians and visitors.

The Society's programs, services and facilities at Heritage Park support the Citizen Priority and Council Directives for a City of Safe and Inspiring Neighbourhoods.

The Society aligns with the delivery of Calgary in the new economy: an updated economic strategy for Calgary; and A Cultural Plan for Calgary.

Social, Environmental, Economic (External)

Social

The Society plays an integral role in maintaining a high quality of life for Calgarians by offering opportunities to attend and participate in social events and activities, engage in the community through volunteering and membership, and to learn about the history and culture of Western Canada. Ten per cent of visitors each year are school children participating in hands-on, immersive education programs. The Society's collection of buildings and artifacts are priceless representations of Canadian heritage and history and it is a significant cultural attraction that offers opportunities for Calgarians and visitors.

Environmental

The Society engages in environmental stewardship and community sustainability strategies such as public education and awareness related to public spaces and natural resources. They continue to review their operational practices to reduce consumption of resources and their impact on the environment.

Economic

The Society supports the objectives of Calgary in the New Economy: An economic strategy for Calgary by attracting over 600 thousand guests each year and providing meaningful employment and training to thousands of Calgarians.

Financial Capacity

Current and Future Operating Budget:

Under Action Plan 2015-2018, the Society's current annual operating grant is \$3.1 million. Additional one-time funding recommendations for 2018 presented in this report will be funded from the existing budget in Program 449.

Additional funding recommended to support sustainable operations from 2019 to 2022 is being brought forward to Council for consideration as part of One Calgary 2019-2022 within the Economic Development and Tourism line of service. If additional funding above the levels recommended in One Calgary is considered, a source would need to be identified.

Current and Future Capital Budget:

There are no capital implications from this report.

Risk Assessment

If the Society's operating grant from The City remains stagnant at 2018 levels from 2019 to 2022, it will likely result in an operating deficit beginning in 2019, reduced capacity to meet ongoing life cycle maintenance needs and impact the experience and satisfaction of Heritage Park's guests. As noted by the Society, there is limited capacity for the Foundation to provide additional funding, particularly operating funding.

The Society operates and manages a significant City of Calgary asset and negative impacts to its financial health can increase The City's exposure to financial, reputational risk.



SCHEDULE A

Heritage Park's response to motion C2018-1080

Heritage Park is Canada's largest living history museum and a registered charity. Heritage Park's mission is to preserve the history of the early West and to educate and entertain guests of all ages now and for many generations to come. The Park has been a Calgary icon since its opening in 1964, and is one of many privately run civic partners supported by the City of Calgary.

When the City began planning for flood mitigation work on the Glenmore Reservoir, Heritage Park was part of those discussions. At a meeting with Water Services in April 2015, the Park flagged their concerns about loss of revenues with the Moyie out of the water for one or more seasons, and the impact on the summer dock. Those concerns have been conveyed to multiple City representatives since then, and the first estimate of lost revenues was submitted by the Park to their City liaison in June 2017, when the Park received unofficial word that work on the dam would commence in 2018.

The Park has been aware of their pending financial situation since the announcement in 2015 by the Alberta government to increase the minimum wage by 47% over 3 years. Significant financial impacts have been felt since 2018, with the most substantial annual impact starting in 2019 and each year thereafter. The Park has been sharing these concerns with the City since 2015, and sent a letter to Premier Notley in 2015 outlining those concerns and the financial hardships they would face.

Few organizations, much less a charity, can withstand a \$1.7M increase in expenses in a short 4-year span, especially when coupled with almost \$1M lost revenue year-over-year as a result of external decisions, regulations, and policies that are beyond that organization's control.

In 2019, the road construction on 14th street will hit the Park right at their entry, with the BRT bus-only line and stop installation. This may create significant interruption and barriers to guest traffic flow into the Park.

1) Update on 2018 financial situation

Revenues and Expenditures directly related to the operations of the S.S. Moyie in 2018:

Based on total daytime passengers/total summer gate attendance over the past four years, 46% of guests who arrive through Heritage Park's gates ride the S.S. Moyie paddle wheeler. Since it first sailed in 1965, 2018 is the only year that it has been out of the water for an entire season. This is unprecedented and has caused a significant adverse impact on Heritage Park's appeal to guests. Attendance has fluctuated somewhat over the years, but outside events (such as the arrival of pandas at the zoo (1988), penguins (2012), or lemurs (2017)) have not had a significant impact. There has been road construction outside the Park's gates many times over the past 54 years. Daily weather fluctuations impact the organization every year. This has never had a major impact on overall attendance. The only year the Park has seen a year-over-year major dip in attendance (with the exception of 2015 which was anticipated following the 15% increase in 2014 for their 50th anniversary) is this year. There

is a direct correlation between the drop in attendance and sales in 2018 and the dry docking of the Moyie.

2017 saw a turnaround in gate and other types of attendance. While the Park faced prohibitive cost increases (as outlined in the challenges section of their annual report to council back in May), attendance and gate were coming around after a few years of downturn. The Park had expected this trend to continue into 2018, had the Moyie been able to sail.

The following is the change in sales year over year for the summer season only (May long weekend to Thanksgiving). Note that the sales results in 2018 include price increases enacted since 2015, so the differential to 2018 (when corrected for inflation) would be more pronounced.

Impact of drydocking the Moyie in 2018 <i>(May long weekend to Thanksgiving only)</i>				
	2015	2016	2017	2018
Summer season sales				
Day Gate	2,450,869	2,539,321	2,914,254	2,410,918
Annual Pass Sales	758,751	716,752	708,520	527,796
Retail Sales (net of product cost)	235,733	219,003	253,941	222,003
Concession/village restaurants (net of product cost)	1,229,773	1,113,625	1,289,459	1,105,965
Captain's Cruises (net)	27,986	22,986	29,270	0
Catered Events (net)	14,445	7,946	14,667	0
Total change YOY	4,717,557	4,619,633	5,210,111	4,266,683
Expenses				
Wages of Moyie crew	134,111	122,206	136,325	37,495
Fuel & miscellaneous	16,796	21,124	14,611	
Insurance premium	24,347	25,745	25,745	18,245
Total expenses	175,254	169,075	176,681	55,740
Total net sales	4,542,303	4,450,559	5,033,430	4,210,942

As evidenced by the chart above, Heritage Park saw a dip in attendance and revenues in 2015, which improved slightly in 2016, however, budget projections were not met either of those years. 2017 started to see a recovery, including hitting the attendance target for the first time since 2014. This recovery was also somewhat reflected in other revenue categories, and it was encouraging to see numbers begin to climb. However, in 2018, due to the loss of a major attraction in the S.S. Moyie, any gains seen in 2017 quickly disappeared and the losses related to the dry docking of the Moyie actually exceeded projections put forward by the Park in 2017.

Based on the above, the Park is asking the City to make up the difference in year over year sales due to the Moyie being unable to sail. From 2018 to 2017, the net difference is \$822,000. Compared to an average of the prior 3 years, the difference is \$465,000. **The Park is asking the City to consider a one-time increase to their 2018 operating grant of \$650,000.**

Update on Heritage Park's 2018 financial situation:

The following shows sales and expenses from January to September year over year. As is evident, 2018 is a combination of reduced revenues (due to the Moyie being dry docked), and increased employment costs.

Operating Sales	2015	2016	2017	2018
Day Gate	2,666,052	2,879,990	3,187,320	2,718,922
Annual Pass Sales	879,715	856,855	818,363	641,085
Retail Sales	1,033,473	1,016,096	1,084,741	923,655
Concession/ Village Restaurants	1,435,459	1,398,433	1,516,845	1,318,226
Captain Cruises - Moyie	37,565	30,853	39,289	-
Catered Events - Moyie	16,719	9,197	16,976	-
Other food services	4,297,170	3,644,153	3,688,524	3,449,829
Parking	-	154,648	165,289	177,595
operating grants/HPF contribution	2,271,351	2,337,312	2,481,108	2,462,753
ticket sales (GNO/DOWT)	351,678	375,336	408,002	401,170
Education revenue	228,309	261,186	237,474	265,002
Miscellaneous	361,523	400,213	367,735	353,377
Total	13,579,014	13,364,272	14,011,667	12,711,613

Operating Expense	2015	2016	2017	2018
Food product cost	1,609,737	1,437,251	1,450,509	1,299,954
Retail product cost	576,578	571,660	638,765	532,304
other cost of events	131,356	119,750	130,877	125,893
employment costs	8,728,528	8,516,563	8,790,150	9,565,693
Operating costs and utilities	1,391,089	1,206,830	1,156,731	1,186,506
Sales, General & Admin	1,975,426	1,945,801	1,953,957	1,863,239
Total	14,412,715	13,797,854	14,120,990	14,573,590

Other Restricted Revenue	2015	2016	2017	2018
Donations	323,370	736,823	817,099	587,372

DOWT- Day Out with Thomas, GNO- Ghoul's Night Out-both these events are separate ticketed events not covered under an annual pass.

Future financial sustainability:

As has been addressed, the threat to the financial stability of Heritage Park is the sharp and rapid increase in minimum wage of 47% in 3 years (Oct 1, 2015 to Oct 1, 2018), and the impact the carbon tax has had to the cost of fuel and heating, and greater-than-inflation increases to all vendor pricing. The Park has seen a rollercoaster of results in the past several years, from the high in 2014 (50th anniversary) to surpluses as razor-thin as \$1,520 in 2015. The Park does not have a large reserve, and transfers any surpluses into the Capital and Preservation Fund to act as matching funds for the City's capital grants. Deficits in operations means there will be no funds to support the Park's capital and preservation requirements, and as a result, artifacts and exhibits will deteriorate and guest and staff safety will be compromised.

As presented at the special Priorities and Finance Committee meeting on September 17, 2018, the Park's outlook for 2019 through 2022 due to cost increases is not pretty (please refer to the high-level budget below). As of 2019, the Park will incur an additional annual wage cost of \$1.7 million as compared to 2015. As noted before, had the Park not mitigated those

wage increases, the total would have been nearer to \$3.4 million. The Park is not able to bear this wage burden, coupled with other cost increases, without additional base operating funds from the City.

Operations ('000s)	2019	2020	2021	2022
City of Calgary proposed operating grants	3,114	3,114	3,114	3,114
Other operating grants	322	328	335	342
Earned revenue from operations	15,554	15,908	16,436	16,765
Donations & fundraising revenue	1,850	1,914	728	743
Operating expenses	21,229	21,768	21,067	21,488
Net of revenue and expenses	(389)	(504)	(454)	(524)
Opening operating reserves	1,096	707	203	(251)
Ending operating reserves	707	203	(251)	(775)

The increased wage costs are included in the 2019 figures above, and will continue into the future. As is evident, the Park will begin seeing annual deficits in 2019 and beyond.

The Park had originally requested the following increases in their operating grant, with an eye to recouping potential lost inflationary increases based on the suggestion that the 2018 grant would remain static through 2022:

2019	2020	2021	2022
116,000	236,000	361,000	491,000

Because actual revenue and expense projections were not fully known at the time this request was submitted, the Park did not have sufficient information to assess its needs.

Until now, the Park has capably absorbed legislated cost increases through significant cost mitigation strategies. Given the analysis above, and the impact of these cost increases in 2019, **the Park asks that the City increase their base operating grant by \$1,034,600 in 2019, subject to annual increases going forward as determined by the City, consistent with the other civic partner organizations.**

2) Mitigation strategies

Board-approved cost mitigation strategies the Park enacted from 2015 to 2018 include, but are not limited to:

- a revamp of the seasonal payroll structure to reduce the number of pay code steps
- limit the wage increments between each step
- leave vacant positions open
- reduce seasonal hiring by 12% beginning in 2015
- freeze hiring of full-time staff
- eliminate four positions altogether and delay filling four positions
- reduce operating hours at the gate and in various venues, including closing Gasoline Alley on Mondays in the winter season



- zero merit increases in 2016 (which reduces the cumulative effect in future years) The increases to wages for fulltime staff in 2017 and 2018 averaged 1.8% which is lower than the COL increase of 2.5% to 2.8% based on various surveys. Due to the increased wages for seasonal staff as a result of the legislated changes to the minimum wage (19.6% increase in between Sept 30/15 and Oct 1/16), Heritage Park had no choice but to increase the wages of full-time permanent staff in 2017 and 2018. Compared to the seasonal wage increases, the 1.8% increase to full time staff was determined to be a retention tactic and equity decision.
- reduce and/or eliminate employee/volunteer events
- reduce carbon footprint in all areas
 - retrofit old gas lamps with LED lights. This reduced natural gas usage 10% per year.
 - continue program to replace incandescent and fluorescent bulbs throughout the Park with LEDs.
 - replace modern vehicles with smaller utility vehicles such as Kubotas (which consume much less fuel and can be maintained and repaired in-house) where appropriate
- reduce shift hours for seasonal staff
- restrict overtime
- Reassess services and programs offered, and eliminate any that are not self-supporting

In addition to cost reduction, the Park undertook revenue building strategies including the addition of paid parking starting in 2016.

The result of these strategies is that the Park took a potential cumulative annual cost increase directly related to the minimum wage (2015 compared to 2019) of \$3.4M, and reduced it to \$1.7M. Although the Park has exercised commercially prudent efforts to significantly reduce cost, it is still a massive burden to bear in an industry where simply increasing prices is not a viable option, especially when the Park already faces rate resistance. In 2017, efforts around the Park's carbon footprint resulted in a **drop in electricity usage by 4.5% from 2016, and natural gas usage dropped almost 18%.**

The budgets Heritage Park was asked to prepare for 2019-2022 are not official Heritage Park operating budgets, but an exercise that they were asked by the City to undertake. With the time given to prepare a 4-year budget, cost mitigation strategies were not considered as these were understood to be hypothetical scenarios based upon operating grant reductions of 1% or 1.5% per year, or leaving the 2018 grant status quo. As it is still unknown what operating grants will be, creating a budget, let alone a cost mitigation strategy is not feasible or even possible. As the Park produces annual detailed budgets, additional measures necessary to balance the budget each year will be assessed, however, under any of the proposed scenarios, Heritage Park will face a deficit each year going forward unless the base operating grant is increased as requested.

3) Capital and lifecycle maintenance expenditures

The Park undertook its last growth capital project when they built the Famous 5 Centre of Canadian Women. They cut a ribbon on that project in 2014 during their 50th anniversary celebrations. 100% of funds for the \$3.4M project were raised externally, including a \$300K grant from the City of Calgary (8% of the total project budget). Included in the funds raised

was a \$250K endowment (which was transferred to the Heritage Park Foundation) for the long-term sustainability and preservation of the building. This building acts as an exhibit for village visitors, a banquet facility, and a classroom for school programs. The Park holds teas on the verandah all summer long and moves them inside the building after Christmas. **Like all Heritage Park's growth projects in the last 13 years, this building sustains its operating costs through these added revenues, while providing new and immersive cultural experiences for guests, and driving gate and other incremental revenues**

Lifecycle projects undertaken since 2013 include the restoration of the River Forth Dining Car and Colonist Car 1202, maintenance of energy, infrastructure, and underground systems. Deteriorated boardwalks are replaced annually, and critical railway track repairs are carried out. The costume room was upgraded to meet program requirements, and day-to-day repairs are made to roofs, basements, windows, and washrooms. The Park has undertaken a lighting conversion to replace low-efficiency incandescent and discontinued fluorescent fixtures with LEDs.

The following is the total spend on lifecycle, including protection of priceless artifacts, from 2013 to 2017. **Note that capital lifecycle projects do not impact operating costs:**

2013	2,167,423
2014	1,982,765
2015	2,325,404
2016	2,653,238
2017	2,347,676
	11,476,506

4) Clarification of Society and Foundation roles and relationship

The relationship between the Heritage Park Society and Foundation has always been one of collaboration and partnership. Although each is a separate entity with its own charitable number, both exist to support the operations and long-term sustainability of the Park. The Boards of both organizations share an AGM, take part in joint strategic planning sessions, and members of both sit on the joint Audit, Risk and Finance, Governance and Nominating, and Health, Safety and Environment Committees

The Heritage Park Foundation was established in 1975 to create an endowment fund to protect and preserve Heritage Park Society's priceless collection of artifacts. These funds are raised through donations and fundraising events. All growth capital projects at the Park in the last 13 years are funded by donations and grants, and those budgets include an endowment portion that is placed into the Foundation's investment for the purpose of protecting and preserving the built asset.

Most of the endowment funds are externally restricted and raised with the donor's understanding that the funds are for capital preservation purposes. Charities must honor the purpose for which funds are donated. As a charitable organization and museum, Heritage Park's mandate is wise stewardship of Canadian history and culture. All the other funds held in the Foundation are internally restricted by the Foundation Board.

The current Foundation Board consists of a Chair and four Directors. They do not have an operating arm, thus no staff. They meet quarterly to review the endowment investment portfolio and provide oversight. There are four fundraising initiatives held on behalf of the Foundation each year. The staff to carry out these initiatives is employed by the Society. A portion of their wages are charged back to the Foundation. The total amount raised ranges between \$150,000 and \$200,000. The bulk of these funds go directly into the investment portfolio with the remainder used to cover wages of Society fundraising staff and to meet the disbursement quota.

All of the funds raised are with the donor intent of providing long-term care and preservation of Heritage Park's artifact collection and building assets. The Foundation Board may approve funds be transferred to the Society, on special request of the Society, for extraordinary capital lifecycle maintenance needs. Most recently, this was done (in 2016) to assist the Society in meeting the matching requirements of the City's CPRiP grant at a time when corporate and private capital donations were unavailable. That amount was \$300,000.

It is critically important that the funds in the Foundation are not used contrary to the purpose and mission of the registered charity, as it will have a detrimental, long-term impact on donor relations, governance and sustainability.