

Cornerstone Sustainability Framework



Prepared by Karen Ball, March 2018

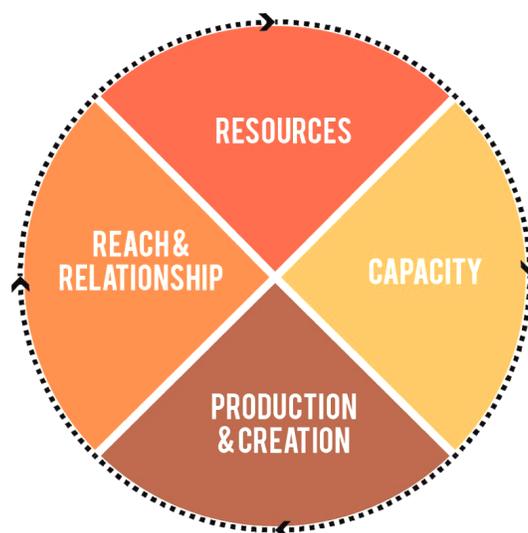
Methodology and Approach

The statistical information in this report is drawn from Cornerstone audited financial statements and statistical data from the Canadian Arts Database (CADAC) to the year 2015-16. Although financial information for 2016-17 is currently unavailable, regular discussion with Cornerstone Companies indicates that financial trending has been consistently downward with no recovery for the period 2014 to 2017.

In determining key findings and suggested interventions, the greatest consideration landed on the critical role that public funders (governments) play in supporting the operational sustainability of the arts sector—in particular, through providing sustained and stable annual investment through operating grants. All three orders of government play an important role in supporting the ongoing sustainability of Cornerstones through investing in their operations. These investments are critical for the sustainability of the arts sector and its ability to deliver a multitude of benefits to citizens.

Sustainability Framework

A sustainable arts sector is driven by a balance of healthy resources (inputs) that build the capacity needed to achieve and deliver vibrant creation and relationships (outputs). Each of these elements is dependent on the others. Resources build capacity. Capacity results in high quality productions and creation programs. Through exciting productions and healthy programs, organizations increase their reach and develop important relationships, which, in-turn, strengthen resources. If properly balanced the cycle is virtuous (i.e. each segment feeds the growth and health of the next) and produces strong outputs that support the vibrancy and connectedness of the city. If improperly balanced, the cycle is vicious. In the case of the Cornerstones, the current stranglehold on reliable sustainable operating funding (resources) has created a vicious cycle that is eroding the sustainability of the entire sector and its ability to advance the broader goals of the city.



In determining current and future sustainability of the Cornerstone Companies, this report considers the past and current state of each segment of the sustainability cycle across all Cornerstones using data and testimonials provided through Calgary Arts Development's grant investment programs. Central to the findings is that diminishing or stagnant resources have been steadily reducing capacities of the Cornerstones to deliver on their mandates. If resources cannot keep pace with inflation, some organizations will be forced to dramatically reduce programs or close their doors altogether.

At the same time as capacities have been shrinking, Calgarians have been more active than ever as audiences and participants in Cornerstone programs. This growing demand from citizens is matched with a growing acknowledgement from the City and its partners of the importance of vibrancy and human connectedness in advancing the social and economic goals of key City strategies. The Cornerstones are major drivers of both vibrancy and human connectedness.

This framework provides a mechanism for identifying strategies that would bolster Cornerstone sustainability and move them from a vicious to a virtuous cycle.

“As a business person, I use my theatre training and experience every day. Sometimes it's in ways you'd expect whether I'm dealing with staff, partners or making a sale: knowing my audience, listening, telling a compelling story, being clear with my message - and most importantly - knowing when to shut up. But more importantly, I'm going to learn more about living in Alberta from Death of a Salesman, from King Lear from Jake and the Kid and from Mary's Wedding than I ever get from Costco.”

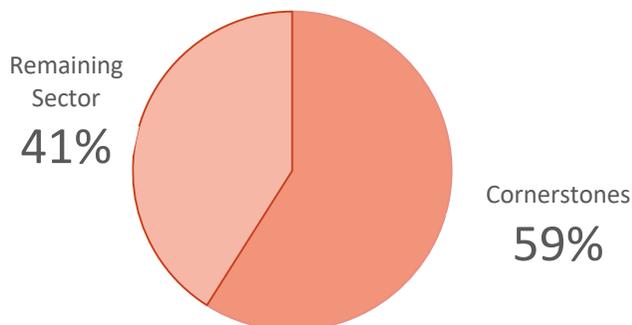
**Dave Kelly,
Executive Producer Kelly Brothers, Theatre Artist, TV Personality, Community Leader**

The Cornerstones are an engine of Calgary's arts ecosystem.

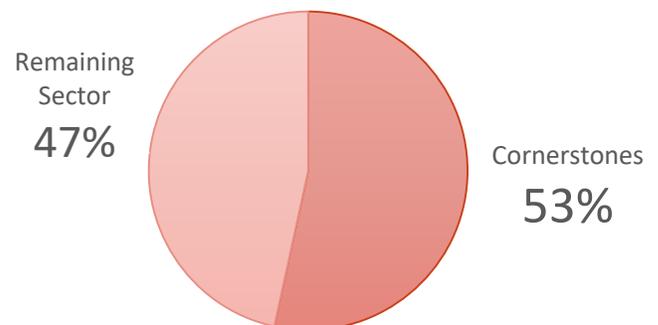
Calgary Arts Development supports 160+ organizations on behalf of the City of Calgary through their Operating Grant Investment Programs. Ten of these organizations represent the Cornerstones: Alberta Ballet, Calgary Opera, Folk Festival Society, National Music Centre, Alberta Theatre Projects, Theatre Calgary, Glenbow, Calgary Philharmonic Orchestra, One Yellow Rabbit and Theatre Junction GRAND. The Cornerstone Companies hold an important place within Calgary's arts ecosystem as cultural assets, tourist attractions, educational institutions and community builders that support Calgary's high quality of life, vibrant downtown and diversified economy. They drive economic impact, support full-time employment and contribute heavily to the artistic vibrancy of the city. Cornerstone Companies had a combined direct economic output of \$69,015,934 in 2016 accounting for 59% of the economic output of all organizations funded by the City of Calgary through Calgary Arts Development's operating grant investment programs and provide 53% of the sector's 664 full-time equivalent employment (for 2015/16). Of the almost 4,000,000 Calgarians who experience the arts every year, one in three does so through a Cornerstone Company.

The health of the Cornerstones and their ability to make investments in programs that focus on arts incubation, artist employment, audience development and arts education supports the health of Calgary's entire arts ecosystem. While this framework focuses on the Cornerstones, this model and many of the key findings apply to the breadth of organizations supported by Calgary Arts Development.

Economic Output of Cornerstones



2015 Full-Time Equivalent Staff



The Cornerstones play a key role in advancing the goals of the City and its partners.

The Cornerstone Companies are important contributors to the quality of life of all Calgarians. They directly advance several goals of The City of Calgary and its partners' key strategies including *Living a Creative Life* (CADA), *Building on Our Energy—an Economic Strategy for Calgary* (CED), *Calgary Ultimate Hosts Ultimate Host City Destination Strategy* (Tourism Calgary), *A Cultural Plan for Calgary* (City of Calgary), *Calgary's Triple Bottom Line Strategy* (City of Calgary), *One Calgary Plan* (City of Calgary), *Quality of Life Strategy* (City of Calgary), *Municipal Development Plan* (City of Calgary) and impacts from the *City Resilience Framework* as part of the 100 Resilient Cities Initiative.

When properly balanced and virtuous, the cycle produces strong outputs that feed the vibrancy of the sector and the city and directly contribute to meeting City goals. The following chart indicates the goals and objectives of key City approved plans that are furthered by sustainable Cornerstone organizations as well as the types of inputs required by Cornerstones to provide these outputs.

INPUTS

Financial Resources: public grants and other supports municipally, provincially and federally; earned revenue through tickets and fees; and contributed revenue through sponsorships and donations (including endowment revenue).

Human Resources: staff, contractors and volunteers.

Capacity: fixed assets (including infrastructure), technical and administrative tools and competencies, and the adaptive capacity of organizations to be flexible, responsive and innovative.



RESOURCES

CAPACITY

REACH & RELATIONSHIPS

PRODUCTION & CREATION

OUTPUTS

Building on Our Energy: An Economic Strategy for Calgary (CED)

- Grow the Creative industries and the digital economy
- Establish new and support existing hubs of innovation
- Address greater connectivity between Calgary's primary cultural, recreational and commercial districts in the Centre City
- Establish Calgary as an artistically vibrant city and cultural destination in Canada
- Showcase Calgary's urban assets to the world and increase citizen participation in events and festivals
- Grow tourism through enhanced local attractions
- Collectively map, develop and implement a welcoming program for newcomers to Calgary

A Cultural Plan for Calgary (City of Calgary)

- Grow Calgary's cultural sector and creative industries
- Activate Culturally vibrant neighbourhoods and districts
- Maximize Calgary's diversity advantage
- Conserve and celebrate Calgary's built, natural and Indigenous heritage
- Reinforce the City Centre as the cultural heart of the City

Calgary Destination Strategy (Tourism Calgary)

- Attract, develop, enhance, promote and strengthen premier cultural experiences year-round
- Make Calgarians and visitors aware of the events, festivals, performances and experiences available to them.

Living A Creative Life: An Arts Development Strategy for Calgary (CADA)

- Calgary strongly attracts artistic talent to live, work and achieve artistic excellence
- Calgary is regarded as a world-class city because its artists, arts organizations & presenters import and export the highest quality of work on regional, national and international markets
- Calgarian's enjoy access to a rich spectrum of arts experiences
- Calgary's youth become highly engaged & innovative citizens
- Calgary's communities enjoy access to a rich spectrum of arts experiences
- Calgary's Centre City radiates creative energy from the core out, making it a destination for Calgarians and Visitors alike.

The Cornerstones are in a vicious cycle that needs intervention to be sustainable.

I have had the opportunity to represent the Calgary Opera board at several opera trustee forums throughout North America and our partnership with the Calgary Stampede to create a Community Arts Centre as part of their youth campus stands out as unique, forward thinking and importantly, will allow us to increase collaborations exponentially. The Calgary arts community is resilient and Calgary Opera in particular is at the forefront of not only adapting to the current environment, but improving the arts and culture experience during this difficult time.

However, to accomplish these objectives, it is important we continue to build support from individuals, government and business.”

Jackie Pyke, Board Member, Calgary Opera



Key Finding: Working capital and operating reserves are diminishing. Granting remains frozen and operating reserves are being eroded while the gap between revenues and expenses is growing. Revenues come from government grants, contributed revenue (sponsorships, corporate and individual donations), and earned revenue (tickets, program fees, rentals). (see pg. 8)

Priority Intervention:

Increase reliable, stable financial investment that supports business operations.

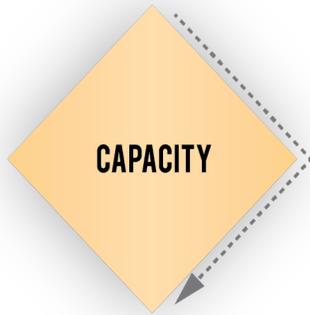
- ⇒ An annual municipal investment of an average of 8% of Cornerstone Companies' operating budgets (currently at 3.5%) would have a profound effect on the ability of organizations to operate with sufficient working capital, maintain operating reserves for “rainy days” and potentially grow opportunity capital to support experimentation and course correction. All critical factors in sustainability.

Increased stable operating capital is the key to creating a virtuous cycle, and would activate greater success in building capacity and achieving artistic and community impact goals (outputs), including:

- ⇒ Building a stronger workforce—reliable, stable operational funding can help support competitive wages and professional development opportunities to contribute to a stronger, more sustainable workforce that is right-sized to deliver against existing activity levels and expectations. Organizations can also work to enable a more diverse workforce by removing barriers to allow the entry and training of diverse staff.
- ⇒ Ensuring greater vibrancy in Centre City to attract business, a talented workforce, and visitors to Calgary.
- ⇒ Increasing resilience in the arts sector.

The Calgary Philharmonic Orchestra is a cornerstone musical organization and defining feature of Calgary's civic identity. Music comes first at the CPO. We have a streamlined, efficient organization with maximum resources focused on making great music. We engage and serve our community musically, socially and educationally. The CPO is an open, mutually respectful community of musicians, staff and stakeholders that celebrates creativity and diversity.

Paul Dornian, CEO, Calgary Philharmonic Orchestra



Key Finding: Capacity is strained. Demand is outstripping capacity and limiting the ability for organizations to adapt to changing demographic and consumption patterns. (see pg. 9)

Priority Outcome: Enable capacity growth and adaptation through innovation and technology

⇒ In 2015 Calgary Arts Development partnered with the Alberta Foundation for the Arts (Government of Alberta), Calgary Foundation, Suncor Energy Foundation, and the Edmonton Arts Council on a program to assist organizations become more adaptive and resilient.

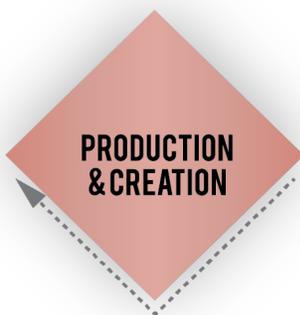
⇒ Although considerable work has been done to support adaptive

capacity, Cornerstone Companies have identified a further opportunity to support organizational adaptation through the use of technology and digital tools to better serve the needs of today's audiences and participants.

⇒ Access to enhanced technological tools and skills will enable in-depth market knowledge in order to better understand and meet the needs of Calgarians, including those investing in the sector as sponsors and philanthropists. Through the use of data, Cornerstones will be able to create more customized arts experiences for Calgarians in ways that align with their wants.

Thanks to the Rodeo, I was able to see some of the most incredible theatre I've ever seen in my entire life and I am eternally grateful. My career as an artist has been so inspired lately by my chance to watch artists do their thing and also have the chance to speak with them.

HPR Rodeo Beautiful Young Student Attendee



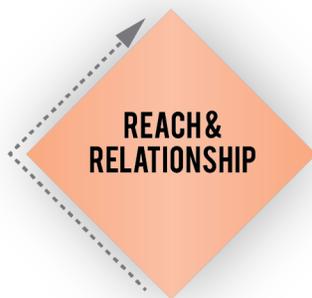
Key Finding: The number of accessible programs and the number of artists and creative industry workers that are engaged is shrinking. Free programs or programs that do not generate revenues from ticket sales or sponsorships are being reduced, even though they may have great community value and impact. (see pg. 10)

Priority Outcome: Enable organizations to continue to provide affordable and accessible programs for all Calgarians that also support artists, the creative industries and keep jobs in Calgary.

- ⇒ Enable Cornerstone Companies to continue making significant contributions to the reputation of Calgary and Canada through the creation of original works that tell our stories.
- ⇒ Enable Cornerstones to provide low cost or free education and outreach programs that deliver community value and impact.
- ⇒ Provide sustainable operating funding in order to enable Cornerstones to spend more of their time and energy cultivating corporate and individual donations to support education and community outreach programs, to produce large-scale productions, and to take creative risks.
- ⇒ Provide conditions for the creative industries to flourish. There are strong relationships between the non-profit arts sector (the living lab) and the creative industries. The non-profit sector develops talent and skills, and creates content, which strengthens the creative industries and provides jobs for creative industry workers.

I teach a series of large lecture courses at the University of Calgary each of which requires students to see four plays per semester. As a result, thousands of my students have attended shows. The single most important thing in arranging this program is the “\$10 Ticket Thing” promotion. It allows students to afford professional shows that would otherwise be out of their reach. The students who come with me to your shows come from all different faculties and from countries around the world. By making your shows accessible to them you increase the reach of your work and build valuable relationships in the community.

Professor Patrick Finn, School of Creative & Performing Arts



Key Finding: There is increasing demand for Cornerstones to do more with less. More Calgarians are engaging with the arts and many are seeking free or low cost programs. The City and its stakeholders are relying on Cornerstones to play a key role in advancing many City quality of life objectives. (see pg. 11)

Priority Outcome: Enhance citizen benefit by supporting a vibrant city centre and accessible cultural experiences that reflect the many faces of Calgary through Cornerstone programs.

- ⇒ Unlock Cornerstones’ ability to place a priority on creating innovative work by and with culturally diverse and equity seeking communities including local stories that capture local history.
- ⇒ Stronger Production & Creation will enable Cornerstones to focus more energy and resources to increasing reach and strengthening relationships.
- ⇒ Stronger Production & Creation will strengthen local community relationships and generate an increased sense of belonging, Cornerstones need to develop creative partnerships with communities. This includes things such as community labs and programs that encourage public interaction. These will provide mutual benefit to advancing the goals of all partners and the community.

Supporting Research

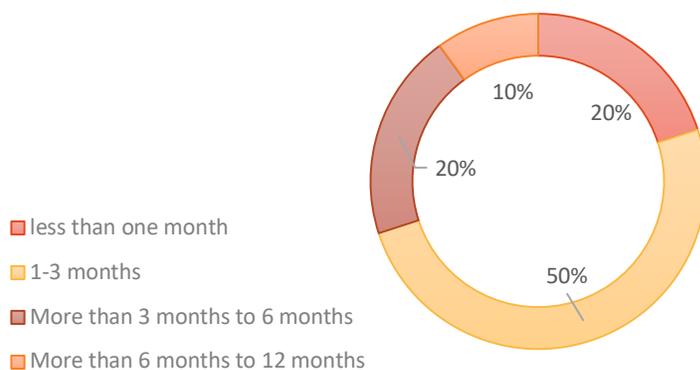
Resources

Consideration was given to working capital; operating reserves; change, risk and opportunity capital; facilities and equipment capital; and endowment capital.

Key Finding: Working capital and operating reserves are diminishing

Granting remains frozen and operating reserves are being eroded while the gap between revenue and expenses is growing. Sources of revenue include grants from all three levels of government, contributed revenue from corporations, individuals and foundations; and earned revenue from ticket sales, program fees, rentals, etc.

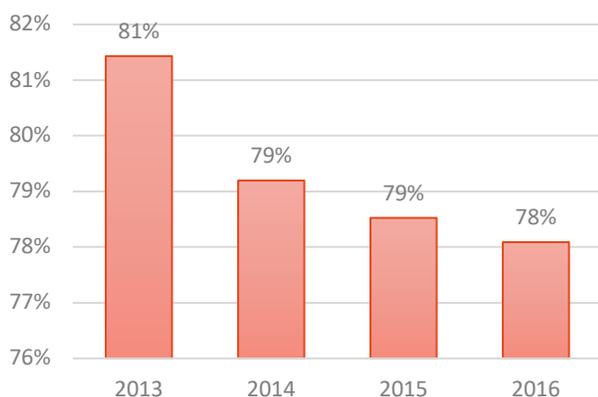
2016 Operating Reserves



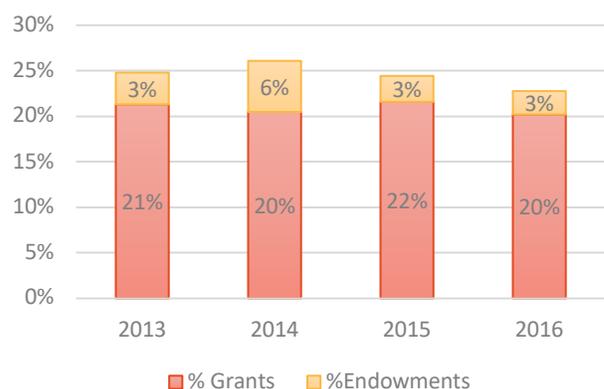
This graph shows that 90% of Cornerstones have less than six months of operating reserves. This is well above the average 62% of organizations in the overall non-profit sector that have operating reserves less than six months, however it is in line with operating reserve tendencies amongst arts and culture non-profits of all sizes.

Expenses are rising with the cost of inflation at an average of 3.35% per year while grants that make up for the gap between revenue and expenses remain stagnant. Some organizations have had to dip into their endowments to operate (which erodes their sustainability), while those without endowments (70% of Cornerstones) are faced with incurring debt to operate.

Total Earned & Contributed Revenue in Support of Expenses



Total Grants and Endowments in Support of Expenses



Capacity

Consideration was given to full-time employees, part-time and seasonal employees, and board members and volunteers; fixed assets; technical tools and competencies; administrative tools and competencies; the ability to be flexible and responsive; and the ability to incubate and innovate.

Key Finding: Capacity is strained

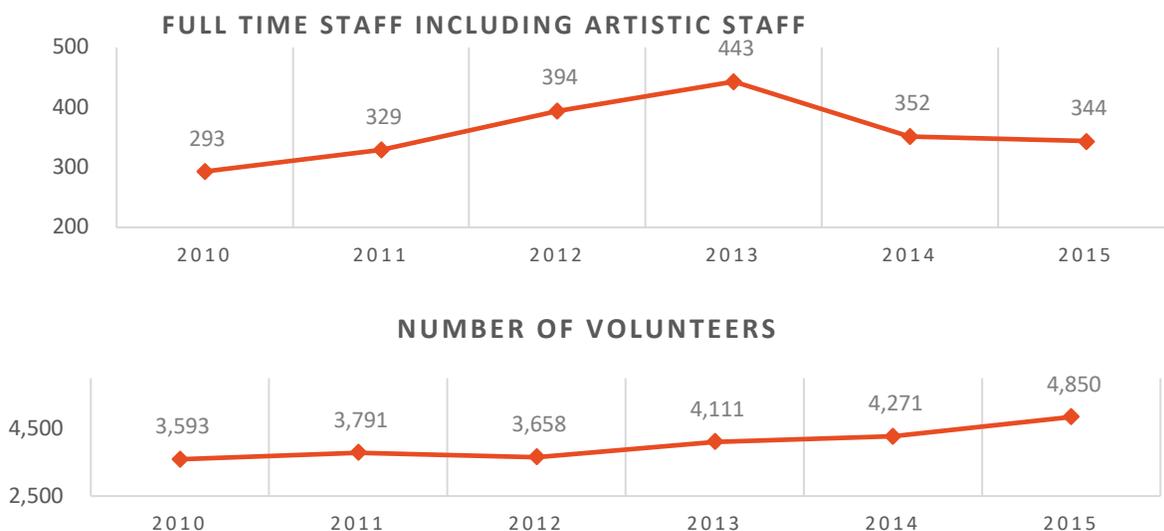
With insufficient operating support, demand is outstripping capacity and limiting the ability for Cornerstones to maintain staff and to adapt to changing demographic and consumption patterns.

Adaptation requires both the ability to be flexible and responsive and the ability to innovate and incubate. Cornerstone Companies struggle with basic capacities to meet growing demand and keep up with inflation. The need for adaptation is a universal issue facing all non-profit organizations. Like other creative industries such as publishing and media, the arts need to adapt to the changes in consumption driven by technological advances and the changes in audience driven by the diversification of the population to reflect a global perspective.



*Compound annual growth rate (2010 – 2015/16)

Organizations are relying more and more on seasonal employees and volunteers to operate and do not have the capacity to experiment, take risks or build their technical competencies to meet the changing market needs.



Production and Creation

Consideration was given to existing programs, development of new programs, touring and exchange, and arts incubation.

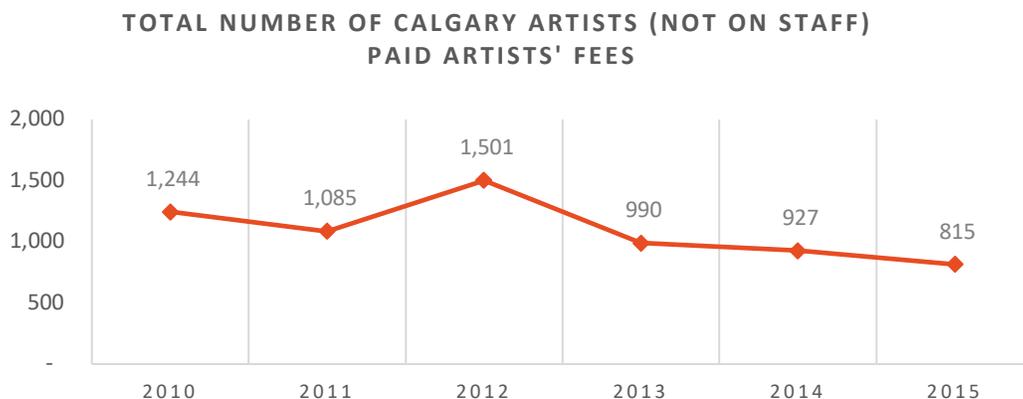
Key Finding: The number of accessible programs and the number of artists and creative industry workers that are engaged is shrinking.

An outcome of limited capacities due to insufficient working capital is that the number of free programs are being reduced in favour of programs and activities that drive earned revenue (tickets and fees). All programs and activities available to the public (ticketed and free) have reduced by 34% between 2012-2015 while free activities have reduced by 58% during this same period. At the same time, Calgarians are seeking out free or low cost programs and attendance for these activities is increasing (see attendance figures, page 11)



*this represents programs that have zero cost to the participant. There are many other low-cost programs being offered at a subsidy to Calgarians. Even at full price, ticket fees do not cover the true cost of production, so it could be argued that all activities are subsidized to one degree or another.

At the same time, productions and programs that require larger numbers of professional artists to be paid artist fees are being reduced. With the exception of 2012, when the Calgary Folk Festival engaged hundreds of local artists in a two-day opening celebration of Festival Hall, the number of Calgary artists paid professional fees has been on a steady decline since 2010.



Reach and Relationships

Consideration was given to ticket buyers and participants, new market development, partnerships, awareness within Calgary and awareness outside of Calgary.

Key Finding: The Cornerstones could play a far greater role in advancing many City quality of life objectives.

92% of Calgarians engage with the arts either through arts attendance, arts creation or through media. 86% believe the arts bring people together and enable people to connect to each other, and 79% believe that a strong arts and culture scene is key to creating a vibrant, safe and prosperous city. The Citizen Satisfaction Survey tells us that 80% of Calgarians believe that support for arts and culture including festivals is somewhat or very important. These statistics demonstrate how the arts are not elitist or exclusionary, but are important to the vast majority of Calgarians.

Calgary demographics are shifting with an ever-growing number of people coming to Calgary from international markets. This new growing population is an opportunity for Cornerstones to expand their market reach, but it will require an increased level of engagement to attract and retain these new audiences and participants.

At the same time as Calgary's population grows, the total number of attendees at Cornerstone organizations steadily grows (driven in part by the opening of the National Music Centre and Festival Hall). This growing audience finds connections to others and a sense of belonging through the arts. With insufficient operational funding, Cornerstones are working too close to the bone to afford time and resources for strategies that will reach new audiences and develop important relationships.

2.3% Largest increase in population growth among major Canadian cities

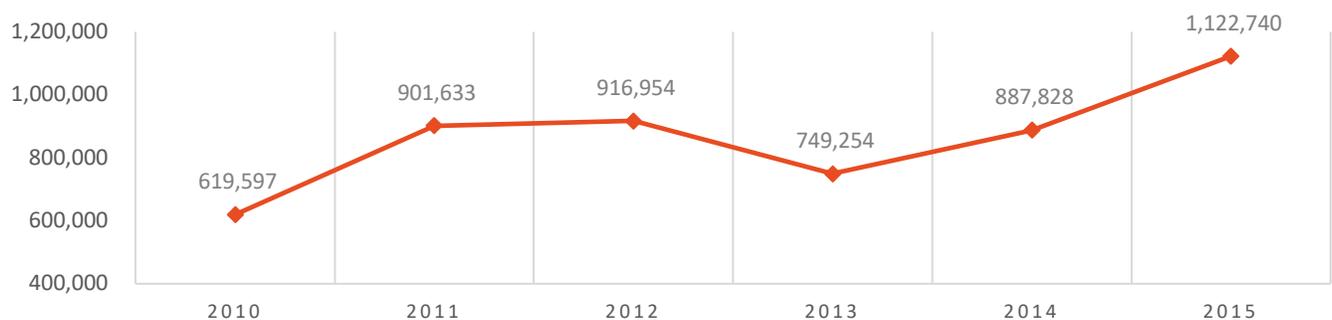
1st Youngest population among Canada's major metropolitan cities

59.7% Of people moving to Calgary came from international markets

Calgary is **Canada's Third Most Diverse City**

Calgary Economic Development Demographic Statistics

TOTAL CALGARY ATTENDANCE



The City is planning for the future quality of life for its citizens through a series of strategies that rely in part on the health and contribution of the Cornerstones to be fully realized. These plans, and more, identify the arts and specifically the downtown arts sector and Cornerstones as important drivers to many of their outcomes and goals:

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

Moving Forward

This sustainability framework can be applied to the entire arts sector, or sub-sector (as is the case with the Cornerstones) or even to an individual organization to assess their sustainability and to identify interventions that may be necessary to build a virtuous and sustainable cycle.

The Cornerstone sustainability analysis contained in this report and proposed interventions reflect current circumstances and their effect on the sustainability of Cornerstone organizations. Cornerstones are currently experiencing a reduction of sponsorship and other contributed revenues along with steady inflationary growth of expenses. Cornerstones rely on operating grants from all three orders of government to bridge the gap between revenues and expenses, however municipal operating funding for Cornerstones has been frozen for the past eight years, not keeping pace with inflation. It is a priority to address this softened municipal operating support and to work to strengthen it to be able to ensure that Cornerstones can continue to operate sustainably and to provide lasting citizen benefit.