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Royal and McPherson Theatre Society, Victoria: Strategic and Business Plan

**Theatre Consultation
Process 2014**

My Background Mainland North American Client Locations



Myths

Three common questions:

- *When will our theatres break even or make money?*
- *Why should government promote and support the liberal arts?*
- *Government shouldn't be in the business of the arts – can't we get a commercial operator to take over?*

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1. Breaking Even or Making Money

- Theatres are public cultural institutions.
- Have you ever asked:
 - “When is this public library going to make money?”
 - “When is this public museum going to make money?”
 - “When is this public gallery going to make money?”
 - “When is this public school going to make money?”
- Theatres provide variations on all the services provided by these institutions and more.
- If properly run, they should never “make money;” they should continually invest in public programs.

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Public Cultural Institutions



- Are public charities
- Have long term goals to serve community interests
- Believe creativity leads to prosperity
- Are professionally managed
- Usually involve a public-private sector partnership
- Provide access by artists and audiences to venues

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2. The Value of a Liberal Arts Education

"... a liberal arts degree is useless. There's no money in it. Students should be looking at trade schools."

- Kevin O'Leary

Not *everyone* is cut out to be a tradesperson.

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Some of the Values of a Liberal Arts Education

- In 2010, 76% of York University Drama Graduates were confident in their communications skills and ability to get a job. Only 49% of math graduates were.
- Many drama graduates become corporate communicators or entrepreneurs.
- Nobel prize winning chemist John Polanyi credits the arts for training him to see subtle symmetries.
- Law enforcement agencies use arts to enhance powers of observation and understand motivation and body language.
- J.K. Galbraith noted that “*communities richest in their artistic tradition are also . . . most progressive in their economic performance, ...resilient and secure in their economic structure.*”
- Einstein said, “*creativity is more important than knowledge.*”⁷

What Educational Professionals Say About Partnering with the Arts

Arts in Education stimulate:

. . . academic achievement, social and emotional development, civic engagement, and equitable opportunity.

Involvement in the arts is associated with gains in math, reading, cognitive ability, critical thinking, and verbal skill. Arts learning can also improve motivation, concentration, confidence, and teamwork.

Edutopia Magazine, 2009

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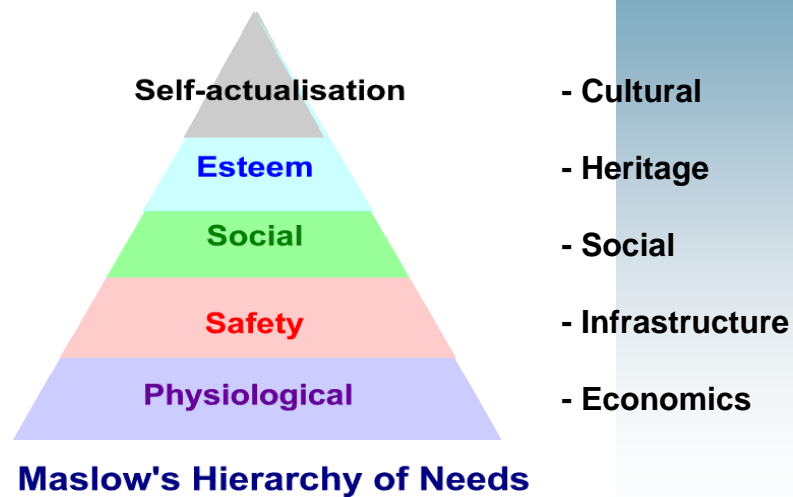
3. Governments vs. Commercial Prospects Operating Theatres

- Commercial and not-for-profit goals are different
- It is the difference between a bookstore and public library
- Not-for-profit theatres are concerned about access, diversity, enlightenment and community interests
- The Creative City Network surveyed 39 Canadian cities:
 - 100% provide some kind of cultural facilities assistance
 - 62% provide operating support in some form
 - 56% directly operate and program a cultural facility
- The RMTS currently has an exceptional management who provide consulting services to everyone who calls.

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Why Governments Support Municipal Theatres to Fulfill Individual and Community Needs:





ENVIRONMENTAL SCAN

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Arts and Culture – Victoria's Vital Signs 2014

- Spending from industry and patron expenditures resulted in **\$177 million GDP in 2013**, up from \$170 million in 2011.
- **3,900** people in Greater Victoria employed in cultural industries in 2012.
- **1,500** people in Greater Victoria employed as artists in 2011. Artists are 0.84% of total employment, higher than the provincial rate (0.74%) and national (0.53%)
- *Victoria does not yet appear to have adopted the four pillar model of sustainability including cultural, social, economic and environmental pillars.*

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Creativity Index

- **Education** – high level - 59% of City of Victoria residents have post- secondary degrees or certifications
- **Occupations** - In 2006, 33.4% of Greater Victoria's workforce was in the Creative Class.
- **Ethnicity** - Only 11.8% are visible minorities primarily comprised of Aboriginal, South Asian and Chinese.
- **Tech-Pole Index** - Greater Victoria scores well in N.A. Tech-Pole index, ranking fourth among similar sized CMAs. Impacts are generated by more than 800 tech. companies that have over 13,000 direct employees.
- ***Creativity drives prosperity.***

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Summary of Demographic Indicators

Demographic indicators suggest an optimum scenario for a high potential of arts audiences in the population and high frequency of attendance.

At the same time, several local organizations report a recent decline in audiences for traditional performing arts and an increase for music festival audiences.

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Rental Venue Categories and Inventory

Name	Type of Staging	Incubator 150-399	Community or Resident 400-799	Small 800-1199	Mid-Size 1,200- 1,799
Metro Studio	End Stage	185			
Belfry Theatre	Thrust	260			
Roxy	Thrust	324			
McPherson	Proscenium		772		
Alix Goolden	Recital Hall			800	
Farquhar Auditorium	Concert Hall			1,051	
Royal Theatre	Proscenium				1,461

Among the professional theatres of Victoria, the McPherson and Royal Theatres have distinct competencies, unique seating capacities and superb urban locations.



VITAL STATISTICS

Royal McPherson Theatres Society

Vital Statistics	Royal	McPherson
Dates Built, Renovated	1914, Upgrades in 1965, 2014	1914, Upgrades in 2002, 2014
Ownership	CRD	City of Victoria
Governance and mgt.	RMTS	RMTS
Operating Funding	Victoria, Saanich, Oak Bay \$135,000 (2013)	City of Victoria \$350,000 (2013)
Capital Funding	Victoria, Saanich, Oak Bay \$445,000 (2013)	City of Victoria \$400,000 (2013)
Operating funding (2013)	6% of the operating budget	22% of the operating budget
Subsidy frozen since	1998	1998
Seating Capacities	1,416 (1,371 with pit)	772
Proscenium Openings	37'10"w x 32'10"	32'9"w x 27'9"h
Stage Depth from C. L.	38'6"	27'
Rehearsal Halls	No	No
Business Model	Rental and Ticketing Service	Rental and Ticketing Service

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Current Business Model – “Rentals“

Focused on facility licensing to performing arts, and ticketing and hospitality services for:

- **Music** user groups
- **Opera** user groups
- **Dance** user groups
- **Theatre** user groups

Also, as an ancillary business:

- **Public gatherings for community groups**
- **Private gatherings as available**

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Key Stakeholders /Clients

- Ballet Victoria
- Blue Bridge
- Boston Dance Collective
- Dance Victoria
- Kaleidoscope Theatre Productions
- Pacific Opera Victoria
- Victoria Academy of Ballet
- Victoria Jazz Society
- Victoria Operatic Society
- Victoria Symphony Orchestra

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Preliminary Summary of Client Needs Assessment

- **RMTS** – very professional, reliable, provides excellent box office, front-of-house and technical services
- **RMTS** – rents are reasonable for the services, but increasingly unaffordable for community clients
- **Royal** – lacks available dates and backstage services for musical theatre tours and other entertainments
- **McPherson** - user groups can't afford the rates for the seating capacity. It is too high a seating capacity for most local professional and community performing arts groups. It is perceived that government subsidy should make it cheaper for local

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STRATEGIC PROFILE AND BUSINESS PLAN

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The RMTS Strategic Profile

Strategic Profile:

History – 1914 theatres
Mandate (legal objects)
Values
Program Goals
Mission
Vision

Legal Mandate:

The purpose of the society is to manage the Royal Theatre and McPherson Playhouse in Victoria, British Columbia and to promote and encourage the arts and the establishment, maintenance and management of a civic arts centre or centres in greater Victoria. (2002)

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Program Goals Consistent with Values

- To *inspire Victoria artists and arts groups.*
- To offer a **first-class**, “A” house for touring artists.
- To celebrate the **unique historic icons** of Victoria.
- To serve as a **welcoming** community gathering place.
- To share **knowledge and resources** re: sustainability.

Core Mission Elements

- *Who are you? A NFP Public Service*
- *Whom do you serve? Artists (and Arts Groups)*
- *What do they need? Resources (and Audiences)*
- *How do you serve? Facilities*
- *Why? Community Building*

Current Mission Draft

The RMTS is the not-for-profit public organization that exists to enrich the cultural life of the region.

By managing the historic civic theatres and providing professional services for artists and arts groups, RMTS brings inspiration and creative stimulus to the audiences and communities in Greater Victoria.

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Benefits of the Performing Arts

- Providing significant **economic and community** impact.
- Serving as partners in **social** problem solving.
- Expressing ourselves, our community values, **identity, heritage**, local and national culture.
- Improving the **quality of community life**.
- Encouraging **democratic and experiential dialogues**
- Hearing the **alternative voices** and perspectives on our social, economic and environmental conditions.

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Proposed Lines of Business From Renter to Resource Provider

The “rental” or facility licensing business is appropriate for the ownership and market area of Victoria. **Rental** uses should be facilitated, curated and cultivated on occasion and **presenting** (with sponsorship) may be an exception to the rule to address gaps and perceived community needs.

The proposed lines of business of the RMTS are all tailored to arts, community and corporate groups:

1. Facility Licensing

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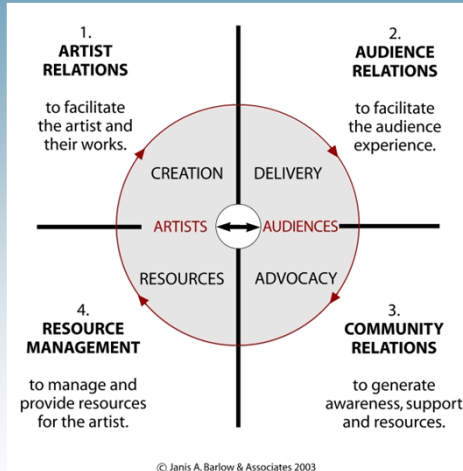


OPERATIONAL MODEL AND RESOURCE ASSESSMENT

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The Functions of the Arts Management Cycle

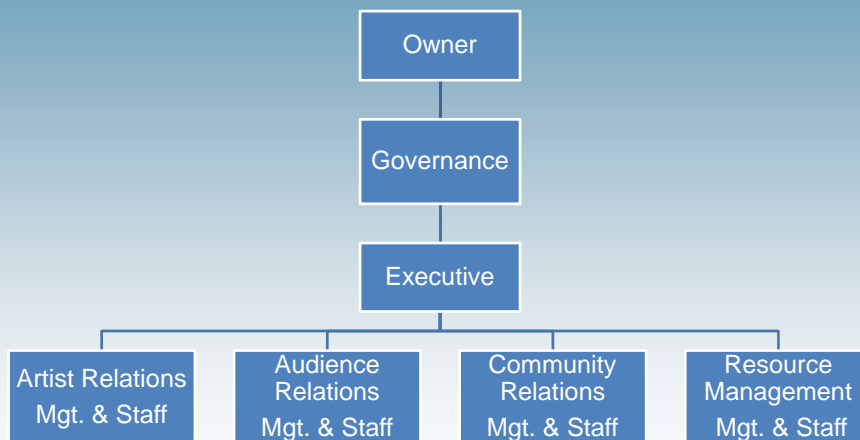


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1. **Artist Relations** – to serve the artist and client groups and enhance their presentations.
2. **Audience Relations** – to serve and develop audiences and offer hospitality to all.
3. **Community Relations** – to promote the value of the arts and develop resources.
4. **Resources** – to manage and provide resources for the artists and arts groups and ensure the maximum benefit to the community.

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Typical Delivery of Theatre Operational Goals



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Distinct Resource Competencies

Clients/Arts Groups need audiences and resources

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- **People** – deeply professional staff with skills, expertise, longevity and perspective on resources and audiences; a board skilled in the cultural sector and government
- **Facilities** – unique in the CRD - the first-class, traditional heritage, “A” house and playhouse theatres in Victoria;
- **Equipment** – state-of-the-art equipment shared by groups that wouldn’t be able to acquire them, and;
- **Financing** – self-financing staff, facility operations and equipment, use by local NFP companies is subsidized.



BUSINESS DEVELOPMENT AND FINANCIAL PLANNING

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Summary of Recommendations

- Research and promote the value of the arts and municipal investment
- Research arts client needs – including venues and marketing to showcase Victoria talent efficiently
- Collaborate with clients to develop effective strategies to increase attendance
- Facilitate mutually beneficial collaborations between RMTS, arts groups, municipalities and sponsors
- Facilitate stronger communications, transparency and accountability techniques
- Seek opportunities to co-present where Victoria has program gaps such as touring children’s theater.

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Business Planning Stats

Royal Theatre Rental Stats	Five Year Average (Stable)	Appropriate Threshold	Notes
Number of Clients	38	35-40	Stable
Number of Shows	82	75-85	Stable
Number of Performances	144	140-150	3 perf/week
Number of Use Days	250	235-245	50 wks/yr
Number of Maintenance Days	70	70	1.3 dys/wk
Audience Attendance	116,000	120,000	
% Capacity Sold	57%	50-70%	By program

The Royal would be well served by a studio theatre/rehearsal hall.

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Business Planning Stats

McPherson Playhouse Rental Stats	Five Year Average	Appropriate Threshold	Notes
Number of Clients	36	35-40	Declining
Number of Shows	50	75-85	Declining
Number of Performances	151	140-150	Declining
Number of Use Days	220	220-240	Stable
Number of Maintenance Days	70	70	1.3 dys/wk
Audience Attendance	45,000	45 – 50,000	
% Capacity Sold	39%	35-55%	By program

The McPherson requires a program to support community use of the venue.

It should also have a rehearsal studio to host community development.

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Government Owned Facility Subsidies in 2013

RMTS has the lowest subsidy of the following Canadian theatres:

Theatre Centre	Total Seating Capacity	Budget	Subsidy	% of Annual Budget
Calgary EPCOR	3,394	\$10,633,194	\$2,192,808	21%
Charlottetown Confederation Centre	1,482	\$12,534,000	\$4,457,000	26%
Montreal Place des Arts	7,441	\$33,346,610	\$13,400,814	40%
Nanaimo Port Theatre	804	\$1,706,101	\$712,376	42%
Ottawa National Arts Centre	3,670	\$71,387,000	\$39,284,000	55%
Toronto St. Lawrence Centre	1,369	\$6,189,000	\$1,470,452	43%
Toronto Centre for the Arts	1,236	\$6,189,000	\$1,239,000	20%
Vancouver Civic Theatres	6,352	\$8 million inc. Bldg Services	'Building Services	25%
Victoria RMTS	2,188	\$3,291,362	\$485,000	12%

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Business Development Observations

- The Royal is a stable operation. To host a greater diversity of popular programming, staging facilities should be expanded; to host larger audiences, the front-of-house requires expansion.
- The Mac is less stable. Its seating capacity is too high for rental by many local groups and too low for commercial tours. (The crew costs are high for the ticket volume.) The Mac requires a subsidy program for local users.
- The Royal and MacPherson Theatres have the lowest operating subsidies in the country at the expense of local performing arts organizations.
- A balanced performing arts center should have a studio theatre and rehearsal hall for greater efficiency, economies of scale and community service.

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Financial Implications

- A seed investment in community relations and development should be budgeted over three years at about \$175,000 per year with recoveries achieved in the second year and surpluses achieved by the third year.
- Both the Royal and the MacPherson should be receiving an operating subsidy in the range of 25% and the ability to manage their cash surpluses for the benefit of their clients.
- Program initiatives and sponsored presentations should be undertaken on a planned cash recovery basis or modest surpluses.
- Funding for a long term Feasibility Assessment and the sustainable development of a civic arts centre should be sought for execution of the study in 2015/16.

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Key Results – Repositioning from Arts Venue to an Arts Provider



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Our medium is theatre
Our strength is people
Our product is community



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