



**To:** Victoria City Council

**From:** The Board of Directors of the Royal and McPherson Theatres Society

**Date:** November 12, 2015

**RE: Operation and Management of the McPherson Playhouse: An Overview**

Dear Councilors:

The Royal McPherson Theatre Society (RMTS) Board of Directors appreciates Councillor Geoff Young's interest in investigating and clarifying the funding mechanisms related to the operation of the McPherson Playhouse. We believe that the conclusion Councillor Young has drawn - that by having the City of Victoria assume control of the McPherson Playhouse that funds being allocated to the facility would be better spent - is incorrect. Proceeding with Councillor Young's plan would result in higher costs to the City of Victoria and less access to the facility for local performing groups and local audiences.

The RMTS has been independently undertaking its own strategic planning. As such, we are able to put the issue into perspective and provide context for any decision Victoria City Council chooses to take based on Councillor Young's suggestions. For this summary document, the RMTS Board of Directors has carefully reviewed a number of facts, figures and assertions that have been made regarding the RMTS and the two theatres under its stewardship, in particular regarding the McPherson Playhouse. In summary, we would share the following (supported by the detailed briefing documents that have been appended to this letter):

1. **Legal Basis for RMTS Management of the McPherson.** The original decision to have the Capital Regional District (CRD) operate the McPherson Playhouse, specifically the wording of Bylaw 2685 from 1999, reveals the rationale behind Victoria deciding to have the CRD operate the McPherson Playhouse through a management agreement with the RMTS: to more efficiently manage the allocated civic funds for the theatre. That remains true in 2015.
2. **Uniqueness of the RMTS Model.** The RMTS operates, maintains, and provides professional staffing and hosting services for two theatres: the Royal Theatre (owned by CRD and funded in part by Victoria, Saanich and Oak Bay) and the McPherson Playhouse (owned by Victoria but administered by the CRD and the RMTS). In addition RMTS staff also operate a successful box office operation that benefits both theatres and the performing groups who use the facilities. The McPherson Playhouse plays the role of a civic auditorium, serving many different genres and audiences in a given year.

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3. **Operational Efficiencies.** There are considerable operational efficiencies that accrue to the McPherson Playhouse due to economies of scale in managing two theaters that would not be present for such a small theatre as the McPherson Playhouse if it were operating independently.
4. **Cost Allocations.** Councilor Young has raised the point that certain cost allocations between the two theatres have been handled "arbitrarily". The RMTS Board instructed staff to re-analyze allocations and, to the extent possible, examine allocations of revenues and costs on a more direct or pro-rata approach. Higher net revenues derived from the Royal Theatre, general box office income, and a 50/50 allocation of administration and overhead costs disproportionately assist the McPherson Playhouse's bottom line. In the event that the McPherson Playhouse and the Royal Theatre were not able to share costs and benefit from significant synergies and cost-sharing, the independent costs of the McPherson Playhouse would only increase.
5. **The Future of Arts in the Victoria Region and the Role of the RMTS.** The Board and staff of the RMTS are acutely aware of the numerous efforts underway or planned to examine cultural and arts master planning for the Victoria region. We view this as an opportunity to examine a number of issues that have received little attention in past years, including the fair sharing of costs for each municipality in the region and the appropriate mix of theatre and rehearsal spaces in the region, as well as the composition of theatre and live performances. We look forward to playing a constructive role in these essential discussions about an industry that by the latest estimation contributes over \$50 million to the local economies annually.

The RMTS has been undertaking its own strategic planning which includes determining the best way to administer and manage each of the McPherson Playhouse and Royal Theatre for the benefit and enjoyment of all citizens of the City and the wider region. We look forward to working with Victoria City Council to examine these issues thoroughly and respectfully. We would be happy to engage with representatives from the City of Victoria directly to discuss areas where the RMTS, the City of Victoria and other municipalities can work more collaboratively for the betterment of all Victorians.

We urge caution however in setting the parameters of such a review in the terms suggested by Councilor Young. If operating and managing two historic theatres in the heart of Victoria were solely about cost efficiencies, there would be many more dates assigned to Broadway musicals and other best-selling acts, to the detriment of emerging artists and established cultural groups such as Ballet Victoria, TedX and the Victoria Operatic Society.

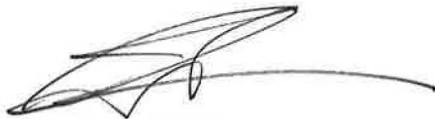
Striking the right balance between commercial success and artistic and cultural support is at the heart of what the RMTS does. This has been reflected in our new mission statement, which is

*...to enrich the cultural life of the region, by operating and maintaining the civic theatres of the CRD, by supporting local performing arts groups and by delivering a diverse range of entertainment to audiences and communicating the importance and value of live arts performances to the residents of the region.*

Our vision is to *maintain, develop and enhance the quality of life in the CRD*. The RMTS is one of the CRD's key cultural institutions (along with libraries, museums, galleries, archives and national historic monuments), providing leadership, information and education as well as opportunities for local arts groups and quality entertainment to the community at large.

We look forward to working with Victoria City Council to examine these issues thoroughly and respectfully.

Signed,

A handwritten signature in black ink, appearing to read 'Byron Smith', with a long horizontal flourish extending to the right.

Byron Smith

Chair of the RMTS Board on behalf of the Board of Directors

Addendums:

- Briefing Notes on Points Raised Above
- Bylaw 2685 (1999)