
2005 BUDGET BRIEFING NOTE: Capital Repair Envelope Responsibility for City Theatres

Issue/Background:

The Budget Advisory Committee at its meeting of December 14, 2004 requested that the Chief Financial Officer and Treasurer provide information regarding the responsibility for the capital repair envelopes for the City's three major theatres.

The three theatres include the Hummingbird Centre, the St. Lawrence Centre and the Toronto Centre for the Arts.

Key Point(s):

- The current City budget process does not include a separate approval process for the Theatre Capital program. All three major City-Owned Theatres submit a one year schedule of capital projects as part of their operating budget submission package to the City that corresponds with the capital reserve draws identified in their submissions. Generally, the capital program is approved by the respective Boards of Management prior to submission to the City for approval through the operating budget process.
- The capital programs for the three theatres are currently wholly funded from individual theatre Capital Reserves (see Table 1 below). These reserves are in turn funded from ticket surcharges. While the reserves for the Hummingbird and the Toronto Centre for the Arts are managed and reported through the City's financial systems, the capital reserve fund for the St. Lawrence Centre is managed and reported through the Centre and its Board of Management.

Table 1: Theatre Preliminary 2004 Year-End Reserve Balances (\$000)

Reserve Number	Reserve Name	Balance
XR3003	Hummingbird Centre Capital Improvement Reserve	\$4.642
XR3007	NYPAC (TCA) Capital Building Replacement Reserve	\$5.142
NA	St. Lawrence Capital Improvement Fund	* \$1.200

* Source: Staff of the St. Lawrence Centre

St. Lawrence Centre for the Arts (STLC):

- Prior to amalgamation, the City of Toronto managed and funded the capital program for STLC. The former City of Toronto's Property Services Division would assess the building condition, identify a capital program and budget the STLC capital program as a line item within the Division's budget. In 1988-89 a Capital Improvement Fund was established funded from ticket surcharges to offset the costs of smaller capital and maintenance projects such as funding for new lighting and sound equipment.
- Post amalgamation projects that were in the City's Facilities and Real Estate capital plan were transferred to the Culture Division capital program. While some capital projects were approved and completed post amalgamation, such as the replacement of the Centre's HVAC system in 2001 (\$0.465 million, debt financed), pressures and priorities within the Culture capital program and portfolio of assets combined with a lack of alternative funding (aside from debt) for STLC capital projects has resulted in no further planned STLC capital improvements in the current Culture Division Capital Plan. Similar to the other two theatres, STLC is owned by the City - the assets are not recorded on the audited financial statements of the Centre.
- Over the last three years the STLC has prepared and submitted as part of the City's operating budget review process, a one-year capital program funded from the Centre's Capital Improvement Fund. The projects are generally small in nature under a \$0.100 million on an itemized basis and are mainly for capital maintenance items.
 - The Centre's Capital Improvement Fund is funded from ticket surcharges of \$1.00/ticket for all tickets with a value greater than \$7.00. The CIF is not reported through the City's financial systems, however staff of the STLC have identified a fund balance of \$1.2 million.
- Staff of the STLC have prepared a 5-year capital plan and reserve analysis for the Board of the STLC. This plan has not been submitted to the City for review.

Toronto Centre for the Arts (TCA):

- TCA has historically prepared and submitted a one-year Capital Budget as part of the operating submission to the City. The capital works are generally under \$0.100 million on an itemized basis and are for maintenance and legislated/building code requirements (for example changing the type refrigerant used and some of the mechanical components in the building chillers). The annual cost of the capital program has been in the order of \$0.200-0.400 million.
- Since amalgamation ticket surcharges have been used to fund the Capital Improvement Reserve. The surcharges vary depending on the client or community group renting the facility and are in the order of \$1.25 to \$2.25 per ticket.
 - The preliminary 2004 year-end balance of the Capital Improvement Reserve is \$5.1 million.

- TCA is in the process of developing a 5-year Capital Plan for the 2006 budget process based on a recently completed reserve and capital planning study.

Hummingbird Centre for the Performing Arts (HC):

- Prior to 1996 the Hummingbird capital program submitted through Metro Toronto was funded $\frac{1}{4}$ from the Centre's Capital Reserve Fund and $\frac{3}{4}$ from Metro Toronto. The Capital Reserve Fund was established in the 1980s and funded from a ticket surcharge of \$0.50/ticket. Since 1996 the Hummingbird Centre has been funding its capital program solely from its Capital Reserve Fund.
 - Post amalgamation, Hummingbird has submitted an annual Capital Budget to the City with their operating budget submission for approval that includes prior year residual (carry forward) capital funding requirements along with the total project cost of any new requests. This amount corresponds to the annual reserve draw identified in the City's operating budget submission. Staff of the Hummingbird also provide the City a multi-year cash flow plan that is approved by the Board of Management of the Hummingbird.
 - The capital program is wholly funded from the Capital Improvement Reserve which in turn is funded from ticket surcharges in the order of \$1.50-2.00/ticket. The preliminary 2004 year-end fund balance is \$4.6 million.
 - The Centre is currently updating a business plan for the redevelopment of the Centre with the departure of the National Ballet and the Canadian Opera Company in 2006 that includes a detailed 10 year capital review by the consultants to the project.
-

Contact for further information: Josie Lavita, Director Financial Planning
416-397-4229

Date: January 15, 2005.