



Council Member Motion
For the Governance and Priorities Committee Meeting of November 19, 2015

From: Councillor Geoff Young
Date: November 9, 2015
Subject: McPherson Theatre

Background:

The consultant's report commissioned by the Royal-McPherson (RMTS) board indicates that attendance at the McPherson Playhouse is declining. City taxpayers typically fund the capital and operating costs of the McPherson by about \$750,000 per year, and the subsidy per use is very high. Despite that, many local groups cannot afford to use the theatre and must find other space.

The McPherson is a significant heritage building and a performing space with excellent acoustics (I am told) that people love attending. Ensuring it remains available to the citizens of the region is important. I suggest we should explore why usage is declining and whether the governance of the theatre needs to be reconsidered.

The specific concerns I have:

- Because Victoria owns 100 percent of the theatre, but it is managed by the CRD, the budget does not receive examination by Victoria council, and our staff have no role in its management or budget. Neither does it receive full examination by the CRD board, since CRD directors are aware that only Victoria pays for the McPherson and are reluctant to interfere. My reading of the *Schlenker* decision is that it constrains the City of Victoria councillor who is appointed to the RMTS board from advocating with Council in favour of any proposal that would financially benefit the RMTS. I assume the duty our appointee owes to the RMTS would prevent our appointee from advocating actions that would harm the RMTS financially but do not know this for certain.
- At \$750,000 per year for capital and operating costs the budget is significant to Victoria taxpayers and large relative to the benefit received. For 2015 the McPherson is projecting paid tickets sold of 27,800, so that our subsidy would represent about \$27 per ticket sold. While we may see a reduction in future capital needs, the current usage level (projected at about 6 nights a month for 2015) will continue to put pressure on the taxpayers.
- The subsidy is much higher if we look at City of Victoria residents, because although Victoria pays the entire cost of the Mac, only a fraction of users are from Victoria. The RMTS reports that 28 percent of those attending are from the City. Thus only about 7800 of its 2015 paid audience will be from Victoria, which means for each Victorian paying to enjoy a performance at the Mac Victoria taxpayers contributed some \$96. I think we need to ask whether spending this same money in other ways might produce greater benefits for our citizens.
- One obvious comparison is with our grants to groups providing similar performing arts opportunities in other ways. The easiest comparison is with the Belfry, which is a combined theatre company and performance space. The Belfry indicates it had ticketed attendance of about 40,000 in 2013/2014. City taxpayers contribute about \$75,400 this year (about 36.8 percent of the CRD Arts grant of \$205,000), a tenth of the grant to the MacPherson. This comparison excludes any separate grants to companies performing at the Mac (which may be

subsidized both directly and through use of the RMTS) and also excludes property taxes on either facility.

- The lower cost per City user at the Belfry results both from the contribution of the other municipalities (lacking at the Mac) and from the ability of the Belfry to attract more funding from other donors. It appears that performing companies with owned facilities are more successful than is the RMTS at attracting capital funding from governments and donations from private individuals. They may also operate more efficiently. Obviously the Mac should not be competing with performing companies for the same donors, but it is possible both the Mac and the companies it hosts are suffering compared to theatre companies that control and are identified with a specific home theatre building.
- Despite the large cost per user to Victoria taxpayers, a number of theatre groups find the rental rates for the Mac to be high when associated staffing costs are factored in. Each hour of staff time carries a very high cost when the theater's overhead fees are included. I am told that the required minimum staffing levels have increased over the years and that renters thus often find themselves having to hire more staff than they feel is needed (e.g. to carry out functions that volunteers could do elsewhere). As a consequence we have seen the development of other performing arts space at a time when the Mac is underutilized.
- The RMTS board manages the two theatres together, but losses are financed differently. Decisions about the allocation of common costs between the two theatres affect the financial demands on the three owners. Some costs are allocated on an arbitrary basis that could be questioned. For example, in 2013 about \$986,000 in revenue and about \$1,706,000 in expenses were allocated on a simple 50/50 basis between the theatres. If these costs and expenses were allocated on the basis of activity level, for example, the net deficit of the theatres, and the demands on Victoria taxpayers, would be reallocated in favour of the MacPherson.
- Relative pricing is also an issue. If rental rates for one theatre are more attractive than for the other these pricing decisions also impact the allocation of losses between the Royal and the Mac.

Options available to us:

Although I supported the concept of having the Mac operated by the CRD in the expectation that other municipalities would assist in funding it, I believe it is time to end the experiment, at least temporarily. Our best chance of getting others to help fund the Mac is to improve its level of usage and financial performance, and I believe we need to make significant changes to achieve that.

For the time being the City could operate the theatre directly, probably by hiring an individual experienced in the area. In the longer run, a board model is probably preferable. I do not think the board should be shared with the Royal theatre unless both are subsidized by the same municipalities. The best situation would be where arts grants are provided to performing companies, which then make their own decisions about venues, with the theatres standing on their own – this was the intention when the McPherson Foundation was formed in the early 1980s and the City turned over the operation of the McPherson Theatre to the Foundation (and I understand the Foundation was initially successful in increasing revenues and the number of 'dark' nights fell).

Although a multi-use civic theatre should probably be managed by the City or by its own separate board, we should also consider if it should be operated by the theatre company that is the chief user. This is the model used by the Belfry and some other smaller groups that own their own venues. This model may be more successful in allowing the theatre company to be successful at attracting other funding sources. However, it would require a complex agreement between the City and the main theatre group operator to ensure that other users are given fair opportunities to rent the theatre.

Recommendation:

1. That City staff be asked to advise Council on steps that would be required to resume City management of the McPherson Playhouse.
2. That the Mayor write to the Councils of Victoria and Oak Bay indicating that we are concerned about the costs for the McPherson borne by Victoria taxpayers, and that if the situation cannot be addressed we will have to consider reassuming control of the Playhouse.
3. That staff be asked to develop terms of reference for an examination of the operations of the McPherson, including:
 - a) why is usage not higher?
 - b) why are users developing alternative facilities? (these questions need to be asked of current users and of nonusers who are potential users or actual past users)
 - c) if costs are indeed an issue, what factors are driving costs?
 - d) are there shortcomings in the facility?
 - e) how does the McPherson compare with other facilities both in terms of efficiency of operation and in terms of ability to attract private donations and government grants?
 - f) is usage is likely to continue to decline and operating losses to rise?

Because of the sensitivities involved in asking theatre companies to comment on their landlord, this study should be carried out by a consultant hired by the City, not by the RMTS.

Respectfully submitted,



Councillor Geoff Young



Councillor Ben Isitt