

## INVESTMENT IN CALGARY'S CORNERSTONE ARTS ORGANIZATIONS

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### EXECUTIVE SUMMARY

The ten 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) supported by Calgary Arts Development Authority's (CADA) "Cornerstones" program are significant employers, cultural assets, tourism attractions, educational institutions, and community builders that support a diversified economy, a high quality of life, and a vibrant downtown core. However, over the last eight years these organizations have seen their expenses increase while funding from The City, as distributed through CADA, has remained unchanged. Until the economic downturn the Cornerstones relied on corporate sponsorships and private donations for 38% of their revenues, but those revenues have dramatically decreased. Each of the Cornerstones are in the process of making significant changes to their organizations to address the sudden decrease in private support. However, they require more time to transition to the new economic reality and, as a result, the Cornerstones are requesting an additional \$2 million – twice their total annual funding through CADA - for the 2017 fiscal year. CADA is concerned that without such additional funding, some of the Cornerstones will not have the ability to make the transition. In the longer term Administration and CADA will re-examine the City's operating grant framework for the next four year budget cycle.

### ADMINISTRATION RECOMMENDATION

That the Priorities and Finance Committee recommend that Council:

1. 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 Q2 2018 on the investment of the funds.

### RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2017 JULY 18:

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1. 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.
2. **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.**

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Excerpts from the Minutes of the Regular Meeting of the Priorities and Finance Committee, held 2017 July 18:

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AMENDMENT, Moved by Councillor Woolley, that the Administration Recommendations contained in Report PFC2017-0593, be amended, by deleting the words “\$2 million” after the words “budget of” and replacing with “\$3.7 million”.

ROLL CALL VOTE

For:

G-C. Carra, D. Farrell, R. Pootmans, E. Woolley

Against:

A. Chabot, P. Demong, W. Sutherland, N. Nenshi

MOTION LOST

AMENDMENT, Moved by Councillor Woolley, that the Administration Recommendation 1 contained in Report PFC2017-0593, be amended, by deleting “Q2 2018” following the words “and report back in”, and by substituting “Q4 2017”.

CARRIED

AMENDMENT, Moved by Councillor Woolley, that the Administration Recommendations contained in Report PFC2017-0593, be amended, by adding a new Recommendation 2, as follows:

2. “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.”

Opposed: E. Woolley

CARRIED”

“FORWARD LOST MOTION

At the request of Councillor Woolley and pursuant to Section 155 (7) (a) and (b) of the Procedure Bylaw 44M2006, as amended, Councillor Pootmans requested that the lost motion with respect to an amendment to Report PFC2017-0593 be forwarded to Council for information.”

**PREVIOUS COUNCIL DIRECTION / POLICY**

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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.

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

### **BACKGROUND**

For each of the past eight years the Cornerstones 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 those have been reduced dramatically: corporate contributions to the Cornerstones have decreased by over 30%, individual donations are down over 25% and revenues from fund raising events are down as much as 48%. This has led to cutting budgets, using up reserves and job reductions. As labour market reviews are suggesting a slow economic recovery for Calgary, CADA believes that Calgary is at risk of losing the Cornerstone arts organizations that have taken decades to build. Providing an additional \$2 million to the Cornerstones will double the investment of The City in 2017, and provide time to consider the appropriate level of annual funding going forward.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

CADA supports 159 non-profit arts organizations through its four operating grant programs. Many of those have received additional support through the \$1 million Emergency Resiliency Fund (ERF). However, that fund has not been able to completely address the needs of the Cornerstones.

The ten organizations that are supported through CADA's Cornerstone program account for 52 per cent of the full time jobs in Calgary's arts sector, and attract 37 per cent of the audiences. They are the backbone of the arts eco-system in Calgary, serving as incubators, employers and content creators while generating significant economic impact through direct and indirect spending on goods and services. With the downturn in the economy they are challenged to retain employees and offer the programming required to support a healthy cultural sector and vibrant downtown core.

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In 2009, CADA had capped the amount of funding allocated to the Cornerstones in order to fund a greater number of arts organizations. This strategy was consistent with Calgary's Arts Strategy: Living a Creative Life and the high level of private sector funding in the community at the time.

Across North America, cities have realized that sustaining arts organizations is important to the local economy. For that reason they have invested dedicated economic development funding in arts and culture facilities, cultural districts and the digital and performing arts. Indirect results of this work have offered regions unique social and economic benefits, including regional employment creation, improved regional gross input and income, economic attraction, tourism, and more.

By directing CADA to invest funds in Calgary's 10 Cornerstone arts organizations The City will

- sustain non-profit organizations that have taken decades to build;
- retain jobs in the cultural sector;
- support economic recovery and diversification; and
- revitalize and animate the downtown core.

This funding will provide the Cornerstones with time to continue their work to adapt to the changing economic environment, investigating efficiencies and different business models. It will also provide time for the City and CADA to re-examine the City's current funding regime for their organizations.

### **Stakeholder Engagement, Research and Communication**

The arts support a high quality of life by engaging Calgarians. A 2016 survey indicated that 87 per cent of Calgarians were engaged with the arts; 79 per cent believed that a strong arts and culture scene was key to creating a vibrant, safe, and prosperous city; and 86 per cent believed the arts bring people together and enabled people to connect to each other. They also believe that a culturally vibrant downtown affects Calgary's ability to attract and retain businesses, residents and jobs.

The City of Calgary is working to address the needs of Calgarians in light of economic changes in the community with a focus on supporting the economy, keeping Calgarians working, and increasing government effectiveness. The City continues to conduct research about the needs and changing priorities of Calgarians, to gauge perceptions of quality of life, the economy, and infrastructure investments. In light of the current economic climate, City research suggests that Calgarians are looking to government for leadership and investment to strengthen and diversify the economy moving forward. A majority of Calgarians believe that The City has an impact on their quality of life and an obligation to support the local economy.

Administration's proposal to invest \$2 million in the Cornerstones aligns with the Cultural Plan for Calgary, which outlines the central role that culture plays in city shaping, connecting people and ideas to strengthen communities. The recommendation is also in alignment with the findings identified at the Downtown Economic Summit in response to Council's direction on Notice of Motion 2017-01 *Downtown Calgary and Economic Uncertainty: A Coordinated Response*.

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### **Social, Environmental, Economic (External)**

The collective impact of this funding is enhanced resilience, a range of social and economic benefits including regional employment.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

Administration recommends the approval of one-time budget of \$2 million funded from the Fiscal Stability Reserve (FSR) be directed to The City's 10 Cornerstone arts organizations. According to CADA and the work they have done to verify this funding request for the Cornerstones these groups have lost approximately 50 per cent of their revenue from the private sector due to the economic downturn, and as a result have had to reduce their expenditures and their programming (Attachment 1). It has been determined that the \$2 million increase will assist the Cornerstones during this time as they transition to a modified funding model of their organization.

#### **Current and Future Capital Budget:**

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

### **Risk Assessment**

The Cornerstone arts organizations are so-called because they serve as the foundation of Calgary's cultural life. Calgarians have built these organizations over many decades but the current economic downturn has undermined their resiliency. The one-time investment of \$2 million at this time should enable them to navigate this shift in funding patterns. It is expected that, as a result, they will continue to explore opportunities for efficiencies as well as revenue generation and will report on that work to Council through CADA.

### **REASON FOR RECOMMENDATION:**

The 10 Calgary arts organizations that are included in Calgary Arts Development Authority's (CADA) "Cornerstone" program play a critical role in the arts eco-system, as incubators, employers, and cultural content creators. An infusion of a one-time \$2 million for the 2017 fiscal year in the Cornerstones will ensure the retention of jobs in the cultural sector; result in significant economic impact through direct, indirect and induced impacts; enhance Calgary's quality of life; and support a vibrant downtown.

### **ATTACHMENT**

1. Business Case: Calgary's Cornerstone Arts Organizations