



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: Detailed Briefing Notes

1. Legal Examination of the Original Terms of Reference for the RMTS

As a review of Bylaw 2685 will indicate, the original intention of transferring ownership of the McPherson Playhouse to the CRD from Victoria (and then having the RMTS manage the facility along with the Royal Theatre and the Box Office for both theatres) was to ensure efficient allocation of City of Victoria funds. The original purpose of having the McPherson Playhouse administered by the CRD was to recognize the role it plays in providing a historic well-maintained arts and cultural performance space for the residents of the region. See the files attached referencing the original bylaw in 1999.

2. Uniqueness of the RMTS Model

The RMTS is a very different organization than the Belfry Theatre in terms of scope, mandate and operations. First, the Belfry Theatre operates its own theatre where it also produces its performances, serving roughly 4,000 people per year. The RMTS on the other hand has a much more extensive reach and serves a much wider audience across the entire Capital Region, serving roughly 25,000 people and employing up to 150 on a full and part time basis. The RMTS seeks to enhance the quality of life in the Capital Regional District by providing a wide range of entertainment to the community through cost effectively and efficiently managing its performance spaces and supporting accessibility for local not-for-profit arts organizations.

Our medium is theatre, our product is community. This is the recently adopted branding proposition of the Royal and McPherson Theatres Society, reflecting the reality of what the Society provides to the community.

Hotels versus Apartments: an Analogy

The Belfry Theatre is an excellent organization doing an exemplary job serving its audiences, but the Belfry Theatre is to the McPherson Playhouse as an apartment building is to a hotel.

The Belfry Theatre has eight productions a year. Their Artistic Staff pick them well in advance and they have an entire year to deal with the unique issues of eight productions. Like an apartment building with eight apartments.

The McPherson Playhouse will host 50 productions from 50 different producers in 2015. The McPherson Playhouse staff normally get six weeks to deal with the unique issues of each show. Like a hotel with 50 rooms.

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The Belfry Theatre has a subscription audience. Nine out of ten people (89%) who attend a Belfry Theatre production have a subscription for all the Belfry Theatre shows in that season, as stated in the Belfry Theatre's 2013, 2014 funding report. Like an apartment building where 89% of the visitors are there frequently. The Belfry Theatre audience is made up of approximately 3,500 unique individuals, who come to the same theatre regularly.

The McPherson Playhouse has no subscriptions. Less than 15% of the attendees will attend the McPherson Playhouse more than once in a year. Like a hotel where most of the people arriving through the front door are new every day. Approximately 25,000 unique individuals will attend the McPherson Playhouse in 2015.

The type of productions the Belfry Theatre produces are in the same genre. They intend to please the same audience eight times a year. Like an apartment building where the tenants all have some things in common.

The performances at the McPherson Playhouse are diverse, they represent multiple genres, a wide ticket price range from \$0.00 to well over \$100. Each production is unique, as are the audience members who attend the performances. McPherson Playhouse performances range from, The Massey Lecture Series to alternative Rock, to Canadian Citizenship Ceremonies, to John Cleese, and grade three students presenting opera. Like a hotel where the tenants have only one commonality, they are all in Victoria for the evening.

Besides the fact that they both have bedrooms, apartment buildings are not hotels.

This potential for diversity places the McPherson Playhouse in the position to offer a range of performances that have the combined ability to appeal to a broader audience. This breadth spans not only the region but also demographics of age, culture, interest, and economic strata. The McPherson Playhouse audience is made up of a great number of single individuals, indicating that the theatre has a wide community impact and appeal.

The economic impact of the McPherson Playhouse becomes exciting when one considers the effect of 50 different companies building shows, marketing those shows, shipping them to Victoria. The economic implications for downtown Victoria begin to become clear when one considers that the 25,000 unique individuals who attend the performances are enjoying a "special night out" with their families and friends, which often includes restaurant meals, cab rides and shopping downtown. These benefits ripple out into the Region as a whole. Businesses downtown employ people from all over the Region and many of these business owners live in those other municipalities themselves. As recently said at a community meeting on regional economic development, attended by Mayors, Councilors and business people from across the CRD: "A rising tide lifts all boats."

The McPherson Playhouse adds vibrancy to downtown Victoria, and the wide variety of productions means there is something for everyone. The reach and depth of the McPherson Playhouse are reflective of what to expect of a civic-funded theatre.

3. Operations and Mandate of the Royal McPherson Theatre Society

Currently there is very little understanding among regional Councils about how the RMTS is structured, how it undertakes the stewardship of the McPherson Playhouse and Royal Theatre, and how the professional services are integrated. To clarify some misconceptions:

a. Professional and Efficient Operation of the RMTS.

In Councillor Young's assessment of the RMTS forwarded October 16, he concluded:

"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."

This is inconsistent with the facts on several fronts:

- The McPherson Playhouse and the Royal Theatre serve audiences throughout the Capital Regional District. They are managed together as a civic theatre complex with resulting operational efficiencies. The McPherson Playhouse is established as a Local Service by the CRD, the participating funder of which is limited to the City of Victoria, while the Royal Theatre is financially supported by three municipalities (Saanich, Victoria and Oak Bay). It is unlikely that funding for the McPherson Playhouse will be broadened to include other municipalities (as the CRD Arts Committee hopes) if the City of Victoria were to assume full control of running the theatre. Potential supporting municipalities will likely require some form of ownership of the theatres among the interested jurisdictions that are served.
- The RMTS professionally manages, operates and—very importantly--conserves two unique historic theatres with funding from the City of Victoria that has not increased in over 15 years. Based on inflation, the funding allotted by the City of Victoria to operate the McPherson Playhouse has declined by 35% since 2001, yet the RMTS has undertaken major capital renovations totalling \$7,000,000 to assure the long-term viability of the theatres for future generations, without having to request additional capital and maintenance funding from City Council.

- The RMTS organizes and delivers facility licensing, provides state-of-the-art box office services independent of the facility, (which helps us finance and subsidize local non-profit productions) and offers advisory theatre services.
- Capital funding obtained by the RMTS for major renovations and maintenance work on the McPherson Playhouse has been secured from several sources. BC Millennium Fund, McPherson Playhouse Building Improvement Fund, The City of Victoria, totalling \$8,000,000 over the past 15 years.

b. Assessing RMTS Operational Efficiency

A Strategic Business Planning Study conducted in 2014 by an independent theatre consultant with experience examining hundreds of markets in North America pointed to the efficiency of the RMTS operations. The report concluded that despite the organization receiving smaller operating grants than comparable arts organizations across Canada, grants that have remained unchanged for almost two decades, *"it is a remarkable testament to the RMTS that they have continued to operate with modest surpluses and undertake capital improvements."*

If the City of Victoria wishes to undertake an additional study examining the feasibility of the City taking operation of the Playhouse back and instituting a different organizational model, the RMTS would not object to such an endeavour. We would happily provide any assistance required as we believe such a study will confirm the excellent value Victoria City Council currently receives for its contribution to the McPherson Playhouse based on some facts:

- There are sizeable efficiencies and economies of scale having an organization such as the RMTS run both theatres, one (the Royal Theatre) much larger than the other (the McPherson Playhouse).
- The Box Office and Royal Theatre revenues account for the bulk of earned revenue currently flowing to the RMTS; splitting them up would inevitably cause costs to rise at the McPherson Playhouse and net revenues to decline.
- The City of Victoria, if it were to proceed to resume direct control of the McPherson Playhouse, would also assume the existing contractual relationship with IATSE local 168.

4. Cost Allocation

With respect to cost allocations arising from managing the two theatres with three local government funding partners, we agree with Councillor Young's statement that,

"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."

The RMTS however refutes Councillor Young's contention that *"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 McPherson"*. This erroneous conclusion does not line up with the following facts:

- Removing the McPherson Playhouse from the RMTS mix would leave the City of Victoria liable for significant expenses in terms of maintenance, staffing and assisting with productions, without the benefits that accrue due to the box office and economies of scale that are currently in place.
- One of the biggest challenges the Board of the RMTS is examining is how to continue to provide an excellent well-maintained and professionally staffed venue at preferred and subsidized rates for non-profit arts organizations in Victoria. Specifically, some of the issues the RMTS Board is addressing include:
 - Determining what the appropriate mix of non-profit and commercial dates are in each theatre
 - The desire expressed by some groups to remain at the larger Royal Theatre despite declining attendance, which may make the McPherson Playhouse a more appropriately sized venue.
 - By ensuring there are enough dates to host commercial performances, more revenue can be produced to keep rental rates as low as possible and thereby support smaller local productions and theatre companies.

5. The Future of Theatre and Supporting the Arts Community in Victoria

The RMTS is poised to make an invaluable contribution to the cultural master planning that will be undertaken by each of the City of Victoria and the CRD during the next year. Finding a fair and balanced way to share the costs of running the McPherson Playhouse should be one of the many issues regional councils will need to address. In the meantime, it is essential to maintain and operate the McPherson Playhouse in as efficient and professional manner as possible for the benefit of the residents of the Region and the performing groups who use the facility.

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

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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 theater 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 the culture and arts of our region. This is an industry that, by the latest estimation, contributes over \$50 million to the local economies annually.

Striking the right balance between commercial success and artistic and cultural support is at the heart of what the RMTS does, *to enrich the cultural life for residents of the 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.