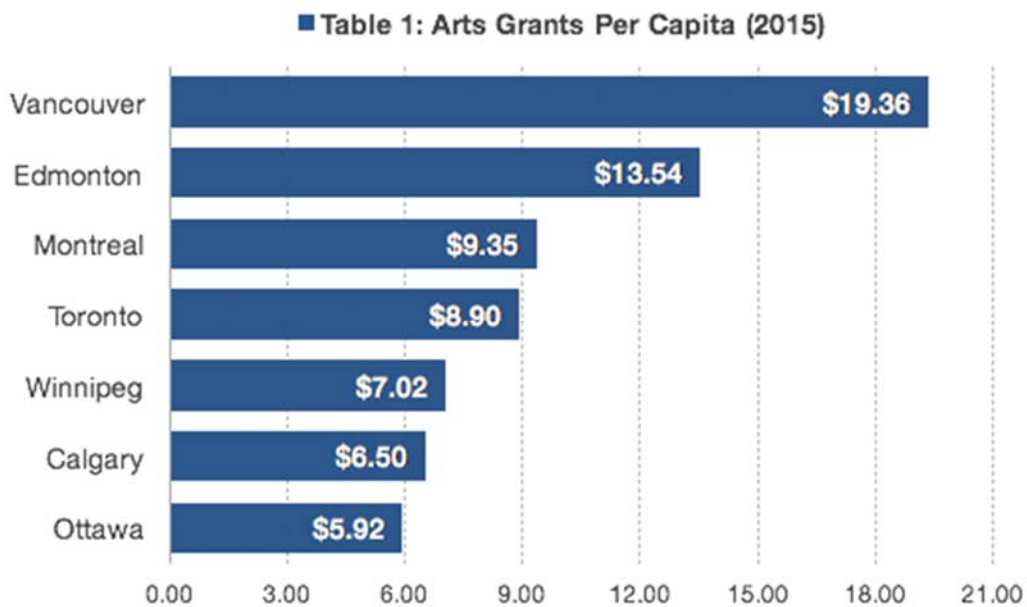


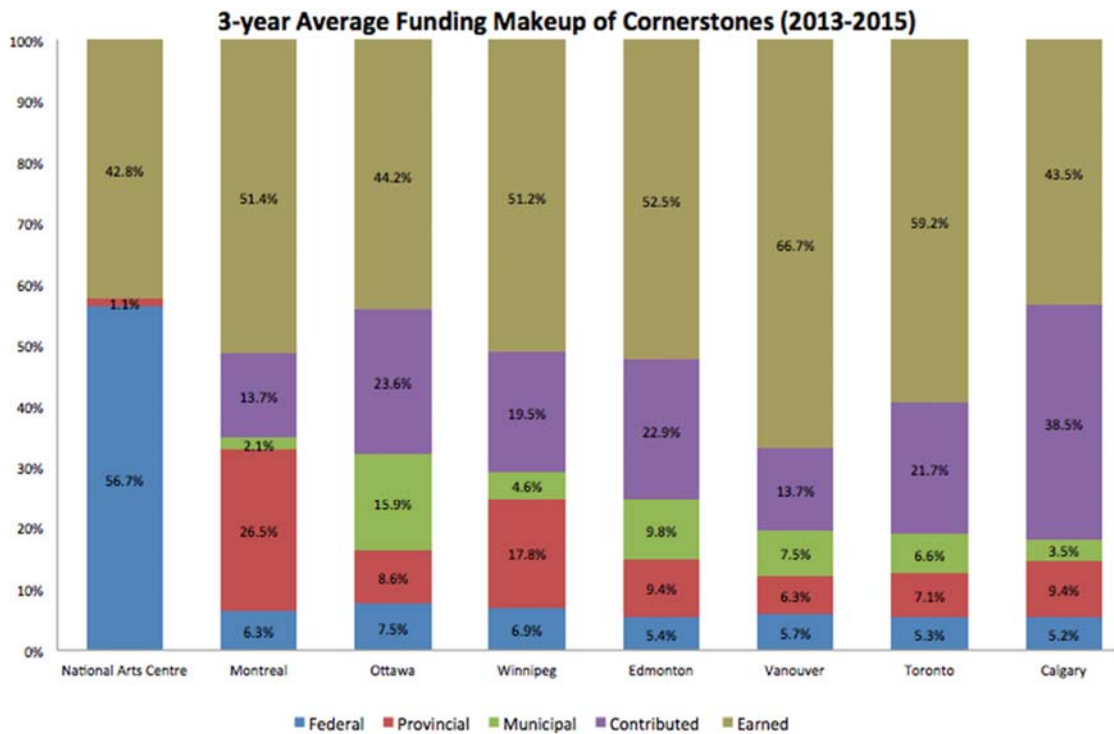
**BUSINESS CASE: CALGARY’S CORNERSTONE ARTS ORGANIZATIONS**

In 2016, Calgary Arts Development Authority (CADA) collected data from seven cities across Canada to do a comparative analysis of the revenue model of the ten “Cornerstone” arts organizations (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, collectively the “Cornerstones”) compared to similar organizations across Canada.

Our analysis has determined that Calgary’s funding model is significantly more dependent on corporate sponsorship and private donations (collectively, “Contributed Revenue”), with the Cornerstones receiving approximately 40% of their revenues from the private sector. CADA has also determined that the Cornerstones receive significantly less municipal funding than their peers across Canada. The Cornerstones, on average, receive only 3.5% of their operating budgets from municipal grants compared with an average of 8% received by their peers in other cities. Calgary’s arts grants per capita come in near the bottom of the pack, at \$6.50 a head.



For many years, corporate Calgary filled the gap, with private sector funding at a vastly higher level in Calgary than in any other city in the country. But, with the economic downturn, that has changed.



Calgary Arts Development participated in the #ResilientYYC Agenda-Setting Workshop and heard loud and clear that economic uncertainty and macro-economic stress is the top shock and stressor facing Calgary. That is so true for our Cornerstone Companies. Corporate support is down by over 30%, Individual donations are down by 25% on average and there is no indication they will be going back up any time soon. According to Cornerstone reports revenues from Special event fundraisers are down as much as 48%. With a history of below-average municipal investment, coupled with the current economic downturn, our Cornerstones are in an impossible situation, unable any longer to deliver their potential as powerful city-building agencies.

**EMERGENCY RESILIENCY FUND**

The Emergency Resiliency Fund (ERF) of \$1M from The City of Calgary in both 2016 and 2017 has been very much appreciated, and has helped mitigate some of the negative effects of the current economic downturn. In both 2016 and 2017 CADA’s client base reported more than \$5M in losses and asked for \$2.5M in assistance, one and a half times what we had to offer. The fund was open to CADA’s entire clients base—all 159 organizations—not just the Cornerstones.

## **HOW THE CORNERSTONES ARE RESPONDING TO THE ECONOMIC DOWNTURN**

The Cornerstones have implemented several mitigation measures to address the Economic Downturn.

### **Job reductions**

The Cornerstones account for 52% of the jobs in Calgary's not-for-profit arts sector, equaling 333 full-time equivalent workers in 2016. In response to the economic downturn, the Cornerstones have been eliminating jobs, cutting staff hours, reducing contracts, and not hiring for new employees when positions become vacant. In addition, the Cornerstones have reduced the scope of their programming to reduce the number of artists employed in their productions.

### **Decreasing accessibility to the arts, especially for youth audiences**

In 2016, **each Cornerstone Company produced on average 137 public activities and 265 education activities**. Education and outreach programs do not have high-revenue potential compared to the other works they produce, however, they are an important part of ensuring that all Calgarians are able to live a creative life. With the impacts of the economic downturn, Cornerstone organizations have reduced these low earning/high impact programs or increased ticket or participation prices (such as registration for a class), making the programming further out of reach for many Calgarians.

### **Acquiring debt**

Seven out of 10 Cornerstones operated at a deficit in 2016, despite efforts to reduce expenditures, and many have had to reduce or eliminate their working capital reserves and take on debt to address cash flow challenges. At least two organizations have opened new lines of credit to enable them to keep up with operating costs.

Furthermore, half the Cornerstone Companies are in a negative net asset position, in the red by \$2.5M in total.

A few Cornerstone Companies with endowment funds have been able to draw down on the endowment to offset revenue losses. While this is a temporary fix, it has long-term ramifications on their abilities to generate interest revenue on an annual basis. It's important to note that some Cornerstones are unable to draw down on their endowments due to the legal limitations that were imposed when the endowments were created.

**Reduced artistic expenditures**

Calgarians deserve access to high-quality artistic work. But these artistic rewards do not come without risk. In an environment of austerity, the Cornerstones have been pushed to drastically reduce their artistic expenditures, which they decreased by over \$1.1M between 2015 and 2016. This has resulted in reduced programming budgets that affect the scale of work offered, the amount of new work that is created, and has caused a near elimination of free stages and outreach programs that enliven our city streets.

**Cornerstones’ financial snapshot**

**Alberta Ballet**

Alberta Ballet just completed its 50<sup>th</sup> year. It is Canada’s second-largest ballet company, renowned around the world for the contemporary and classical productions that encompass its repertoire. They perform at both the Southern and Northern Jubilee Auditoria as well as on tour to schools, communities, and other cities.

Operating Budget (3-year average):	\$14.2 million
Mitigation measures:	Reduced # of dancers and shortened contracts; discontinuing Alberta Ballet II for emerging artists = less outreach including less access for underserved areas in Calgary; reduced reliance on sponsorships from energy sector; experimenting with new sales strategies, packages and dynamic pricing.

**ATP**

ATP was established 45 years ago. It creates community by producing relevant, high quality contemporary theatre; by playing a national leadership role in the development and creation of new Canadian plays; and by bringing audiences and artists together in an exchange around the work. They are a resident company of Arts Commons in the Martha Cohen Theatre.

Operating Budget (3-year average):	\$3.78 million
Mitigation measures:	Cuts to new play development and youth engagement; smaller partnership with Kids Up Front; <i>Propel Us Forward</i> fundraising campaign raised \$250,000.

**Calgary Opera**

Calgary Opera is also in its 45<sup>th</sup> year. It is committed to the development of Canadian talent and the development of new opera works, as well as bringing opera to all ages in the community on a broader scale. They run the Mamdani Opera Centre in the Beltline, perform their mainstage season at the Jubilee Auditorium, and their summer opera festival at Enmax Park. They also tour to schools.

Operating Budget (3-year average):	\$6.19M
Mitigation measures:	Increased ticket prices; Opera in Schools tour unable to travel to remote communities; reduced programming of non-revenue generating outreach; less commissioning of new works.

**Calgary Philharmonic Orchestra**

The Calgary Philharmonic Orchestra has been around for six decades. It has been a cornerstone of Calgary’s arts community since 1955 and is one of North America’s finest and most versatile live music ensembles. They are a resident company of Arts Commons in the Jack Singer Concert Hall and also perform in various communities, and schools.

Operating Budget (3-year average):	\$12.4 million
Mitigation measures:	Cutbacks to outreach programs and concerts; reduced # of events; reduced staff; reduced artistic spend; adjusted rehearsal & performance schedule.

**Calgary Folk Music Festival**

The Calgary Folk Fest began 37 years ago. It enhances our community’s quality of life through the celebration of music from diverse cultural traditions. They creatively engage audiences and artists in live music experiences through unique approaches. The summer festival is on Prince’s Island Park. Their winter festival–Block Heater–is performed in their venue, Festival Hall, in Inglewood.

Operating Budget (3-year average):	\$4.13 million
Mitigation measures:	Eliminated Talk Tent, volunteer party and free stage at Eau Claire; cut health and safety training; increased rental rates for Festival Hall.

**Glenbow Museum**

Glenbow has been engaging Albertans and visitors to the province for over half a century with remarkable connections between art, culture and the world around us. More than 125,000 people go through their museum each year, including more than 65,000 school children.

Operating Budget (3-year average):	\$9.24 million
Mitigation measures:	Cancelled special event fundraiser; have had to leave several staff positions vacant; decreased marketing budget.

**National Music Centre**

Born out of the two decades of work of Cantos Music Foundation, NMC is a national catalyst for discovery, innovation and renewal through music. Their mission is to give Canada a place that amplifies the love, sharing and understanding of music. Studio Bell, home of the National Music Centre, opened in 2016.

Operating Budget (3-year average):	\$6.35 million
Mitigation measures:	Decreased programs; postponed French language content; reduced or merged positions; decreased marketing and advertising expenses and travel expenses; supporting Alberta Music Cities initiative to raise the profile of music with potential audiences.

**One Yellow Rabbit**

For 35 years One Yellow Rabbit has harnessed the bold, adventurous spirit of our Calgary community to enrich the place we live. They create and present vital, surprising performance experiences that engage and reward their audience. They are a resident company of Arts Commons in the Big Secret Theatre. Their High Performance Rodeo is performed in various venues throughout Calgary, primarily in the downtown core.

Operating Budget (3-year average):	\$1.65 million
Mitigation measures:	Special ticket offers to ensure access; increased partnerships.

**Theatre Calgary**

Approaching its 50<sup>th</sup> anniversary Theatre Calgary stimulates, provokes, and delights through ambitious programming created to ignite local, national, and international engagement. They are a resident company of Arts Commons in the Max Bell Theatre. Shakespeare on the Bow is performed each summer at Prince’s Island Park.

Operating Budget (3-year average):	\$10 million
Mitigation measures:	Maintaining access programs; increased partnerships and co-productions.

**Theatre Junction GRAND**

Theatre Junction GRAND is a space where art, ideas and people connect in new ways. It is a vibrant multi-disciplinary arts and culture hub, where bold and unexpected events inspire cultural change. Theatre Junction became Theatre Junction GRAND in 2005 when it relocated Calgary’s historic Grand Theatre which was built in 1912.

Operating Budget (3-year average):	\$1.73 million
Mitigation measures:	Used working capital reserve; added more discount tickets to ensure access; special fundraising campaign.

**THE SOLUTION FOR CALGARY’S CORNERSTONES**

Calgary’s Arts Cornerstone Companies need an investment of \$2 million to continue to deliver their programming and fulfill their role as city-building organizations. The Cornerstones are currently implementing mitigation measures and The City and CADA are re-examining the City’s operating grant framework for the next four-year budget cycle.

The Cultural Plan specifically states the need for an increase in arts funding. A \$2M increase to the Cornerstones will get them through to the end of 2018, and will act as a bridge toward a much bigger future sustainability solution for the entire sector.