

Board Report

Date of Report: Oct 7, 2019

Date of Meeting: October 17, 2019

Report Number: 2019-PAC-017

File: 2019BOARD1017

Subject: 2020 PAC Budget

Recommendation

That the Board approve the 2020 PAC Operating Budget.

Background

At its meeting on June 25th, 2019 the Board approved the Relationship Agreement, which outlines the provisions relating to the Board's management of the PAC business and its relationship with the City. As part of the transition, the City will maintain ownership of the lands and building and will be responsible for the integrity and funding of the capital assets. As referred to in report 2019BOARD0507, the Board will be the owner and operator of the PAC business, solely responsible for the administration of the PAC including strategic planning, employing and managing all employees and volunteers, administering the day to day business, financial operations, programming, as well as implementing marketing and fundraising campaigns.

The Relationship Agreement outlines the mandate and purpose of the PAC:

- To be a catalyst for downtown development, and to be the centre of performing arts for the Niagara Region with emphasis on diversity, high quality, and quantity of activity;
- to be a highly professional, independent entity that is an aggressive, risk-taking presenting organization, and a fundraising and promotional organization, that will be a focal point for the cultural and artistic life of the community and an advocate for the arts; and
- to provide essential infrastructure and services to support the development and health of the professional arts community.

The financial oversight and strategic planning of the PAC Business are key components for the Board to execute its mandate and support the development of culture and sustainability of the Performing Arts Centre within the community.

Report

The City carries out an annual operating budget cycle through the Budget Standing Committee. The Committee meets on a monthly basis to provide overall financial guidance and oversight from a budgetary and strategic perspective. City departments and local boards provide individual budget submissions based on the guidelines and scheduled set by the Committee.

On April 12, 2017, the Committee met to consider an overall expenditure increase of the rate of inflation for future City operating budgets. Guidelines to City departments and boards have been provided for the 2020 Operating Budget:

To allow for increases to annual debenture costs, Departments are requested to submit budgets at a 1% expenditure increase. This should result in an overall expenditure increase of the rate of inflation.

Along with the annual increase guidelines, the Committee has set a schedule for the PAC to present its 2020 budget at the October 28, 2019 meeting. Due to the transition, the City is working in conjunction with the board to approve the PAC's 2020 budget. Upon finalizing all departmental and Board budgets the Committee will present the City's overall 2020 Operating budget at the December 16th Council meeting.

Transition

As part of the transition of the PAC business from operating as a City department to a Local Municipal Board, a finance working group was created to plan and execute the financial establishment of the Board.

The working group composed of the City's Treasurer and Manager of Accounting and Payroll, as well as the PAC's Executive Director, Administrative Supervisor and Accountant, met on a monthly basis to organize the financial transition of the PAC business. This process includes the implementation of the appropriate financial tools and procedures for the PAC to be a self-sustaining financial entity.

Considerations of one-time transition costs and future Board operating costs were reviewed and are outlined in the items below.

The committee also reviewed the management of capital and equipment reserves, the daily financial relationship between the Board and the City, and the establishment of all financial policies and controls as required under the *Municipal Act, 2001* and Public Sector Accounting Board (PSAB) standards.

Transition Process Items:

Audit

As per the *Municipal Act, 2001*, the Relationship Agreement (City By-law 2019-123) the PAC is required to have independent audited financial statements. As referred to in the Relationship Agreement, the City has deemed it appropriate for the City's auditor to be the auditor of the Board. The City went through an RFP process in 2018 to obtain external audit services. As part of this RFP, the City included the PAC in their proposal to find economies of scale and consistency with all City business. The RFP resulted in the City obtaining the services of KPMG as external auditor.

The 2020 fiscal year will be the first financially audited year for the PAC Board. The terms of the contract with KPMG run until the end of the 2022 fiscal year. The proposed budget carries \$10,000 towards the external auditor fees.

Insurance:

As part of the Relationship Agreement the PAC Board is required to obtain and maintain the following insurance: general liability, non-owned automobile, director's liability and crime insurance. The non-owned automobile insurance is included under the general liability insurance policy. Below is a breakdown of the cost of the Board's insurance policies.

Insurance Requirement	Cost
General Liability	\$16,250.00
Directors' and Officers'	\$ 4,328.00
Crime	\$ 2,542.00
Total	\$23,120.00

As well, the Board carries building and content insurance through the City in the amount of \$26,358. Even though this is not a direct result of the transition, this is a cost to the Board for utilizing the facilities and equipment of the PAC.

IT Services:

As part of the transition, it was concluded by staff that there were significant benefits for the Board to remain part of the City's IT network. Significant cost savings, both from a capital and operational perspective, were found given that the City's IT network (both hardware and software) are already well established within current PAC operations. City staff will provide IT related services to the PAC on a fee-for-service model. Staff have proposed a budget of \$20,000 for IT services for 2020.

Payroll Services

At the time of the Relationship Agreement, City payroll was chosen to provide payroll services for the Centre. Due to the additional costs required to set up the PAC's operation in the City's current payroll system and the need for an integrated solution that combines payroll and timekeeping, it was deemed appropriate to look for a third party solution.

Staff engaged various payroll providers to assess the most feasible and robust solution for the size and current operations of the PAC. ADP was chosen to provide a payroll solution. The expected cost of payroll services is estimated to be between \$18,000 and \$22,000 annually, with some variation depending on the amount of activity at the PAC and the number of working staff per pay period.

Human Resources

As part of the transition, the City's Human Resources Department will no longer be servicing PAC staff. Human Resource expertise is not currently part of the PAC's organizational structure. With a new business, this expertise would be a valuable asset to operate the PAC business. As a result, it is proposed that the Board add (1) one full time staff position to administer the general human resources requirements of the PAC operation.

The PAC is currently composed of 25 full time staff, 40 part-time staff, a pool of 127 IATSE union employees and over 80 volunteers. All Human Resources work is currently being provided by the City's Human Resource department. This includes recruitment, termination and all associated administrative processes, as summarized below.

	2019	2018	2017	2016
New Hires	22	25	31	23
Terminations	28	23	22	26
IATSE Hires	22	29	23	34
Total new hires and terminations	72	77	76	83

The current IATSE Union Collective Bargaining Agreement provides a call-in model whereby PAC staff provide a call list to the union to be filled. This results in new union technical staff joining the PAC on a continuous basis. The proposed Human Resources position is budgeted at a salary rate of \$55,000 to \$61,000, plus benefits.

Fundraising

One of the main functions of the Board is to provide leadership in fundraising with the purpose of supporting the high quality, diverse programming of the organization.

Staff propose a fundraising expense of \$25,000 that would be used at the disposal of the Board to execute event(s) in order to achieve its fundraising strategies and goals in 2020. The purpose of this expenditure account would be for hard-costs associated with attending/executing events for fundraising purposes.

New Items in 2020

Outreach and Development

The PAC has an organization-wide commitment to audience development and outreach as a key to deepening and expanding community access. We understand the holistic nature of building and expanding our audiences, and our role in developing and executing effective outreach programs and strategies that enrich the PAC's artistic programs and mandate.

Audience engagement and community activation plans are designed to address and remove barriers of access; to establish and strengthen long-standing relationships with diverse cross-sections of our community; and to seek deeper engagement in the programs offered. The audience-enriching experiences such as artist talk-backs, tours, open rehearsals, master-classes and workshops are non-revenue generating activities and will be supported through the funding received from the Department of Canadian Heritage's Canada Arts Presentation Fund.

The PAC has requested \$60,000/year for the next 3 years to support outreach and audience development. The budget will be adjusted based on the actual grant funds received.

Film Programming

The film program began in February of 2016 and has been operating out of the Film House with over 1,600 screenings since its inception. The PAC is currently transitioning its Film House program from a service contract valued at \$96,000 per year to an in-house film programmer.

In analyzing the future of the Film program, staff determined that bringing this program in house would provide the PAC with the ability to expand the programming role with the goal of increasing audience numbers/revenue and finding financial efficiencies.

This proposed position is budgeted at a salary rate of \$55,000 to \$61,000, plus benefits. This would result in savings in the range of \$10,000-\$17,000.

Summer Students – Programming and Marketing

The Canada Summer Jobs Program is a Federal granting initiative to help youth (ages 15-30), particularly those facing barriers to employment to access summer work experiences. It offers non-for-profit, public and private sector organizations wage subsidies to offset the cost of paying these employees. The PAC's programming and Marketing department provides a diverse opportunity for youth to gain valuable hands-on experience. PAC is looking at (2) positions for the summer of 2020 and PAC would contribute the difference to the wage subsidy provided. These positions are subject to PAC receiving the grant in 2020.

Additional Operating Costs

Software

PAC's ticketing and venue management software licensing fees have increased from the initial contract price in 2014. As part of the transition, additional modules were implemented to support the financial requirements for the PAC to operate as a separate entity.

Union Contract

The IATSE Union Collective Bargaining Agreement is currently under negotiation between the Union and the City. The current term of the contract ran effective until July of 2019. The impact on the 2019 and 2020 PAC budget is unknown at this time. The new terms of the agreement will apply retroactively beginning July 2019.

Credit Card Fees

The increased activity and traffic through the box office and bar/concessions departments has resulted in an annual increase of credit card processing fees.

The number of ticketed performances has increased by close to 100 screenings/performances from 826 in 2016 to 924 in 2018; these figures include film screenings, Hot Ticket performances and rental events. Currently, the PAC and the City use Moneris and are researching the market for future cost savings.

Conclusion

Due to this being a transition year, the City is working in conjunction with the PAC board to review/pass the 2020 budget. As outlined in this report, transition costs are above the base operation and are to be expected, as the PAC board creates its own entity. The board will have the opportunity in 2020 to strategize and develop new revenue generating opportunities to build a sustainable organization that contributes to the cultural fabric of the community.

Prepared and Submitted by:

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Approved by:

David Oakes, Deputy CAO/Acting ED

Appendices:

Appendix A: PAC Draft 2020 Budget Summary (with previous year actuals)

Appendix B: PAC Draft 2020 Budget Account Detail

City of St. Catharines / FirstOntario Performing Arts Centre

[illegible]

2020 Proposed PAC Budget (Account Details)

	2020 Budget	2019 Budget	\$ Change from 2019 Budget	% Change from 2019 Budget
Object of Expenditure				
Salaries and Wages				
770.100.001 Salaries/Wages-Regular	1,778,787	1,361,372	417,415	30.66%
770.100.002 Salaries/Wages-Overtime	0	0	0	
770.100.003 Salaries/Wages-Ext Servic	732,606	979,155	-246,549	-25.18%
770.100.006 Sick Pay	0	0	0	
770.100.007 Holiday/Vacation Pay	25,782	27,290	-1,508	-5.53%
770.100.009 Doctor's Appointments	0	0	0	
Salaries and Wages	2,537,174	2,367,817	169,357	7.15%
Benefits				
770.100.030 Pensions	314,194	271,177	43,017	15.86%
770.100.031 Other Benefits	181,340	194,433	-13,093	-6.73%
770.100.032 Workers Compensation	21,689	76,811	-55,122	-71.76%
770.100.033 Employment Insurance	42,826	44,351	-1,525	-3.44%
770.100.041 Safety Shoes	350	350	0	0.00%
Total Benefits	560,399	587,122	-26,723	-4.55%
Equipment Operations				
770.100.053 Service Contracts	135,820	239,311	-103,491	-43.25%
770.100.054 Repairs - equipment	12,000	9,000	3,000	33.33%
770.100.067 Mileage	3,500	3,500	0	0.00%
Service/ Equipment Operations	151,320	251,811	-100,491	-39.91%
Materials				
770.100.101 General Supplies	35,000	31,000	4,000	12.90%
770.100.127 Concession Products	150,000	180,000	-30,000	-16.67%
770.100.140 Concession Supplies	12,000	10,000	2,000	20.00%
Materials	197,000	221,000	-24,000	-10.86%
Building and Maintenance				
770.100.110 Uniform Clothing	4,500	4,500	0	0.00%
770.100.150 Cleaning Services	2,700	3,300	-600	-18.18%
770.100.152 Gen Bldg Mtnce Supplies	5,000	5,000	0	0.00%
770.100.153 Snow/Yard Maintenance	16,000	16,500	-500	-3.03%
770.100.157 Rent	150,000	150,000	0	0.00%
770.100.162 Building Repairs	55,000	50,697	4,303	8.49%
770.100.163 Heat,Light,Power,Water	245,713	256,713	-11,000	-4.28%
770.100.173 Insurance-Bldg/Contents	26,358	26,879	-521	-1.94%
Building and Maintenance	505,271	513,589	-8,318	-1.62%

Appendix B cont.**Contracts**

770.100.200 Contract-Advisory Service	7,500	21,000	-13,500	-64.29%
770.100.201 Contract-Legal Service	30,000	30,000	0	0.00%
770.100.203 Contract-Artists/Entert'r	802,800	802,800	0	0.00%
770.100.205 Contracts-Security	20,000	20,000	0	0.00%
770.100.206 Contract-Garbage Collec'n	3,000	2,479	521	21.02%
770.100.211 Show Production	45,000	45,000	0	0.00%
770.100.235 Contract-Pest Control	1,100	1,085	15	1.38%
770.100.xxx Audit	10,000	0	10,000	
Contracts	919,400	922,364	-2,964	-0.32%

Office and Related Expenses

770.100.302 Insurance-Liability	16,500	8,661	7,839	90.51%
770.100.303 Courier Services	5,000	5,000	0	0.00%
770.100.304 Postage Expense	28,000	25,000	3,000	12.00%
770.100.305 Telephone	20,000	20,000	0	0.00%
770.100.306 Cellular Phones	4,500	4,500	0	0.00%
770.100.307 Printing	5,000	5,000	0	0.00%
770.100.308 Copying and Prints	2,500	2,500	0	0.00%
770.100.310 Office Supplies	10,000	10,000	0	0.00%
770.100.314 Software	121,550	86,035	35,515	41.28%
770.100.318 Cash Processing/Bank Fees	95,000	80,000	15,000	18.75%
770.100.323 Internet Charges	40,000	40,000	0	0.00%
770.100.324 Board/Crime Insurance	7,500	0	7,500	
770.100.330 Furniture/Equipment NTCA	7,500	7,500	0	0.00%
Office and Related Expenses	363,050	294,196	68,854	23.40%

Properties

770.100.350 Furniture/Equipment	7,500	7,500	0	
770.100.354 Other Equipment TCA	0	0	0	
Properties	7,500	7,500	0	0.00%

Other Service Charges

770.100.400 Travel Expenses		2,500	-2,500	-100.00%
770.100.401 Conferences/Conventions	20,000	20,000	0	0.00%
770.100.402 Training	5,500	5,000	500	10.00%
770.100.405 Subscriptions/Memberships	3,000	3,000	0	
770.100.417 Study/Consulting Fees	0	0	0	
770.100.418 Bad Debts	0	0	0	
770.100.434 PAC Events	25,000	0	25,000	
770.100.439 Outreach and Audience Developn	30,000	0	30,000	
770.100.447 Board Fundraising	25,000	0	25,000	
770.100.450 Miscellaneous	4,000	1,000	3,000	300.00%
770.100.451 Business Expenses		1,500	-1,500	-100.00%
770.100.455 Cash Over/Short	0	0	0	
770.100.463 Marketing	300,000	300,000	0	0.00%
770.100.468 Artist/Entert't Rider	65,000	60,000	5,000	8.33%
Other Service Charges	477,500	393,000	84,500	21.50%

Total Expenditures	5,718,614	5,558,399	160,215	2.88%
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Appendix B cont.

Object of Revenue

Grants, Contributions & Fundraising

770.100.801 Provincial Grant	0	-33,250	33,250	-100.00%
770.100.802 Federal Grants	-69,600	-45,000	-24,600	54.67%
770.100.803 Brock/Corp Cont/Grants	-804,220	-790,000	-14,220	1.80%
770.100.805 Donations/Fundraising	-200,000	-150,000	-50,000	33.33%
Grants & Contributions	-1,073,820	-1,018,250	-55,570	5.46%

Fee for Service

770.100.800 Miscellaneous Revenue	-15,000	-16,403	1,403	-8.55%
770.100.807 Fee for Service-Box	-80,000	-63,813	-16,187	25.37%
770.100.809 Fee for Service-Postage	-3,500	-3,124	-376	12.04%
770.100.810 Fee for Service- Handling	-100,000	-73,512	-26,488	36.03%
Fee For Service	-198,500	-156,852	-41,648	26.55%

Venue Rental/Event Recovery

770.100.808 Fee for Service-Product'n	-235,000	-225,173	-9,827	4.36%
770.100.930 Rental Revenue	-500,000	-550,000	50,000	-9.09%
Venue Rental/Event Recovery	-735,000	-775,173	40,173	-5.18%

Programming & Marketing

770.100.835 Ticket Sales	-1,508,362	-1,508,362	0	0.00%
770.100.836 Sponsorships	-160,000	-160,000	0	0.00%
770.100.850 Advertising Revenue	-76,575	-76,575	0	0.00%
Programming & Marketing	-1,744,937	-1,744,937	0	0.00%

Bar & Concessions Sales

770.100.857 Concession Sales	-110,000	-366,279	256,279	-69.97%
770.100.860 Vending Machines	-5,500	-5,207	-293	5.63%
770.100.861 Liquor Sales	-260,000	0	-260,000	
Bar & Concessions	-375,500	-371,486	-4,014	1.08%

Total Revenue	-4,127,757	-4,066,698	-61,059	1.50%
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Net Expenditures (City Contribution)	1,590,857	1,491,701	99,156	6.65%
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6.65%
over 2019

Transition Cost

Human Resources

Total Transition Costs	78,000	0		
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Total including Transition costs / Net
Expenditure (City Contribution)

1,668,857
11.88%