



November 26, 2018

City Council
The City of Calgary
PO Box 2100, Station M
Calgary, Alberta T2P 2M5

Dear City Council:

On behalf of **Arts Commons**, we are compelled to write to you in regards to City Administration's recommendation that the Operating Grant for Arts Commons be frozen for four years (2019, 2020, 2021 & 2022) at the 2018 level, and the risk this poses to our ability to meet performance level expectations by the citizens of Calgary.

In our submission to City Administration, we had requested an annual cost of living increase throughout the four year term. Should City Council deny Arts Commons a cost of living increase to our Operating Grant throughout 2019-2022 then this will undermine our financial health by creating an accumulated shortfall of \$576,628.

To provide context of our situation: During the past nine years, we have worked closely with The City of Calgary to address a historical structural deficit in our operating budget, and respond to a decision by the Government of Alberta to abandon its fiscal responsibilities by suspending ALL operational support to Arts Commons. To address these issues, we focused our efforts on expense reduction, improving asset utilization and revenue diversification and growth. The work began in the spring of 2010, when we took the drastic step of reducing our workforce by 25%. We then set about diversifying and growing our revenues. This process has resulted in us achieving 229 Average Use Days (2017) of our six venues in comparison with similarly sized organizations that have only achieved 189 Average Use Days. By 2018, we also have grown revenues by 65% (\$4,943,139) from such sources as: recovery from resident companies, venue rental, ticket sales, corporate sponsorships, philanthropic gifts and other earned income.

Today, for every \$1 invested by The City of Calgary in Arts Commons, we generate an additional \$3.92 to support Arts Commons' service delivery for the benefit of Calgarians and visitors to our city. In addition, our most recent economic impact study that was conducted by Deloitte in 2016, determined that Arts Commons has an annual economic impact north of \$87M.

While we can appreciate the financial challenge facing The City of Calgary, Arts Commons has clearly demonstrated that it has done significant work to strengthen its financial resiliency and sustainability by controlling expenses, growing revenues, and ensuring its assets are now working beyond industry standards.

Factors beyond our control that are putting tremendous pressure on our operating budget by adding significant cost burden include:

- annual increases to minimum wage;
- changes to overtime and statutory holiday pay rules; and,
- Introduction of carbon tax.

Steps to mitigate the potential accumulated shortfall of \$576,628 would include increased user fees to third-party renters and resident companies, cuts to staff, and reduced programming and education services for Calgarians.

We respectfully request that City Council directs City Administration to provide Arts Commons with an increase to our Operating Grant equivalent to the cost of living increase for 2019, 2020, 2021 and 2022, given the invaluable role Arts Commons plays as a key contributor to the social, economic, cultural and intellectual life and well-being of Calgarians and visitors.

Thank you for your consideration of our request.

Respectfully,


Johann F. Zietsman
President & Chief Executive Officer


Colleen Dickson
Chief Financial Officer


Greg Epton
Chief Development Officer