

Report to Council: Arts & Culture Sector Sustainability

Presented Tuesday, July 10, 2018

Report Summary

The City of Greater Sudbury has received significant requests for financial support from key arts & culture organizations over the past several years; all have struggled with challenges to organizational and operational sustainability.

Common issues include lack of financial oversight, insufficient board engagement and inconsistent business practices. These issues have also been exacerbated by a changing landscape for the arts sector as a whole across the country. Tough economic conditions and aging audiences have made it more difficult for not-for-profit arts groups to grow their numbers and raise revenue, and even when the economy has been strong, changing businesses expectations have pushed for clear returns on their sponsorship investment as they target specific areas for giving and align with the interests of their employees and customers.

Within this context, Economic Development staff have developed this report to reflect lessons learned through the Greater Sudbury Arts & Culture Grant program, together with best practices from colleagues at the provincial and federal levels, for Council's information, including:

- Collaborative efforts to provide resources and raise capacity of the sector
 - o Partnering with local agencies already offering skills-based training, such as the United Way and the Regional Business Centre
 - o Fostering active collaboration efforts between organizations to encourage sharing of facilities, venues, expertise and other resources
 - o Ensuring appropriate board training as an obligation of properly-functioning not-for-profit organizations
 - o Providing provide networking opportunities and innovative events that foster board succession and recruitment opportunities
- Enhancements to Arts & Culture Grant Application and Review Process
 - o Demonstrating fiscal oversight, strategic planning and board governance structures
 - o Triggering increased due diligence in cases of operating deficits and other "red flags"
 - o Ensuring engagement of organization boards in support of application submissions only with board approval via signed resolutions

Staff also continue to work closely with those organizations who have received funding from the City in order to support their recovery and sustainability efforts.

Background

As a part of its longstanding mandate to grow the Arts & Culture sector in Greater Sudbury, CGS Economic Development staff have been working with community stakeholders to raise the capacity and resilience of the sector over the past several years; however, recent events have made it evident that these efforts need to be increased.

In response to a number of large funding requests coming forward to the City over the past several months from Arts & Culture organizations, the City's Economic Development staff are reviewing the current challenges being faced by the sector and the potential implications for the 2019 Arts & Culture grant program and beyond. As key stakeholders in the process, the input of the Greater Sudbury Development Corporation (GSDC) Board as well as the Grant Juries has also been instrumental in these discussions, together with the experiences of the board and staff members of the organizations themselves.

In particular, City staff are exploring resources available to support these organizations as they address the need for strong governance structures and consistent financial oversight processes within their own boards. Discussions are ongoing with the Ontario Arts Council and the Canada Council for the Arts, along with local agencies such as the Regional Business Centre and the Nickel Basin Federal Development Corporation, as to what steps may be required for these proponents to demonstrate their capacity and capability to ensure effective use of public funds in their operations.

Greater Sudbury Arts & Culture Funding Program

Established in 2005, the City of Greater Sudbury's Arts and Culture Grant Program stimulates the growth and development of this important economic sector, increases its potential to attract and retain a talented and creative workforce and presents an investment in quality of life for all residents.

The City's Economic Development division, Tourism and Culture section has coordinated the application process for the Arts & Culture Funding Program since 2005. The process of reviewing applications and determining allocations is conducted with two granting juries. The recommendations of the juries are then brought forward to the GSDC Board for their review and approval, and the funding is then disbursed to grant proponents through Contribution Agreements, which also lay out requirements for reporting results and communicating the City's contribution. Under GSDC oversight, the program has allocated nearly \$7 in funding to over 100 local arts and culture organizations. This investment has led to the employment of more than 100 artists, the realization of dozens of festivals and an estimated overall return of almost \$10 for every dollar spent.

2018 Arts & Culture Grants

In total, the GSDC Board approved a total of \$574,756 in grant funding to 36 arts and culture groups: \$124,924 to 22 project-based arts activities and \$449,832.00 as operational support to 14 local arts organizations. In addition to this amount, the Art Gallery of Sudbury receives a direct grant of \$200,000 which, though not subject to the jury evaluation process, is still subject to the same reporting and financial information requirements as other grant recipients.

2019 Updates

For the 2019 Arts & Culture program intake, staff will be updating the application process and have gained much from best practices implemented at the provincial and federal granting levels (such as the Ontario Arts Council and the Canada Council for the Arts). At a high level, these obligations will include more information on board governance structure, in addition to the existing requirements for updated financial information (income statements, balance sheets and audited financial statements, based on the level of grant funding requested). All grant applicants will be required to provide evidence of:

- Board governance:
 - Up-to-date information on their board members, including board terms, roles, areas of expertise and recruitment/succession planning process
 - Conflict of Interest policies, including both board and staff components
- Financial oversight:
 - Updated information on the financial oversight model approved and followed by their board and staff; for example, the terms and structure of a board's Finance Committee, frequency of board meetings and other process used to ensure an organization's board is aware of ongoing operations and financial situation
- Board training and succession
 - Updated information on board training on roles and responsibilities, such as that provided by the United Way
- Deficit Reduction Planning
 - Grant juries will prioritize the review of financial information, including information provided by the applicants through the CADAC system (Canadian Arts Data/Données sur les arts au Canada),
 - An organization showing an accumulated deficit of 10% of its operating budget or higher will be required to include a deficit retirement plan that has been approved by its board by signed resolution
- Strategic and Business Planning
 - Up-to-date strategic plan, with information on how the applicant's stakeholders were involved in its development, steps to achieve goals and alternate solutions if these goals are not met
 - Demonstration of partnership development efforts with other arts & culture organizations to maximize use of facilities, venues, expertise and other resources

In the case that an organization is challenged with meeting one or more of these obligations, this approach also gives City staff the flexibility to closely monitor and apply a conditional approach to individual cases. The intention of these enhancements is not to penalize organizations, but rather to foster development of sound business policies and structures to help make these organizations more resilient.

More information on this process will be brought forward to the GSDC Board in advance of the 2019 Grant intake process and as part of the renewal of the 2019 Operating and Project grant juries.

Other resources and opportunities for support

There are other ways the City can work with its partners and local stakeholders to facilitate capacity-building within the sector, such as:

- Connecting organizations with available training opportunities for board and staff
 - Financial training, such as how to read financial statements

- Access to workshops and resources through the Greater Sudbury Regional Business Centre and Business for the Arts
- Governance training and assessment tools such as through the United Way and Sudbury Community Foundation for board members, focusing on understanding board roles and responsibilities, recruitment and succession planning
- Related training available through Laurentian University, Collège Boréal and Cambrian College
- Providing access to useful resource documents and links online
 - Examples may include standing questions board members should be asking as a matter of course, orientation tools for new board members, and standard approaches to agendas and minute-keeping
- Hosting networking events to bring together not-for-profit boards seeking to recruit new members with individuals and groups open to board opportunities
 - Such groups might include volunteer networks, young professionals working in private firms and establishing careers, creative workers newly arrived in the community, emerging leadership program participants (such as the Northern Leadership Program) and so on
 - Events may include panel discussions with provincial organizations and review of success stories from other jurisdictions
- Fostering shared resources and venues between arts organizations to increase sustainability
 - For example, Ontario has several successful examples of theatre facilities that are shared by multiple performance groups, both professional and amateur, with benefits including lower operating costs and cross-promotion to wider audiences
 - Encouraging arts organizations to demonstrate collaboration and leveraging of shared expertise and resources through their grant applications and new initiatives

Economic Development staff have started to explore these and other opportunities together with partners at the Regional Business Centre and the Nickel Basin Federal Development Corporation with plans to implement and test such initiatives in late 2018 and early 2019, depending on resources available.

Next steps

In preparation for the 2019 Grant funding program, staff will:

- Continue to research examples of sector support and development in other jurisdictions
- Report back to GSDC board on changes to application process in fall 2018 in order to align with the establishment of the 2019 Project and Operating grant stream juries
- Communicate new requirements to grant applicants
- Host one to two pilot events and workshops in fall 2018
- Work with sector organizations to determine progress and ongoing needs

Additionally, staff will continue to work closely with those organizations seeking to improve their operations and resources in order to understand and address ongoing challenges and gaps.