Analyst Briefing Notes

Budget Committee

(January 28, 2008)

2008 OPERATING BUDGET

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2008 OPERATING BUDGET

Executive Summary

- The Theatre's September 30, 2007 projected year-end net expenditure of $4.299 million is $0.042 million or 1% below its 2007 Approved Budget of $4.341 million net. The favourable variance is attributed to the following:

    - ➢ Sony Centre for the Performing Arts expects that, by year-end, it will under spend its 2007 Approved Operating Budget by $0.102 million or 8.7%. One of the notable savings was the lower than budgeted utility rates and usage.

    - ➢ St. Lawrence Centre for the Arts projects that it will be under budget by $0.025 million or 1.3% for the year, due to cost containment measures and higher than expected food and beverage revenues.

    - ➢ The favourable variance was partially offset by Toronto Centre of the Art's overspending of $0.085 million or 6.5% of its 2007 Approved Operating Budget. The deficit is due to a shortfall in bookings from one-time rental clients of the Main Stage theatre.

- The 3-Year Operating Budget is based on business strategies aimed at overcoming some of the difficulties faced by the Program. Some of the challenges include surviving in an increasingly competitive theatres market; presenting a wide variety of programming that interests the public, and balancing rising production costs with new revenues to minimize reliance on City funding. The vision for Theatres is to provide state-of-the-art facilities and event services to performing arts, cultural, educational, community and business organizations. The next three years mark a period of transition, as the theatres undertake the following strategic priorities:

    - ➢ Commencing in 2008, Sony Centre for the Performing Arts will undertake a 4-year redevelopment project to renovate the theatre and build a new cultural centre called the Arts & Heritage Awareness Centre (AHA! Centre). The Centre expects to broaden the attractions available to the public while generating an operating surplus that will provide future self-sufficiency.

    - ➢ In 2008, St. Lawrence Centre for the Arts will resume full programming after two years of renovations, which the Centre will promote the revitalized facility in its marketing strategy to garner increased revenues and usage.

    - ➢ Currently, Toronto Centre for the Arts is finalizing the terms of an agreement with a production company that will result in increased revenues, facility utilization, and reduced reliance on one-time event bookings in the main stage theatre. In previous years, the Centre has consistently reduced its requirement for City support and projects that it will continue this trend in 2008.

Table 1: 2008 Recommended Budget

	2007		2008 Recommended Operating Budget			Change - 2008 Recommended from 2007 Approved Budget		FY Incremental Outlook	
	2007 Approved Budget	2007 Projected Actual	2008 Base	2008 New /Enhanced	2008 Operating Budget			2009	2010
(In $000s)	$	$	$	$	$	$	%	$	$
GROSS EXPENDITURE									
Sony Centre	21,944.5	22,206.8	14,584.1	0.0	14,584.1	(7,360.4)	(33.5)	(4,702.1)	4,980.9
St. Lawrence Centre	4,585.2	4,936.6	4,017.9	0.0	4,017.9	(567.3)	(12.4)	75.1	141.7
Toronto Centre for the Arts	4,084.2	3,802.8	4,686.7	0.0	4,686.7	602.5	14.8	418.1	852.5
	30,613.9	**30,946.2**	**23,288.7**	**0.0**	**23,288.7**	**(7,325.2)**	**(23.9)**	**(4,208.9)**	**5,975.1**
REVENUE									
Sony Centre	20,773.4	21,138.1	13,413.0	0.0	13,413.0	(7,360.4)	(35.4)	(5,231.0)	4,802.0
St. Lawrence Centre	2,756.0	3,132.0	2,491.3	0.0	2,491.3	(264.7)	(9.6)	63.5	124.5
Toronto Centre for the Arts	2,743.2	2,376.7	3,543.8	0.0	3,543.8	800.6	29.2	461.0	945.4
	26,272.6	**26,646.8**	**19,448.1**	**0.0**	**19,448.1**	**(6,824.5)**	**(26.0)**	**(4,706.5)**	**5,871.9**
NET EXPENDITURE									
Sony Centre	1,171.1	1,068.7	1,171.1	0.0	1,171.1			528.9	178.9
St. Lawrence Centre	1,829.2	1,804.6	1,526.6	0.0	1,526.6	(302.6)	(16.5)	11.6	17.2
Toronto Centre for the Arts	1,341.0	1,426.1	1,142.9	0.0	1,142.9	(198.1)	(14.8)	(42.9)	(92.9)
	4,341.3	**4,299.4**	**3,840.6**	**0.0**	**3,840.6**	**(500.7)**	**(11.5)**	**497.6**	**103.2**
Approved Positions									
Sony Centre	90.4	93.0	67.4	0.0	67.4	(23.0)	(25.4)	0.3	10.3
St. Lawrence Centre	40.2	41.2	48.6	0.0	48.6	8.4	20.9		
Toronto Centre for the Arts	46.6	43.5	61.0	0.0	61.0	14.4	30.9	7.4	14.0
	177.2	**177.7**	**177.0**	**0.0**	**177.0**	**(0.2)**	**(0.1)**	**7.7**	**24.3**
TARGET			**4,341.3**		**4,341.3**				
$ Over / (Under) Program Target			**(500.7)**		**(500.7)**				
% Over / (Under) Program Target			**-11.5%**		**-11.5%**				

- The 2008 Recommended Operating Budget for Theatres is 11.5% ($0.501 million) below the Program's 2007 Approved Operating Budget and the 2008 target of a 0% increase.

- The 2008 Recommended Operating Budget for Theatres is comprised of base funding of $23.289 million gross and $3.841 million net and no funding for new/enhanced services. Approval of the 2008 Recommended Operating budget will result in the Program's staff complement decreasing from 177.2 to 177.0 approved positions.

  - The 2009 and 2010 Outlook for the Theatres, reflects a net expenditure increase of $0.498 million and $0.103 million, respectively. This is primarily due to the 4-year redevelopment project at Sony Centre for the Performing Arts which requires the Centre to shutdown for construction; hence creating a pressure of $0.529 million in 2009 and $0.179 million in 2010.

- The 2008 Recommended Base Budget of $3.841 million incorporates the Program's key cost drivers including COLA and other non-discretionary expenditures that total $0.323 million. These are offset by revenue increases of $0.513 million and efficiencies of $0.228 million.

- In seeking to increase revenues in the Main Stage theatre of the Toronto Centre for the Arts, the Centre is finalizing a multi-year agreement with a production company. The 2009 and 2010 Outlook for the Centre is based on the projected revenues resulting from the agreement. However, Section 27.1 of the Assessment Act for theatres raises realty tax issues for the Centre since the agreement results in commercial programming of the Main Stage theatre for more than 183 days in each year. The realty tax issue will negatively impact the financial projections for 2009 and 2010.

  - Finalization of the multi-year agreement will require resolution of the realty tax issue arising from the commercial programming of the Main Stage theatre for more than 183 days in the year. Section 27.3 of the Assessment Act allows the City to pass a by-law that will enable the Centre to manage the realty tax issue without negatively impacting future year budgets. Therefore, it is recommended that the Chief Financial Officer report back by May 2008 on the adoption of a new by-law under section 27.3 of the Assessment Act.

- By showcasing a broad variety of entertaining performances, the Theatres enrich and enliven the cultural life of the residents and tourists of Toronto. The 2008 Recommended Operating Budget of $23.289 million gross and $3.841 million net supports each City theatre in delivering its services in 3 different ways:

  - *Sony Centre for the Performing Arts'* offers multi-functional space, comprehensive event services, a 3,000-seat auditorium, state-of-the-art lighting and sound systems, a world class stage and highly experienced event staff. The recommended budget allows the theatre to sustain operations during the redevelopment of the facility which will generate future sustainable operating surpluses through the introduction of new business activities ($14.854 million gross and $1.1171 million net);

  - *St. Lawrence Centre for the Arts* provides state-of-the-art facilities to Toronto's "not for profit" performing arts companies and local communities at an affordable cost. The Centre houses 2 theatres: the 876-seat Bluma Appel theatre and the 498-seat Jane Mallett theatre. The Centre also organizes and offers forums to Toronto residents to gather and discuss topics that are important to the community. The recommended budget also supports the Centre in resuming full programming while marketing the renewed facility ($4.018 million gross and $1.527 million net); and

  - *Toronto Centre for the Arts* offers a first class venue for a full range of performing arts. The Centre holds 3 theatres: the 1,727-seat Main Stage theatre; 1,032-seat George Weston Recital Hall; and the versatile 200-seat Studio Theatre. The recommended budget allows the Centre to operate the facilities while embarking upon a new agreement with a third party that will mitigate Main Stage revenue shortfalls and secure operating income for future years ($4.687 million gross and $1.143 million net).

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for Theatres of $23.289 million gross and $3.841 million net, comprised of the following services, be approved:

Service:	Gross ($000s)	Net ($000s)
Sony Centre for the Performing Arts	14,584.1	1,171.1
St. Lawrence Centre for the Arts	4,017.9	1,526.6
Toronto Centre for the Arts	4,686.7	1,142.9
Total Program Budget	23,288.7	3,840.6

2. the Chief Financial Officer report back by May 2008 on the adoption of a by-law under Section 27.3 of the Assessment Act to enable Toronto Centre for the Arts to manage the realty tax issues arising from commercial programming of the main stage theatre for more than 183 days per year.

Section A: 2007 Budget Variance Analysis

Table 2: 2007 Budget Variance Review

(In $000s)	2006 Actuals	2007 Approved Budget	2007 Projected Actuals*	2007 Appvd. Budget vs Projected Actuals Variance	
	$	$	$	$	%
GROSS EXPENDITURE					
Sony Centre	25,365.6	21,944.5	22,206.8	(262.3)	(1.2)
St. Lawrence Centre	3,889.0	4,585.2	4,936.6	(351.4)	(7.7)
Toronto Centre for the Arts	3,606.0	4,084.2	3,802.8	281.4	6.9
	32,860.6	**30,613.9**	**30,946.2**	**(332.3)**	**(1.1)**
REVENUE					
Sony Centre	25,650.8	20,773.4	21,138.1	(364.7)	(1.8)
St. Lawrence Centre	2,175.0	2,756.0	3,132.0	(376.0)	(13.6)
Toronto Centre for the Arts	2,393.0	2,743.2	2,376.7	366.5	13.4
	30,218.8	**26,272.6**	**26,646.8**	**(374.2)**	**(1.4)**
NET EXPENDITURE					
Sony Centre	(285.2)	1,171.1	1,068.7	102.4	8.7
St. Lawrence Centre	1,714.0	1,829.2	1,804.6	24.6	1.3
Toronto Centre for the Arts	1,213.0	1,341.0	1,426.1	(85.1)	(6.3)
	2,641.8	**4,341.3**	**4,299.4**	**41.9**	**1.0**
Approved Positions					
Sony Centre	124.5	90.4	93.0	(2.6)	(2.9)
St. Lawrence Centre	43.5	40.2	41.2	(1.0)	(2.5)
Toronto Centre for the Arts	43.3	46.6	43.5	3.1	6.7
	211.3	**177.2**	**177.7**	**(0.5)**	**(0.3)**

*Projected Actuals based on the September 30, 2007 Variance Report.

2007 Experience

The Theatre's September 30th, 2007 Operating Variance Report projects total expenditures of $4.299 million net for the year. This represents a favourable variance of $0.042 million or 1% of the 2007 Approved Operating Budget of $4.341 million net. The favourable variance is attributed to Sony Centre for the Performing Arts and St. Lawrence Centre for the Arts.

- Sony Centre for the Performing Arts anticipates that, by year-end, it will under spend its 2007 Approved Budget by $0.102 million or 8.7%, primarily due to lower than budgeted utility rates and usage savings.

- St. Lawrence Centre for the Arts projects it will be under budget by $0.025 million or 1.3% for the year, due to cost containment measures and higher than expected food and beverage revenues.

The projected year-end results for Toronto Centre for the Arts partially offset the other theatres' favourable variances.

- As of the September 30, 2007 year-end forecast, Toronto Centre for the Arts expects to over spend its 2007 Approved Operating Budget by $0.085 million or 6.3% for the year. The deficit is due to a shortfall in Main Stage bookings from one-time rental clients.

However, the Theatres are currently projecting a favourable year-end variance of $0.169 million or 3.9% of the 2007 Approved Budget. The improved favourable variance is attributed to the Toronto Centre for the Arts.

- Toronto Centre for the Arts projects that, by year-end, it will under spend its 2007 Approved Operating Budget by $0.04 million or 3.1%, compared to its September 30, 2007 forecasted over spending of $0.085 million. The favourable variance is the result of certain main stage events being more profitable then expected and additional revenue streams from receptions, as well as lower than budgeted utility costs achieved through energy savings projects.

2007 Cost Containment Savings

The Theatres expect to achieve cost containment savings of $0.015 million in 2007 through the measures itemized in the table following.

Net Cost Containment Savings	2007 ($000s) Savings	2008 ($000s) Continued Savings	Comments
Hiring Freeze Savings:			
St. Lawrence Centre for the Arts	3.2	33.1	One Publicist position held vacant in 2007 and continued in 2008. The Centre is reviewing the impact of the hiring freeze on the 2008 service levels.
Toronto Centre for the Arts		61.6	One Administrative position held vacant in 2007 and continued in 2008. Savings of $0.062 million used to offset revenue shortfall in 2007.
Sub-total	**3.2**	**94.7**	
Service Level Adjustments:			
Discretionary Savings:			
St. Lawrence Centre for the Arts:			
Deferred/Cancelled Advertising and Production of Print Materials	12.0		
Sub-total	**12.0**		
TOTAL COST CONTAINMENT	**15.2**	**94.7**	

- *Sony Centre for the Performing Arts:* No cost containment measures were identified for Sony Centre in 2007.

- *St. Lawrence Centre for the Arts:* The Centre held vacant one Publicist position for the Forum. Only 3 of 6 remaining forums scheduled in 2007 were held as a result of the hiring freeze. Due to staff turnover, the resultant savings was $0.003 million in 2007. The position will remain vacant in 2008 and the cost savings is expected to be $0.033 million next year. The Centre is currently reviewing the impact of the hiring freeze on 2008 Forum service levels. The Centre also deferred advertising and production of print material costs for a one-time savings of $0.012 million in 2007. There is no service level impact arising from the cost containment measure.

- *Toronto Centre for the Arts*: As part of the on going review of operating costs, the Toronto Centre for the Arts phased out one administrative position in January of 2007 for a cost savings of $0.062 million which was used to partially offset the revenue shortfall from one-time rental clients of the main stage theatre. The cost containment savings of $0.062 million are expected to continue in 2008. There are no service level impacts from this cost containment savings.

Impact of 2007 Operating Variance on 2008 Recommended Budget

- The 2007 variances for the Sony Centre for the Performing Arts and St. Lawrence Centre for the Arts have no impact on the Theatre's 2008 Recommended Budget because of the one-time nature of the cost savings and revenues.

- To minimize the risks of budgeting based on one-time rental clients for the main stage theatre at the Toronto Centre for the Arts, the Centre has secured rental agreements for two shows in 2008. As a result of the secured rental revenues, the 2008 Recommended Base Budget is $4.687 million gross and $1.143 million net, representing a reduction of $0.198 million net (or 14.8%) below its 2007 Approved Budget.

Section B: 2008 Operating Budget Overview

3-Year Operating Budget Overview

Sony Centre for the Performing Arts

- Sony Centre for the Performing Arts' 3-Year Operating Budget focuses on the following strategic priorities:
  - Broaden the attractions available to the general public and tourists at the 1 Front Street East site; and
  - Renovate the theatre and build a new cultural centre called the Arts and Heritage Awareness Centre (AHA! Centre).
- Commencing in 2008, the Centre will undertake a 4-year redevelopment project to renovate the theatre and build the AHA! Centre, located within the podium of the proposed residential condominium building.
- The Centre will open a new attraction named Arts Lab featuring an interactive experience using the 7 art forms; a destination restaurant; an interactive collective video gaming facility; a convention style catering space; and a resident/tourist promotional link to the cultural attractions in the Greater Toronto Area.
- The 2008 Recommended Operating Budget for Sony Centre for the Performing Arts is \$14.584 million gross and \$1.171 million net. Although revenue generation will be limited during the construction period, the Centre will meet its corporate affordability target for 2008 of zero net increase over 2007. The staffing complement is decreased from 93.0 to 67.4 approved positions to reflect the dark days of construction.
- In 2009, theatre renovations will continue, as does the challenge of generating revenues. The 2009 Outlook will result in base operating costs of \$9.882 million gross and \$1.7 million net. The net incremental increase of \$0.529 million over 2008 represents a reduction in revenues during the construction period.
- By 2010, construction of the AHA! Centre will continue and the theatre renovations will be complete. As service activities resume in the theatres, the 2010 Outlook of \$19.565 million gross and \$1.35 million net represents a partial recovery of rental revenues resulting in a net incremental increase of \$0.179 million over 2008.

St. Lawrence Centre for the Arts

- St. Lawrence Centre for the Arts' 3-Year Operating Budget focuses on the following strategic priorities:
  - Resume full programming at St. Lawrence Centre for the Arts; and
  - Increase rental revenues and facility utilization over the next 3 years by leveraging the renewed Centre through a marketing strategy. The percentage of days booked to days available is expected to increase from 56.6% in 2007 to 91.5% in 2008.
- The 2008 Recommended Operating Budget for St. Lawrence Centre for the Arts is $4.018 million gross and $1.527 million net, which is $0.303 million net (16.5%) below its 2008 corporate affordability target of $1.829 million net. The recommended budget reduction is the result of increased rental revenues from full programming. The staffing complement is increased by 8.4 (from 40.2 to 48.6) approved positions, which is required to resume full programming.
- The Outlooks for 2009 and 2010 reflect net expenditure increases of $0.012 million and $0.017 million, respectively, to account for inflationary impacts and other non-discretionary pressures. There are no changes to the approved positions for 2009 and 2010.

Toronto Centre for the Arts

- Toronto Centre for the Arts' 3-Year Operating Budget focuses on the following strategic priorities:
  - Establish a long-term operating model that fulfills the original purpose of the Centre while reducing the risk of budgeting based on one-time events; increasing rental revenues; and reducing City funding in 2009 and beyond.
- Toronto Centre for the Arts' 2008 Recommended Operating Budget is $4.687 million gross and $1.143 million net or $0.198 million net (14.8%) below its 2008 target. The recommended budget reduction is the result of securing two rental agreements for 2008 which will increase main stage rental revenues and facility utilization. Additional staffing of 14.4 positions is required to accommodate the rise in rental activity, which increases the staffing complement by 14.4 (from 46.6 to 61.0) approved positions.
- The Outlooks for 2009 and 2010 reflect net expenditure reductions of $0.043 million and $0.093 million, respectively. The Outlooks are based on the assumption that the multi-year agreement with the production company is secured. The Centre anticipates that it will require 7.4 additional positions for 2009 and 14 positions for 2010 to support the growing number of rental activities. The salaries and benefits of these employees will be recoverable from the increased rental activity.

Challenges and Issues

Each City theatre strives to maintain or grow business in the increasingly competitive environment of the Toronto theatres sector. The ability to offer state-of-the-art facilities and a full range of event services are important competitive factors. Having the capability to consistently present programming that attracts a discerning public is also critical to the success of the theatres. As well, a common challenge that the theatres share, is the need to find supplementary revenue sources to meet continually escalating production/staging costs.

Sony Centre for the Performing Arts

Sony Centre for the Performing Arts' mission is to present a broad variety of entertaining and profitable theatrical and concert events for the enrichment of the diverse public in Toronto and to re-invent One Front Street East as the Arts and Heritage Awareness Centre (AHA! Centre) – a window to the world for residents and tourists to celebrate the diversity and cultural interchange that is Toronto.

The Centre provides theatrical facilities and services to 47 different organizations. The Centre presented 134 performances in 2007. The Centre's mandate allows for facility rentals and risk presentations whereby the Centre is involved in the production and marketing of a program. Located at the corner of Yonge and Front Streets, the Centre offers multi-functional spaces and comprehensive event services. With over 3,000-seats, it is the largest soft-seat auditorium in Canada. The Centre also boasts state-of-the-art lighting and sound systems, a fully integrated Ticket Master TM box office, a world class stage, and highly experienced and friendly event staff.

Through the redevelopment of the facility, programming at the Sony Centre for the Performing Arts will be suspended for 6 months in 2008. As the Centre's revenue earning ability is negatively impacted by the temporary shutdown, the challenge of balancing rising costs with new income streams is further compounded.

St. Lawrence Centre for the Arts

St. Lawrence Centre for the Arts' is Toronto's civic cultural centre for music, the performing arts and public affairs forums. The Centre provides state-of-the-art facilities for Toronto's "not for profit" performing arts companies at an affordable cost. The Centre also offers Toronto residents, visitors and diverse cultural communities with a professional, service-oriented theatrical and entertainment facility.

The Centre's mandate is a "rentals only" facility and in keeping with the mandate, the focus is to offer a well-equipped theatrical facility and event services to approximately 70 not-for-profit arts organizations and local communities to showcase more than 370 performances in 2007. The Centre also organizes and provides a Forum for Toronto citizens to gather, share ideas, and discuss a wide range of topics that resonate with the community. The Centre is located in downtown Toronto and houses 2 theatres: the 876-seat Bluma Appel Theatre features state-of-the-art sound and lighting capable of accommodating a wide range of presentations; and the 498-seat Jane Mallett theatre is equipped with exceptional acoustics that is ideal for concerts.

As part of its strategic priority for 2008, St. Lawrence Centre for the Arts will market the newly renovated facility to new and existing users in an attempt to resume full programming and maximize rental revenues. However, developing an effective marketing strategy on a limited budget, to an already crowded market place, presents itself as a further challenge for the Centre.

Toronto Centre for the Arts

Toronto Centre for the Arts' mission is to ensure that the Centre functions as a first class venue for a full range of performing arts to enliven and enrich the cultural life of the citizens of Toronto.

The arts complex currently functions as a "rentals only" facility to 150 different arts, cultural, educational, community and business organizations. The facility showcases approximately 300 performances and events per year. Located in North York, the Centre houses 3 main components. The Main Stage Theatre is a 1,727-seat theatre ideal for a wide variety of live performance events including musical, opera, ballet, symphony and corporate events. The 1,032-seat George Weston Recital Hall is known for stellar acoustics and is most frequently used for unamplified music concerts. The Studio Theatre is a 200-seat "black box" and is an extremely versatile and affordable space used for music concerts, plays, meetings and receptions.

Toronto Centre for the Arts faces the ongoing difficulty of budgeting based on revenues from one-time events in the Main Stage theatre. This operating model offers little stability and forces the Centre to find ongoing expense reductions when bookings in the Main Stage theatre fall short of budget. The challenge arises as the Centre seeks a longer-term plan to mitigate the shortfall in Main Stage revenues while maintaining its mandate as a "rentals only" facility.

Strategic Priorities

The Theatres will continue to expand and improve services to maintain its competitiveness within the market place, present a wide range of attractions that appeal to the public, maximize facility utilization, and strive to minimize reliance on City funding. The 2008 Recommended Operating Budget for the Theatres of $23.289 million gross and $3.841 million net supports the following strategic priorities:

- *Sony Centre for the Performing Arts'* 2008 Recommended Budget of $14.584 million gross and $1.171 million net allows the theatre to sustain operations during the redevelopment of the facility. The re-invention of the One Front Street site will include broadening the attractions available to the public that will generate future sustainable operating surpluses;

- *St. Lawrence Centre for the Arts'* 2008 Recommended Budget of $4.018 million gross and $1.527 million net supports the theatre in resuming full programming and increases rental revenues by leveraging the revitalized facility in its marketing strategy over the next 3 years. The Centre will aim to increase the percentage of days booked to days available from 56.6% in 2007 to 91.5% in 2008.

- *Toronto Centre for the Arts'* 2008 Recommended Budget of $4.687 million gross and $1.143 million net provides the support to pursue a multi-year agreement with a production company that will secure Main Stage theatre revenues and reduce reliance on City funding.

Section C: 2008 Recommended Base Budget

Table 3: 2008 Recommended Base Budget

(In $000s)	2007 Approved Budget	2008 Recommended Base	Change 2008 Recommended Base vs. 2007 Approved Budget		FY Incremental Outlook	
					2009	2010
	$	$	$	%	$	$
GROSS EXPENDITURE						
Sony Centre	21,944.5	14,584.1	(7,360.4)	(33.5)	(4,702.1)	4,980.9
St. Lawrence Centre	4,585.2	4,017.9	(567.3)	(12.4)	75.1	141.7
Toronto Centre for the Arts	4,084.2	4,686.7	602.5	14.8	418.1	852.5
	30,613.9	23,288.7	(7,325.2)	(23.9)	(4,208.9)	5,975.1
REVENUE						
Sony Centre	20,773.4	13,413.0	(7,360.4)	(35.4)	(5,231.0)	4,802.0
St. Lawrence Centre	2,756.0	2,491.3	(264.7)	(9.6)	63.5	124.5
Toronto Centre for the Arts	2,743.2	3,543.8	800.6	29.2	461.0	945.4
	26,272.6	19,448.1	(6,824.5)	(26.0)	(4,706.5)	5,871.9
NET EXPENDITURE						
Sony Centre	1,171.1	1,171.1			528.9	178.9
St. Lawrence Centre	1,829.2	1,526.6	(302.6)	(16.5)	11.6	17.2
Toronto Centre for the Arts	1,341.0	1,142.9	(198.1)	(14.8)	(42.9)	(92.9)
	4,341.3	3,840.6	(500.7)	(11.5)	497.6	103.2
Approved Positions						
Sony Centre	90.4	67.4	(23.0)	(25.4)	0.3	10.3
St. Lawrence Centre	40.2	48.6	8.4	20.9		
Toronto Centre for the Arts	46.6	61.0	14.4	30.9	7.4	14.0
	177.2	177.0	(0.2)	(0.1)	7.7	24.3

NET TARGET	**4,341.3**		**0.0**	**0.0**
$ Over / (Under) Program Target	**(500.7)**		**497.6**	**103.2**
% Over / (Under) Program Target	**-11.5%**		**11.5%**	**2.4%**

2008 Recommended Base Budget

- The 2008 Recommended Base Budget of $23.289 million gross and $3.841 million net is $0.501 million (11.5%) below the Theatres' 2007 Approved Operating Budget of $4.341 million net. The Recommended Base Budget of 177.0 total approved positions reflects a reduction of 0.2 positions below the 2007 total staffing complement for the Theatre of 177.2

positions. The reasons for the reduction in net expenditure and approved positions are detailed by theatre as follows:

Sony Centre for the Performing Arts

- Sony Centre for the Performing Arts' 2008 Recommended Base Budget of $1.171 million net meets the City's target of a 0% increase and includes a reduction of 23.0 approved positions arising from the dark days of construction.

St. Lawrence Centre for the Arts

- The 2008 Recommended Base Budget for St. Lawrence Centre for the Arts is $1.527 million net, representing a $0.303 million net (16.5%) decrease over its 2007 Approved Operating Budget, and includes the addition of 8.4 approved positions. The net expenditure reduction is the result of increased revenues from restoring to full programming offered in 2006.

Toronto Centre for the Arts

- Toronto Centre for the Arts' 2008 Recommended Base Budget of $1.143 million net is $0.198 million net (14.8%) below its 2007 Approved Operating Budget, and includes the addition of 14.4 approved positions. The net expenditure reduction and the additional positions are due to two secured rental agreements for the main stage theatre in 2008. Salaries and benefits of these employees will be recoverable from the increased rental activity.

2008 Key Cost Drivers and Reduction Strategies

Sony Centre for the Performing Arts

- Cost-of-living adjustments (COLA) for salary and benefits that average 3.25% for 2008 are non-discretionary outlays that result in additional costs of $0.068 million which is offset by expenditure reductions in other areas for a net zero impact.

- Non-labour inflationary increases account for a pressure of $0.040 million and are absorbed into the budget for a net zero impact.

- The temporary shutdown for redevelopment of the Centre will result in the 2008 Recommended Base Budget being reduced by $4.753 million in programming revenues and 23.0 approved positions. The offsetting reduction in programming expenditure will result in a net zero impact.

St. Lawrence Centre for the Arts

- Cost-of-living adjustments (COLA) for salary and benefits that average 3.25% for 2008 result in a pressure of $0.070 million.

- Non-labour economic factors account for a pressure of $0.015 million.

- Due to the implementation of a hiring freeze and cost containment measures, St. Lawrence Centre for the Arts has offset some of its pressures by $0.033 million.

- With the completion of the facility renovations in 2007, the Centre expects to generate incremental revenues from full programming of $0.929 million which will require 8.4 additional employees to support the delivery of full services. The revenues will be partially offset by increased programming costs for an overall decrease in net expenditures of $0.303 million.

- Non-economic increases in statutory benefits, payroll admin processing, and office expenses total $0.030 million. These are offset by service efficiencies and prior year reversals for marketing reductions totalling $0.057 million.

Toronto Centre for the Arts

- Inflationary increases for labour and non-labour factors of $0.100 million are offset by service efficiencies and cost containment savings, which total $0.112 million.

- Toronto Centre for the Arts expects that it will generate incremental revenues of $0.937 million and will require additional staffing of 14.4 positions to accommodate the increase in rental activity on the main stage, resulting from two secured rental agreements. These revenues are partially offset by expenditure increases of $0.751 million required to support the increased service level. Salaries and benefits of these employees will be recoverable from increased rental activity.

- The 2008 Recommended Base Budget also contains an expenditure increase of $0.250 million for special item improvements, which is offset by a reserve fund draw of $0.250 million.

2009 and 2010 Outlook: Net Incremental Impact

- *Sony Centre for the Performing Arts* projects a net incremental increase in its 2009 and 2010 Outlook of $0.529 million and $0.179 million, respectively. In 2009, the theatre renovations will continue, thus impacting the Centre’s ability to generate revenues through this period. Although the theatre renovations will be complete by 2010, the construction of the AHA! Centre will continue. In 2010, service activities will resume in the theatre and the Centre will experience a partial recovery of rental revenues.

- *St. Lawrence Centre for the Arts* projects a net incremental increase in its 2009 and 2010 Outlook of $0.012 million and $0.017 million, respectively. The outlook includes known increases in salaries and wages, utility, and equipment costs with partial offsetting increases in programming revenues.

- *Toronto Centre for the Arts* projects a net incremental reduction in its 2009 and 2010 Outlook of $0.043 million and $0.093 million, respectively. The projections are based on an assumption that the Centre will secure a multi-year agreement with a production company that will result in increased rental revenues of $0.461 million in 2009 and $0.945 million in 2010. The Outlook includes the addition of 7.4 positions in 2009 and 14.0 positions in 2010 required to support increased service delivery.

Section D: 2008 Recommended Service Priorities

There are no new/enhanced service priorities in the 2008 Recommended Operating Budget.

Section E: Issues for Discussion

2008 Operating Budget Issues

Sony Centre for the Performing Arts Facility Redevelopment

Prior to commencing the $75 million redevelopment project of the Sony Centre for the Performing Arts, the Centre must raise $60 million in funding from various sources to cover the costs of the theatre renovation and the AHA! Centre construction. The Centre expects to receive provincial grants of $15 million, federal grants of $15 million, naming and private philanthropy funding of $30 million, and contributions from the sale of air rights granted by the City to the builder of $15 million. There is no debt funding assumed for this project. In the 5-Year Recommended Capital Plan for Sony Centre, it was recommended that the Centre report back to Budget Committee by July 2008 on the status of Board fundraising for determination as to whether Sony Centre proceed with the redevelopment plan and any subsequent operating impacts on future year budgets.

St. Lawrence Centre for the Arts Forum

As a cost containment measure in 2007, the St. Lawrence Centre held vacant one out of two positions at the Forum. Due to staff turnover, the resultant savings was $0.003 million, representing 2.1% of the Forum's 2007 Approved Budget of $0.145 million net. Approximately 3 out of 6 scheduled events in 2007 were cancelled as a result of the hiring freeze. The cost containment provision will continue into 2008 and the position will remain vacant with anticipated cost savings of $0.033 million or 35.5% of the Forum's 2008 Recommended Budget of $0.093 million net. The 2008 net expenditure represents a reduction of $0.052 million or 35.8% below the 2007 Approved Budget for the Forum. It is estimated that only 8 of the previously projected 16 events will be held in 2008.

Toronto Centre for the Arts 2008 Agreement with a Production Company

The Centre has secured two rental agreements for two productions in the main stage theatre for 2008. As a result of the new secured rental revenues, the 2008 Recommended Base Budget for Toronto Centre for the Arts is $4.687 million gross and $1.143 million net which is $0.198 million net (14.8%) below the 2007 Approved Budget. The number of approved positions with recoverable salary costs required to support the increased rental activity is increased by 14.4 approved positions.

Future Year Issues

Toronto Centre for the Arts Realty Tax

In seeking to minimize its funding request to the City in 2009 and 2010, Toronto Centre for the Arts has developed a longer term business plan that mitigates the risk of budgeting based on revenues from one-time events in the main stage theatre. The Centre is finalizing a multi-year agreement with a production company that will result in greater utilization of the main stage theatre and increase revenues for 2009 and 2010. However, Section 27.1 of the Assessment Act for theatres stipulates that if the main stage theatre is used for commercial programming in excess of 183 days per year, the theatre must pay property taxes on the entire number of days of operation.

The Centre is unable to pass the property tax on to its client as this would deter the production company from renting the Main Stage theatre and result in a loss of revenues. The current 2009 and 2010 Outlooks do not incorporate the tax implications of this Assessment Act. If the Centre is required to shoulder this property tax burden, the 2009 and 2010 operating budget expenditure will increase; thereby negating the theatre's attempts to reduce its reliance on City funding.

Under Section 27.3 of the Assessment Act, the City can pass a by-law that will enable the Centre to deduct the City funding used to support not-for-profit or charitable programming in the Recital Hall and Studio theatre from the realty taxes due to the City. City staff are currently reviewing this issue in preparation of reporting on a new by-law under section 27.3 of the Assessment Act. Therefore, it is recommended that the Chief Financial Officer further consider and report on such a by-law by May 2008.

Appendix 1

Summary of Recommended Base Budget Changes From 2007 Approved Budget

(In $000s)	Summary of 2008 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2009	2010
		$	$	$	$	$
2007 Council Approved Operating Budget	**177.2**	**30,604.4**	**26,272.6**	**4,331.8**	**0.0**	**0.0**
In-year approvals and technical adjustments		9.5		9.5		
2007 Final Operating Budget	**177.2**	**30,613.9**	**26,272.6**	**4,341.3**	**0.0**	**0.0**
Prior year impacts	(0.9)	(5,213.7)	(5,130.6)	(83.1)		
Zero base items						
Economic factors		257.3		257.3	11.6	17.2
Adjusted Base Budget	**176.3**	**25,657.5**	**21,142.0**	**4,515.5**	**11.6**	**17.2**
Other base changes		1,132.8	1,192.4	(59.6)		
Base revenue changes	0.7	(3,501.6)	(2,886.3)	(615.3)	486.0	86.0
Recommended Base Adjustments:						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	**0.7**	**(2,368.8)**	**(1,693.9)**	**(674.9)**	**486.0**	**86.0**
2008 Recommended Base Budget	**177.0**	**23,288.7**	**19,448.1**	**3,840.6**	**497.6**	**103.2**
2007 Program Operating Target	**N/A**	**N/A**	**N/A**	**4,341.3**	**0.0**	**0.0**
% Over (Under) Program Target				**-11.5%**	**11.5%**	**2.4%**
% Over (Under) 2006 Approved Budget				**-11.5%**	**11.5%**	**2.4%**

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds

(In $000s)

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of Septebmer 30, 2007	Proposed Withdrawals (-) / Contributions (+)		
			2008	2009	2010
		$	$	$	$
Sony Centre:					
Insurance Reserve	XR1010	24,027.8	52.3		
Sony Centre Capital Improvement Fund	XR3003	1,905.6	568.0		
	XR3003		(1,289.1)		
St. Lawrence Centre:					
Insurance Reserve	XR1010	24,027.8	14.5		
St. Lawrence Centre for the Arts Reserve Fund	XR1046	304.8	75.0		
	XR1046		(75.0)		
Toronto Centre for the Arts					
Insurance Reserve	XR1010	24,027.8	30.0		
North York Performing Arts Centre Capital Reserve Fund	XR3007	5,565.4	300.0		
	XR3007		(250.0)		
Total Reserve / Reserve Fund Draws / Contributions			**(574.3)**	**0.0**	**0.0**