

**Future Governance Options  
For  
Victoria's Historic Community Theatres**

A Summary of Conversations about Theatre & Performance Space

Prepared for the City of Victoria's Committee of the Whole  
April 25, 2019

Respectfully Submitted  
Councillor Marianne Alto

## **At the Start**

In 2017, Council asked Councillors Madoff and Alto to convene a working group in conjunction with Royal and McPherson Theatres Society (RMTS) Board Directors and Staff for the purpose of seeking additional municipal support for the McPherson Theatre, beyond the status quo.

Council received and adopted a workplan proposed by Councillors Alto and Madoff, which identified the work necessary to accomplish that purpose, including further consideration of the linkages between the McPherson and Royal theatres.

The core work team included Byron Smith (former RMTS Chair), Lorne DeLarge (current RMTS Chair) Lloyd Fitzsimonds (RMTS executive director), Randy Joynt (RMTS Manager of External Relations), Pamela Madoff (former Victoria City Councillor), Marianne Alto (Victoria City Councillor), Jocelyn Jenkyns (Victoria City Manager) and Nichola Reddington (Victoria City Senior Cultural Planner).

The core work team met seven times to script a baseline and locally adapted presentations, connect with other municipalities to schedule Council presentations, prepare notes from those presentations, discuss issues emerging from those presentations, and map out a way forward.

Initial presentations were made to eleven municipalities: View Royal, Highlands, Metchosin, Saanich, Colwood, Langford, North Saanich, Oak Bay, Sidney, Central Saanich, and Esquimalt. A presentation to Sooke municipality was unable to be scheduled.

After this first round of presentations, seven municipalities agreed to participate in further focused discussions about the future of the Royal and McPherson theatres: View Royal, Highlands, Metchosin, Colwood, North Saanich, Oak Bay, and Sidney. Two municipalities opted to consider participation after receiving more information about other municipalities' interest: Saanich and Esquimalt. Two more municipalities considered the matter further at full council or committees of the whole later on: Langford and Central Saanich.

The core presentation was tailored to reflect detail and data pertinent to each municipality, showing how many local residents patronized both theatres, what benefits accrued from community and commercial performances, and a host of related local and contextual information. Two to five members of the core work team presented to each municipality.

## **Along the Way**

While the core work team's original workplan anticipated wrapping the project by mid-year, the calendar of municipal council meetings challenged that outcome with the simplest of realities – most municipalities hold their Council meetings on Monday evenings, not all municipalities could accommodate the presentation on an upcoming agenda, and not every Monday hosted a Council meeting. While 'doubling up' did occur (Sidney and Central Saanich were addressed the same evening), presenting to 11 municipalities necessarily stretched over months, following weeks of coordination.

Additionally, as the project unfolded and evolved, the questions posed by Council members from around the region demanded a re-evaluation of the time and process needed to engage interested municipalities in a meaningful way, and provide ample opportunity for input, advice and collaboration.

In corollary processes, the City created its *Arts and Culture Master Plan*, and the CRD created its regional arts and culture plan, *Building Our Arts Future*. In both cases, the roles, relationships and places of the Royal and McPherson theatres in the cultural and spatial environment of the City and region were purposely excluded, or overlooked. Discussion of the theatres' interface with the plans was added to this Project.

As a result, the core work team proposed a subsequent phase of work. The team met a further dozen times planning and preparing the different aspects of Phase Two.

## **Coming Together**

Phase Two included an interim update on the project, provided to the 12 CRD municipalities, with an accompanying cover letter from Mayor Lisa Helps to Mayors and Councillors, referencing both confirmation of participation in Phase Two by those who agreed to do so, and a further invitation to participate to those that were non-committal.

Another letter from Mayor Helps was later sent to each municipality that expressed an interest in being part of the conversation, inviting those municipalities to send one or more elected representatives to participate in further collective conversations, to be held as round table discussions at Victoria City Hall. These letters included additional details about the content of Phase Two processes and expectations.

View Royal, Highlands, Colwood, North Saanich, Oak Bay, Sidney, and Saanich confirmed their interest in participating in Phase Two conversations. Three such conversations were planned and organized.

At the first of those conversations, elected Councillors from View Royal, Highlands, Colwood, North Saanich, Oak Bay, Sidney, Saanich, Esquimalt and Sooke participated.

Conversation One included a recap of the base presentation, a review of the theatres' current state, issues of governance and funding alignment, current barriers to maximizing impact, value of arts and culture and more in-depth detail of issues as had been requested by participating municipalities. As well, there were presentations of current and potential cost sharing models, responses to questions arising from the presentation sessions, and discussion of the role, relationship and place of the Royal and McPherson theatres, their governance, funding and operation, in the context of Victoria's emerging *Arts and Culture Master Plan*, and the CRD's *Building Our Arts Future*.

At Conversation Two, elected Councillors from View Royal, Highlands, Colwood, North Saanich, Oak Bay, Sidney, Saanich, Esquimalt, Sooke and Central Saanich participated.

Conversation Two included extensive presentations on the finances and operations of the theatres, economic and social values of arts and culture, five possible governance models, and a compilation of participants' ideas and comments from Session One. Each participant was given a flash drive with all this information, plus several external arts and culture reports and analyses. At this session, a further model evolved organically from the participants – that of a limited but multiple ownership model including a pilot trial under an operating agreement reflecting some of the aspects of the operating agreement used by the Greater Victoria Public Library.

At the third conversation, elected Councillors from View Royal, Highlands, Colwood, North Saanich, Saanich, Esquimalt, Sooke, Central Saanich and North Saanich participated.

Conversation Three provided an opportunity for conversation and participants' further comments about potential governance options for RMTS, the McPherson and Royal theatres, and future funding alignments.

At the conclusion of Conversation Three, participants decided one further session would help clarify their comments. This fourth session allowed for a final round table including a review of all the preceding sessions, topics, conclusions and possibilities, and a 'blue sky' conversation about how theatre and performance spaces would be designed, owned and operated in a near-perfect future, and what steps might begin the journey toward that future.

A summary of the questions, concerns and ideas raised by Councils during the initial presentations, and by Councillors at each subsequent conversation session, is attached as Appendix A.

The City of Langford chose not to participate beyond the initial Phase One presentation to its finance committee. Despite expressing initial interest in ongoing participation, the District of Metchosin also opted not to participate beyond Phase One.

### **Future Governance Model Options**

While conversations provoked many ideas and possibilities for future governance of the theatres, these five scenarios arose most frequently throughout the project.

#### **1) Status Quo**

In this scenario, the McPherson and Royal theatres remain in their current state of governance, jointly governed by the RMTS, but with separate balance sheets, considered and operated as separate entities. Each has a different funding source (McPherson solely supported by the City of Victoria, the Royal funded jointly by the City of Victoria, the District of Saanich and the Municipality of Oak Bay). Funding for the theatres has been, and likely will remain static, unless there is a significant change in commitment from all ownership municipalities.

According to participants, the consequences of this option could be that the Royal theatre would likely need to focus on higher-margin commercial business to be financially sustainable, as its capacity suits the larger audience volumes demanded by touring shows and commercial performers. Local non-profits and long-time users may lose the special status and substantial discounts they presently receive at the Royal, as the mix of commercial/not-for-profit may need to change. The theatres may not be financially sustainable over the long term.

The McPherson funding approach would not change significantly as its size organically accommodates smaller-draw performers, local shows (including school performances) and performances that draw a limited or declining audience base. This accommodation may complement a more commercial bent at the Royal, as the McPherson could accommodate a greater number of smaller performances and performers that suffer from playing to a half-full, larger Royal theatre.

Participants generally expressed the view that the status quo is not sustainable over the long term.

This scenario spoke to the synergies that would arise if the McPherson and Royal theatres were aligned from an ownership, funding, and management perspective, as shows could be booked into one or the other maximizing each theatre's 'match' to each performance need and capacity.

2) McPherson ownership moves completely to the CRD.

In this scenario, both the McPherson and the Royal remain under the management of the RMTS, but the McPherson becomes more or less a regional 'service', funded via the CRD in much the same way as other regional services, based on population. As with some current CRD arts programs, municipalities may choose not to contribute or participate, although, as with other CRD services, all CRD municipalities are encouraged to participate in the funding, recognizing the regional benefit of such services.

Three (or more) financial partners/owners would remain in control of the Royal (Victoria, Oak Bay, Saanich currently).

Operating budgets could become combined, so surplus revenue from one theatre could be used to support work in the other theatre. The theatres benefit from the economies of scale arising from joint management.

With reliable, consistent, indexed funding, the RMTS continues to manage the McPherson and the Royal with a mandate to support local arts production while hosting commercial work when time allows, thus enabling RMTS to be more financially able to support not-for-profits locally.

Participants expressed cautious interest in this scenario.

This scenario could also include the CRD taking over management for the McPherson and Royal theatres, although participants were not predisposed to this option, expressing concerns about the CRD's capacity to operate and manage the theatres, and the potential financial burden that would place on participating municipalities.

Participants also discussed a related scenario in which both theatres were sold or gifted to the CRD, resulting in complete CRD responsibility for both theatres. Concerns were expressed similar to those noted in the previous CRD-both-theatre-management scenario, and participants said they would need a further, detailed exploration of this scenario before being able to support it.

3) Ownership vests with the CRD for both theatres, while interests are held by investors municipalities.

In this scenario, the CRD would hold title while 'beneficial interest' (the use, occupancy, earned income from) remains with the contributing municipalities.

To create this reality, there would need to be a legislative, bylaw-based funding guarantee, to create a level of certainty and continuity. There would also need to be an annual, formal, required reporting relationship to ensure transparency in operations and management, and a solid bond among, and interest by, the owners.

RMTS could hold beneficial ownership in trust for the CRD, and should the RMTS cease to exist, ownership would revert entirely to the CRD.

Participants were unclear about the benefits of this scenario.

4) Victoria repatriates the McPherson Playhouse ownership, operation & management.

In this scenario, management and financing of the McPherson is determined exclusively by City of Victoria. The financial and management expertise and subsequent benefits of managing the two theatres jointly are lost.

Funding for the Royal doesn't change, creating the risk that the Royal necessarily becomes more commercial, causing the local non-profits to lose the special consideration and discounts they presently receive. The McPherson, due to its size would continue to attract lower margin and smaller shows. Administrative costs will rise as those functions can't be shared. Participants believed that there is a strong possibility that costs to operate a stand-alone McPherson basis will rise, and that any current synergies (marketing, website, management expertise etc.) will be lost.

Participants wondered why the City would take on this scenario, although some expressed the opinion that this would most closely reflect the benefits accrued by the City from the theatres' location.

5) One organization owns the McPherson & Royal including the adjacent parking lot at Royal.

In this scenario, a single non-profit organization purchases, or is gifted, both theatres, to own, operate and manage outright.

This establishes an independent operation that is dedicated to best practises in performance spaces, and while funding alliances with public and private funders, such as government, foundations, corporations and individual donors would be critical, autonomy in operation and management would allow for a broad latitude of presentations in the two theatres.

Participants identified favourably with this option, while acknowledging its associated risk.

## **Emerging Consensus**

Generally speaking, while after extensive conversation, reflection and consideration, there did not emerge firm support for any one governance scenario, a notable degree of consensus among the participants emerged on five different aspects of McPherson and Royal theatre governance. While not forming recommendations *per se*, the degree to which these ideas were repeated or restated indicates a strong basis for future consideration.

### Alignment – common ownership and funding

In an aligned ownership and funding model, the Royal Theatre and McPherson Playhouse would have the same owner and receive funding from the same municipalities via the CRD, as recommended by a new, dedicated CRD subcommittee, subject to approval by the CRD Finance Committee and the CRD Board.

This would provide clarity of oversight for the participating municipalities. It provides the mechanism for the Royal and McPherson Society (RMTS) to report each year on its use of funds and accomplishments, via the CRD Finance Committee and/or the CRD Board. Strong bylaws with respect to the governance, reporting, and funding would provide certainty for the participant funders, the RMTS and, ultimately, the Theatres.

### Funding – Two capital grants and a single operating grant

Under the current two-operating grant model, the two theatres are competitors.

A single, joint operating grant model recognizes that the two theatres, in fact, form a single performing arts centre with a main stage and a smaller, “incubator” stage. Most large public theatres across the country have multiple stages; new theatres are rarely built without this in mind. The Royal is typically more successful at bringing in large, for-profit performances that can subsidize increased access to the McPherson for local non-profit groups.

For internal performance management purposes, the Society would continue to keep accounts on a per-theatre operating budget. However, in recognition of the reciprocal relationship between the two theatres, a single operating grant from the participating municipalities would maximize efficiency.

Each theatre would have separate, dedicated capital funds, to maximize granting and fundraising opportunities for specific infrastructure needs.

### Ownership

Title of the Royal Theatre and McPherson Playhouse would be aligned and held at the CRD. The ultimate beneficial interest in the theatres would belong to the participating municipalities. The CRD would provide funds to the RMTS pursuant to an operating agreement, and based on a new reporting and governance structure.

### Governance (Owners level)

A special subcommittee of the CRD Finance Committee would be struck consisting of:

- Municipal councillors who also sit on the RMTS board;
- Municipal appointees (e.g. respective department of finance representatives and/or community representatives); and
- Representatives of CRD Finance.

At this level, the recognition of differing contributions by the municipalities could be reflected in the number of seated positions on the subcommittee, or the number of effective “votes”.

The RMTS would report to this sub-committee on an annual basis, including presentation of the Society's annual budget, as approved by the RMTS Board. If desired, reports and/or presentations could also be made to the CRD Finance committee and/or the CRD Board.

The sub-committee would be responsible for making recommendation to the CRD Finance Committee with respect to the provision of operating and capital funds of the theatres to the Society, as well as approving the CRD-appointed members of the RMTS Board of Directors. <sup>(1)</sup>

### Governance (Society level)

The bylaws of the RMTS currently require that each financially participating municipality appoint one councillor to its Board. No change to that practice was suggested.

The bylaws of the RMTS require that the majority of the directors be made up of the municipal councillors and individuals appointed by the CRD. The only change hypothesized here, is that the aforementioned subcommittee of the Finance Committee would be responsible for approving these appointees and recommending them to the CRD Board.

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<sup>(1)</sup> It should be noted that such a committee, with a slightly different structure and representation, has now been struck – the *Royal and McPherson Theatre Society Advisory Committee* is a sub-committee of, and reports to, the CRD Finance Committee.

The remaining RMTS Board members are elected by the Board itself at an annual general meeting. The RMTS currently has a well-developed and active “Board Development Committee”, which reviews a “skills matrix” each year, with a view to identifying and searching out candidates to oversee the current and anticipated issues in the Society’s future. Depending on the given year, skills in architecture, finance, legal, arts, or public communications may be sought. This process reflects common practice and no change is suggested at this time.

## **Conclusions**

This project set out to determine the level of interest in broadening investment in and responsibility for the operation, ownership and management of the McPherson and Royal theatres, historic performance halls that serve the broad tastes of the region.

In taking the journey of information sharing, conversation, imagining, debating and really listening to one another, elected representatives from 11 of the CRD’s 13 municipalities delved deeply into a range of issues that explored the pros and cons of different possible governance options for the theatres.

Ultimately, two conclusions resonated with all participants.

1. The issues testing the governance of these two theatres is symptomatic of the over-arching arts and culture challenges facing local governments as populations grow and move, communities densify and become more diverse, demographics shift, audience tastes and expectations change, transportation evolves, and budgets become tighter.
2. If the region is to meet and manage these challenges, while valuing, supporting, and nurturing arts and culture performance, more work needs to be done, in particular the work that was absent from recent planning – a region wide inventory and analysis of performance spaces in the CRD, with identification of gaps and needs, and strategies to fill and fulfill them.

## **In the End**

The work in both Phases of the project has informed this final report to Victoria Council, summarizing conversations that imagined possible future actions on the governance and funding of the Royal and McPherson theatres, suggesting the need for future work on a regional inventory and analysis of theatre and performance space capacity.

This content reflects the outcomes of region-wide municipal outreach, responses thereto, engaged collective discussion and deliberation, and the collaborative vision of a region with multiple theatre and performance spaces, accommodating the broadest possible range of local, regional and professional performances appealing to the region’s exploding, diversifying population.

This report will be shared with the CRD and its municipalities for their information and consideration. A further update may emerge should additional substantive input arise after this report is shared with participating municipalities.



## Appendix A

### Questions, Comments & Ideas from Municipal Participants in Phases One & Two

*\* A number in a bracket following a comment, such as (3), indicates the number of times this or a near-identical comment was made during the conversations. Comments have been ordered to reflect this emphasis.*

It seems to me that some kind of aligned ownership of the two theatres has the best chance of being efficient in operation and management, and in using the theatres to their best capacity to offer diverse presentations. One theatre can compensate for the other when one is making money and the other isn't, especially when the one in the red is in that place because it is catering to local not-for-profit groups. (9)

There really ought to be just the one funding pool – whether that is via the CRD, or municipal owners, or some other funding model. The two theatres shouldn't be going after the same sources – it makes them act as if they are competitors when really, they are serving the same communities, just with different abilities, capacities, offerings. (7)

There is a patchwork of governance among all the theatres in the region. (7)

What we really need is a regional assessment of available theatre and performance space – what do we have? What do we need? How do we close the gap between the two? (7)

Why wasn't this conversation part of the CRD arts strategy? This should be part of a larger conversation about regional assets and capacity. (6)

There seems to be a natural synergy between the McPherson and the Royal. How do we maximize that? Do they two theatres need to be part of one management program, or one ownership model? It sounds like having them operate together would mean the one could complement the other, and the bookings could be tailored to the performer, the audience, and the staging. (5)

Appreciate an analysis of the impact of the fixed public money contribution – what is today's real value of the 1998 dollars? How is it reasonable to expect that any organization reliant on public funding for some portion of their operations could be expected to continue to operate without any increase in that funding? (5)

Should we pursue partnerships beyond the public sector? What about commercial sponsorships of facilities ('naming rights')? Public/private partnerships? (5)

Have we measured how/if the union scale paid to workers at the two theatres affects their usage? And if the non-union stages have greater use by the non-profits? Is there a correlation between use and union/non-union scales? (4)

Regardless of who owns the theatres, there needs to be a better, more transparent way for them to report out on their activities, successes, failures, progress etc. (4)

There seem to be only two pots of funding – CRD arts funding and municipal funding – is it reasonable to expect that performance spaces can/should rely on just those sources of funding? (3)

The McPherson is the 'community theatre' for all the larger community performances – without its access, training schools and community performance would have no place to go to perform before, experience and reach larger audiences. (3)

The region needs an 800-seat theatre that is not based in a school. (3)

There is a need for a theatre that fills the gap between performers just starting out and professionals – to provide the experiential stage between learning and how and knowing how. It's an integral part of creating the future of arts and culture performance. (3)

Create municipal and regional incentives for a private developer/promoter to build a new theatre – one big enough to house large shows. Something in the 2000+ seat size. (3)

Need to consider just transferring ownership of the physical asset – to the CRD, the City or several municipalities. (2)

Appreciate that a 14% public contribution is very low compared to other facilities' public support – but is it reasonable to expect anything more in today's economy?

Can the 'Establishment Bylaw' that oversees the theatres be amended? How easily? What is the process?

Understand the current RMTS reserves are about \$460,000 – are any monies being fed into the reserve fund or is it just being depleted? Is there any plan to add to the reserve fund?

Do municipal/regional governments have a mandate/responsibility to create and/or maintain affordable and/or accessible performance spaces?

Calls have been made for a regional, unified vision for performance spaces – does a unified vision create uniformity? Should we not foster an organic development of performance space that meets diverse needs in diverse communities?

Are collaborations among performers/performing organizations the only way to go in the future? Should we expect/require greater collaboration? How would that affect independence?

There is room for diverse theatre space – we just need to ascertain how much we need, how much we can afford and how to pay for it.

Supporting arts and performance always requires a 'leap of faith' – it's hard to quantify the value of the arts to the quality of life in the region.

Perhaps we should stop funding the theatres, and increase funding to the arts and performance groups so they can pay market rental rates to the theatres.

Don't really understand the rationale for why the City of Victoria has/can support 2 large theatres. Any data to suggest this is still do-able, and compares with other populations this size?

Municipalities should support existing facilities – but should also be looking at what deficits exist in theatre infrastructure and planning for how to eliminate those deficits. It's easier to 'sell' the need to

contribute when you are planning for new upgrades that will build capacity for performance and attendance, and not just support the status quo.

There is a need to anticipate growth, throughout the region, and then anticipate where new performance spaces need to go. Must consider expansion within the city and in the westshore.

Need to anticipate the role and capacity of the McPherson and Royal theatres in the context of regional needs and capacity. Future performance capacity has to reflect population growth, financial capacity to contribute (private and public dollars), and economic capacity to attend.

If the theatres become part of the CRD as a real regional service, how would contributions be calculated?

An option not presented but needing consideration – close the McPherson theatre – if it's not sustainable we should let it go and focus on the theatres that can sustain themselves.

Arts and culture crosses borders – if ever there was a field that needs regional collaboration and cooperation it's this.

Perhaps we need a referendum on how, and how much, theatres are supported by public dollars?

*(Municipality)* residents would not want the McPherson or Royal theatres to fail outright.

Have we considered dinner theatre options? Perhaps as a new revenue stream?

Doubt the McPherson on its own is sustainable in any model of funding or governance. It serves the function of providing a space for the non-profit performing community and its supporters. That means we have to clearly identify that target audience, those users, and ask them what they are willing to pay to continue to have the McPherson available for their community performances. Will the audience pay more to enable a community performance space that the school and non-profit groups can access?

Expansion is a better 'sell' than building new – focus on what can be done to expand, improve – and how much that will cost, what benefits can be accrued. Add to the existing theatres so they can provide more diverse performance spaces to more diverse performers.

Does this conversation need public involvement on a larger scale? Should we use a PlaySpeak tool to solicit ideas, interest and willingness/ability to pay?

Concern about transferring to the CRD for ownership or operation/management – CRD services mean smaller communities have little or no control, based on the representation model at the CRD Board table.

Big questions are: who should own the theatres? Who should manage the theatres? Who should pay for the theatres?

Is a contracted operating agreement model an option? Something like the agreement that operates the Greater Victoria Library? Could we propose this as a time-limited trial of 3 – 5 years with an assessment at the end? Could directly involve several/all willing municipalities, or the CRD (prefer direct with willing municipalities).

Has anyone considered a community investment model? Where a non-profit 'corporation' is established, in which anyone can buy shares? This is an emerging concept that is blending classic corporate operating models with the community benefit of support, engagement and a sense of individual 'ownership'.

There are too many arts groups in the region – we can't be expected to support them all.

Partner with the university to create a precinct of different sized theatres – from 100 to 700 seats – to fit a wide range of performances. Use them as opportunities for university, community and professional performers to perform for the public.

Look at a downtown location for a new facility to house the art gallery, performance spaces and maybe a museum.

*(Municipality)* doesn't want its own theatre... cost share on a regional level, like recreation centres.

If we transfer the theatres to the CRD, real or not, the perception could be the "kiss of stagnation", an excuse not to "buy in" – the CRD is seen as being incompetent when it comes to running programs.

Government shouldn't be owning or operating theatres. Sell them both.

## **Appendix B**

### **Participants**

Thanks are due to the many elected Councillors who generously gave their time to participate in this project. Their commitment to theatre and arts and culture, combined with their wisdom, openness, collegiality and contributions created this document, and potential paths forward.

We thank all members of the Councils to which initial Phase One presentations were made:

- View Royal
- Highlands
- Metchosin
- Saanich
- Colwood
- Langford
- North Saanich
- Oak Bay
- Sidney
- Central Saanich
- Esquimalt

In addition, we thank individual Councillors who further contributed by participating in one or more of the Phase Two round table conversations:

- Carl Jensen (Central Saanich)
- Cynthia Day (Colwood)
- Susan Low (Esquimalt)
- Karel Roessingh (Highlands)
- Murray Weisenberger (North Saanich)
- Tara Ney, Kevin Murdock & Nils Jensen (Oak Bay)
- Vicki Sanders (Saanich)
- Barbara Fallot (Sidney)
- Brenda Parkinson (Sooke)
- John Rogers (View Royal)