

Presented To:	City Council
Presented:	Tuesday, Jul 10, 2018
Report Date	Monday, Jun 25, 2018
Type:	Managers' Reports

Request for Decision

Theatre Cambrian Request for Support

Resolution

THAT the City of Greater Sudbury declines the funding request made by Theatre Cambrian in their letter of May 3, 2018 due to concerns regarding the stability of the organization;

AND THAT as a show of support for the organization and its cultural mandate, the City of Greater Sudbury provides a contribution of up to \$20,000 from the Tax Rate Stabilization Reserve, directly to the Sudbury Theatre Centre on behalf of Theatre Cambrian specifically to cover the costs associated with space rental as outlined in the report entitled "Theatre Cambrian Request for Support, dated June 25, 2018 from the Chief Administrative Office;

AND THAT Economic Development staff be directed to work with the Theatre Cambrian Board of Directors to address the requirements of the organization to achieve financial, operational and governance sustainability;

THEREFORE BE IT RESOLVED that Theatre Cambrian be required to provide a report by December 31, 2018 outlining a debt recovery plan and operational plan, including cashflow, as well as an updated business plan and strategic plan.

Signed By

Report Prepared By

Meredith Armstrong
Manager of Tourism and Culture
Digitally Signed Jun 25, 18

Division Review

Ian Wood
Director of Economic Development
Digitally Signed Jun 25, 18

Financial Implications

Jim Lister
Manager of Financial Planning and
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Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Jun 25, 18

Relationship to the Strategic Plan / Health Impact Assessment

This report relates to Council's *Greater Together* priorities to "develop arts, culture, heritage, language and tourism in our multicultural city" under the "Quality of Life and Place" pillar.

Report Summary

At the Council meeting of May 29, 2018, Council passed a resolution directing staff to provide a report and recommendation around the Theatre Cambrian's request for financial support. This report will provide background on the situation and provide recommendations for Council's consideration.

Financial Implications

If approved, the contribution would be taken from the Tax Rate Stabilization Reserve, to a maximum of \$20,000.

Report to Council: Theatre Cambrian Request for Support

Presented Tuesday, July 10, 2018

Report Summary

At the Council meeting of May 29, 2018, Council passed a resolution directing staff to provide a report recommendation around the theatre's request for financial support. This report will provide background on the situation and provide recommendations for Council's consideration.

The Council resolution can be found here:

<https://agendasonline.greatersudbury.ca/index.cfm?pg=agenda&action=navigator&id=1242&itemid=15200&lang=en>

On June 13, 2018, the Theatre Cambrian board submitted an Executive Summary to CGS staff describing their ongoing work on governance and operations (attached). Nevertheless, the organization remains in a state of significant uncertainty regarding both its financial and governance status. Given this situation, staff recommend against a direct contribution to the organization at this time.

As an alternative show of support, however, staff recommend that the City provide funding of up to \$20,000 to cover costs associated with Theatre Cambrian's rental of venue space at the Sudbury Theatre Centre for its shows planned for November 2018 and February 2019, with the funding paid directly to the Sudbury Theatre Centre. This contribution would enable Theatre Cambrian to produce revenue-generating events at a community venue while reducing the burden of their operational expenses. This approach also reduces the risk to the City while demonstrating support for their cultural mandate and history.

The Sudbury Theatre Centre has provided a letter (attached) confirming their support for Theatre Cambrian's efforts and the provision of the venue.

The contribution would be outlined in a Contribution Agreement between the City and Theatre Cambrian, with specific deliverables as obligations of Theatre Cambrian, including development of a debt recovery plan and an operational plan with cashflow information, business plan and board governance structure.

Background

On Monday, April 30, 2018, representatives of the Theatre Cambrian board of directors met with Mayor Bigger and Councillor Cormier, together with staff from Economic Development, to discuss challenges currently facing the not-for-profit community theatre organization, and to present a request for funding. Following this meeting, the request for financial support was articulated in a letter dated May 3, 2018, from Theatre Cambrian board chair on behalf of the organization. This letter is attached for reference.

Theatre Cambrian is an incorporated not-for-profit community theatre, founded in 1985. The organization is largely comprised of volunteers, including its directors, producers, actors, stage managers and front of house volunteers, and the organization works to produce four to five major musicals and several dinner theatre shows annually, training hundred of young people in the process.

Theatre Cambrian also runs educational programs. Equipment inspections, lighting and other technical employees are paid for their work as these positions require qualified and licensed professionals.

For the first 20 years of the organization, their shows were produced and presented at Cambrian College. Theatre Cambrian bought the former St. Eugene Church on Eyre Street in 2007 with a mortgage from Nickel Basin; the original plan included rentals of the existing Rectory apartments in order to supplement income from productions.

As acknowledged by its board representatives, due to poor management and lack of guidance from a functioning board, the organization has suffered from damaging financial decisions, including mismanagement of government grants, leading to the situation now being faced. Recently Economic Development staff were advised of a change in Theatre Cambrian's board membership, including in the role of Board Chair. The remaining board members maintain their commitment to their work on developing a recovery plan for the organization.

Current Situation – Financial and Governance

As outlined in the attached letter, Theatre Cambrian is requesting \$150,000 in assistance from the City, which includes \$70,000 as a non repayable grant and \$80,000 in an interest free loan. The attached letter from Theatre Cambrian dated May 3, 2018, outlines their accumulated debt challenges. The organization has made it clear that while the sale of the building will help to reduce the financial burden facing the organization, this would not eliminate Theatre Cambrian's current debts altogether.

The theatre has had a history of board governance issues, including the resignation of the previous board for the organization and the creation of a new board in September 2017. While the organization has made improvements since last September, challenges continue for the organization in its operations and board governance.

Risks & Alternatives

The organization has requested funding of \$150,000 from the City. Currently there are several factors that increase the risks associated with this contribution from public dollars.

- The board of Theatre Cambrian has experienced consistent instability and turnover in its members, including the very recent resignation of Board Chair and other members
- With one paid staff member, it is not clear that the organization has the capacity to implement a recovery plan in the short term
- Theatre Cambrian has a history of inconsistency in grant funding and mismanagement of funds, including access to and use of Greater Sudbury arts & culture grant funding, as outlined below
- Even with the sale of the building at 40 Eyre Street, Theatre Cambrian will face payables of \$170,000
- There may be a lack of coordination and communication across the Arts & Culture sector in Greater Sudbury, preventing organizations from leveraging shared resources, including venues, expertise, audience development and board succession planning

Given these risks, chances may be high that City funding provided would not be put to best use by the organization in a way that aligns with City priorities to advance the development of the arts sector and brings value to the community at large.

Nevertheless, Council has consistently expressed its ongoing support for cultural sector organizations during its term, and may want consider a show of support that reduces the risk, but that also does not show endorsement for the poor decisions made previously in association with this organization.

Theatre Cambrian has retained its staff person and several remaining board members. The organization is in discussion with Sudbury Theatre Centre to use its venue for shows planned for November 2018 and February 2019. Theatre Cambrian has a long history in the community and has grown a committed group of volunteers over the years.

In alignment with the City's expressed interest in the community's Arts & Culture sector, staff therefore recommend that a contribution is made from the City to cover Theatre Cambrian's rental fees at the Sudbury Theatre Centre (STC), through a direct payment to the STC and at fair market rates, for their late 2018 and early 2019 productions. This will help to reduce their expenses and increase their revenue share while also ensuring the STC is not in the position of foregoing their own revenue generation targets. This would also trigger specific requirements that Theatre Cambrian meet reporting deliverables and address its organizational and financial challenges head-on, with a deadline at the end of 2018.

Greater Sudbury Arts & Culture Grant Funding

Theatre Cambrian has been a recipient of the Operating Funding Stream of the Greater Sudbury Arts & Culture Grant Program, a funding program administered and overseen by the GSDC on behalf of City Council, with the input and recommendations of Grant 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.

The results of the past several years of funding applications from Theatre Cambrian (TC) reflects an ongoing trend of instability and lack of consistency in the organization's approach to operations.

- **2018:** After a fulsome review of TC's 2018 grant submission and 2017 results, as well as the previous track record of this organization, the Operating jury feels that Theatre Cambrian is not in a good position to receive funding, and expressed concern that the organization may not currently have the capacity to invest the City's dollars in an effective manner that aligns with the goals of the Grant program, given their existing debt recovery mode.

With reluctance, the jury recommends that this organization not be allocated funding from the 2018 grant program. This recommendation is supported by the GSDC Board.

- **2017:** Pending receipt of outstanding information, TC is granted a conditional funding contribution of \$11,500 from the Arts & Culture Operating grant stream. The organization subsequently did not meet the deadline of June 1, 2017 to submit outstanding items (listed below) so no funding was granted.
 - o Despite the work of the Arts Consulting Group of Canada on the internal audit in 2016, the Theatre Cambrian Board was not able to follow through with the recommendations of the final report and submit the required items to comprise a complete application package, including up-to-date audited financial statements and board member information as well as information on their progress in acting on the recommendations resulting from the internal audit and approved by the Theatre Cambrian board

- **November 2017** – Economic Development staff meet with Theatre Cambrian board representatives to discuss challenges and funding history; they are advised of the challenges with TC's 2017 grant application and the reasons the funding was not granted in 2017
- **2016:** Funding in the amount of \$25,000 is approved out of the grant program on the basis of receiving the internal audit final report as stipulated by the GSDC board motion in 2015.
 - o The Arts Consulting Group of Canada (ACG) completed a Business and Organizational Assessment of Theatre Cambrian including a review of current and historical information, audited statements from 2012 to 2015 and a comprehensive Board Self Assessment Survey.
 - o A comprehensive report is produced with specific recommendations and action items for the TC board to address in order to achieve operational sustainability
- **2015:** Despite Theatre Cambrian requesting \$50,000 in operating funding, a grant of \$10,000 is provided from the Arts & Culture Operating grant stream.
 - o This funding is specifically intended to assist Theatre Cambrian in securing external support to conduct an internal audit to address financial and governance issues identified in Theatre Cambrian's 2015 funding application.
 - o The GSDC Board passes a motion stipulating that Theatre Cambrian must submit a report that includes a clear strategy to strengthen the financial and organizational health of the corporation, to be submitted prior to further funding requests being considered for Theatre Cambrian in 2016.
- **2014:** Approved for funding of \$25,000 from Arts & Culture Operating Grant stream
- **2013:** No funding approved, as the information included in the grant application reflects significant material uncertainty; in the same year, the Federal government revokes the organization's charitable status
- **2012:** No funding approved; TC does not submit required information

Prior to this year, funding contributions provided to the organization through the Arts & Culture Grant program ranged from \$12,000 in 2006 to \$27,000 in 2011.

Previous Funding Support

After 20 years of performing at Cambrian College's main amphitheatre, Theatre Cambrian was required to relocate. For several years, Theatre Cambrian performed at a variety of venues throughout the City of Sudbury. In 2007 and 2008, the organization began negotiations to purchase and renovate their current home, a former church and rectory on Erye Street. When the Company moved to their new facility, audience attendance was strong, but as the audience was seated on Church pews, their experience was uncomfortable and the attendance started to decline. The Company undertook renovations which included new theatre seating and attendance improved. The Company was now also experiencing the costs of maintaining their own facility.

The organization acquired the building with plans to eventually convert the building into a permanent community theatre for its productions, as well as a venue for other organizations to access. Phase two of the project required the commissioning of a feasibility study to support and direct efforts towards having its own permanent theatre. The Greater Sudbury Development Corporation (GSDC) contributed \$25,000 in 2008 towards the feasibility study.

Sector Sustainability

The City of Greater Sudbury has received requests for financial support from key arts & culture organizations over the past several years which are struggling with organizational and financial sustainability.

In response to these challenges, Economic Development staff have developed a report regarding best practices and required resources to address Arts & Culture sector sustainability to be included on the July 10th, 2018 agenda of Council, for Council's information. The information included in that report outlines steps that will have implications for Theatre Cambrian as well as other local organizations related to the cultural sector, such as opportunities for shared resources, cooperative use of venues, leveraged expertise and obligatory updates to funding application processes.

Please refer to "Arts & Culture Sector Sustainability Report" included on the July 10, 2018, agenda of Council.

Recommendation

Following the recent resignation of several board members, including Board Chair, it is not currently clear how Theatre Cambrian will continue to operate, nor overcome its significant financial challenges. With one paid staff member (Office Manager) and with current board turnover, the organization is not well positioned to develop or implement a Debt Recovery Plan that would provide a long-term solution to these issues.

With this in mind, staff recommend that the City decline the funding request outlined by Theatre Cambrian in their letter dated May 3, 2018 (attached).

However, the organization maintains the support of several remaining board members as well as a strong volunteer network. They are actively pursuing the opportunity to use the Sudbury Theatre Center facilities for productions in November 2018 and February 2019 and are currently negotiating this collaborative approach with the Sudbury Theatre Centre organization. After four decades, Theatre Cambrian has garnered significant community support.

As a show of support for their efforts and in alignment with the City's expressed interest in the community's Arts & Culture sector, staff therefore recommend that a contribution is made from the City to cover Theatre Cambrian's rental fees at the Sudbury Theatre Centre (STC), at fair market rates, for their late 2018 and early 2019 productions in order to help reduce their expenses and increase their revenue share while also ensuring the STC is not in the position of foregoing their own revenue generation targets.

This contribution should be outlined in a formal Contribution Agreement with Theatre Cambrian that includes specific reporting obligations of the organization to address debt recovery and operational plans, including governance renewal and financial/operational plans.

Theatre Cambrian
40 Eyre Street, Sudbury, P3C 4A5
Mayor and Council,
City of Greater Sudbury

May
3, 2018

Dear Mayor Bigger,

re: Theatre Cambrian Request for Financial Assistance
Thank you for meeting with me and Vice President, Derek Young, on Monday. You allowed us to describe Theatre Cambrian's history and achievements, the recent mismanagement that resulted in an overwhelming debt and the significant steps we have taken since we took over in October 2017.

We are requesting that Council give a Grant of \$70,000 and an Interest Free loan of \$80,000 would enable Theatre Cambrian to pay off the creditors. With the downsizing and proper budgeting we can negotiate a realistic repayment plan of monthly payments and an additional payment of 15% of any annual profit from all income each year until the loan is repaid.

Theatre Cambrian is an incorporated Volunteer, Community Theatre, founded in 1985. Directors, producers, actors, stage managers and front of house volunteers produce 4-5 major musicals and 5 or 6 Dinner Theatre Shows annually, training hundred of young people in the process. Only technical staff are paid. Theatre Cambrian also runs educational programs.

Theatre Cambrian bought the former St Eugene Church in 2007 with a mortgage from Nickel Basin and realistic plan to rent the Rectory apartments to supplement income from productions. Over the years, without a Governance Plan nor effective management, bad decisions were made.

In September 2017 the new Board was elected. In only 6 months, the new Board has developed a strong governance Bylaw with proper record-keeping, has hired and is training an Office Manager. We have re-established government and arts community relationships. We have a new ticketing system and audiences are now increasing. A Fund-raising Plan is in place. A few creditors would accept monthly repayment arrangements.

40 Eyre Street is on the real estate market. Sale proceeds will pay off the mortgages and financing companies. It will not pay the debt. STC will rent its hall to Theatre Cambrian to stage four Musicals. We have explored many potential sites and are negotiating the lease of a smaller site for rehearsals, Dinner Theatres, storage and Box Office at gross rent. Some renovation

will be needed for accessibility and flexible stage. With rental income and realistic production programming, our 2018-2019 budget predicts a small profit going forward.

Despite all these Board efforts, we cannot repay the accumulated debt of over \$150,000 which includes \$118,000 owed to the Federal Government, 21850 to individuals, the rest to local merchants many of whom are demanding payment which threatens the continuity of Theatre Cambrian. We also owe auditor fees of around \$12,000.

We sincerely appreciate Mayor and Council's consideration of this one time emergency grant and loan request.

Respectfully submitted,

Dr Chris Nash, President

Derek Young, Vice President



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Della Krieger, President
Mary Anne Fraser, Vice President
Gerry Copeman, Past President
Brian Koivu, Treasurer
Wayne St. Georges, Secretary
David Anselmo
Cathy Coe
Line Roberge
Phillip Spagnolo, Jr.
Sarah St. Georges

June 11, 2017

Attention:

Derek Young - Vice President – Theatre Cambrian

cc. Meredith Armstrong – City of Greater Sudbury, Manager, Arts, Culture, Tourism

This letter is to confirm Theatre Cambrian's rental of the Sudbury Theatre Centre, November 11–25, 2018 and February 27- March 10 2019. As per our meeting, STC will offer a reduced rental rate in order to help Theatre Cambrian get back on its feet, but ensuring that STC's costs are covered.

In the coming weeks, our Technical Director will visit TC in order to assess some equipment that you are selling. If it is deemed useful to us, we can at that point discuss the option to trade for the rental price.

The Sudbury Theatre believes strongly in the importance of Live Theatre on ALL levels, professional and amateur, as a crucial element of The City of Greater Sudbury's cultural landscape.

If you require anything further, please do not hesitate to ask.

Kind Regards,



Katherine Smith

Director of Operations + Production

The Sudbury Theatre Centre

generalmanager@sudburytheatre.ca

705-674-8381 x 26

PROUD MEMBER OF:



EXECUTIVE SUMMARY

In October 2017, a new board was elected for Theatre Cambrian. The new board has assumed the role of a management board and has the support of one staff person who works with the theatre in the role of office management and business development.

The new board has a mix of experienced business minded people with varied backgrounds in business development and marketing, finance, event planning, fundraising, community development, social services and technical theatre. The board is currently lead by interim President Derek Young who provides leadership to the board in their decision making and is encouraging the board to function at “enterprise level” something that has been instilled in him through his work with the President’s Choice Super Dogs who are celebrating their 40th anniversary this year.

Since October, the board has made some significant improvements to its daily office management and financial accounting systems. The board has made decisions such as listing the building for sale at 40 Eyre St, developing new community partnerships, enhancing the patron experience and implementing a new accessible ticketing system for online and real time ticket sales. These decisions mean that the theatre company is in a much better position to rebuild its reputation in the community, grow our audiences, reinvest back into the arts community and demonstrates long term sustainability for the organization, so that many more young people will continue to grow up on our stage.

Over its 33 year history, Theatre Cambrian has done and continues to do good work. It’s been a training ground and a starting block for many young people who are interested in theatre and pursuing a career in the arts and for other folks who might just be interested in theatre as a hobby. Some of these people include Lisa Humber who now works as a stage manager for Mirvish in Toronto and Alessandro Constantini, founder and artistic director of YES Theatre, who was recently recognized with the award for Emerging Artist at the Mayor’s Celebration of the Arts. Bette Burke, a long time patron of Theatre Cambrian (and her Burkettes) have said to us “We have seen many kids grow up on that stage” that is why Theatre Cambrian is important to the cultural fabric of our community and why we are seeking a “hand-up” from council.

The board recognizes that missteps were made at Theatre Cambrian and perhaps emotions may have factored into some decision making, however, the new board of management is committed to righting the ship at Theatre Cambrian.

Moving forward, we will produce shows like Oliver and Wizard of Oz, which proved TC can be financially viable. As we look ahead we have extended our season, which will include the Addams Family Musical running from November 15 to 25, 2018 at the Sudbury Theatre Centre. Oliver was a large cast with many families participating, on budget, a familiar story, and grossed over \$45,000 in earned revenue with a net profit of \$30,000. Community supporting their own

community is a key factor for successful ticket sales and putting more bums in seats. Our decision making and thought process demonstrated that the community theatre model combined with fact based, sound decision making will make Theatre Cambrian a viable theatre company and can be returned to its glory days with your support.

Looking ahead, Theatre Cambrian has started to liquidate its surplus wardrobe assets, some of which have been acquired by organizations such as Sudbury Burlesque and YES Theatre. We are in discussions with the Sudbury Theatre Centre and William F. Whites International in the film business to acquire surplus sound and lighting assets. We also have an opportunity to make significant technical upgrades to the Sudbury Theatre Centre, which will help make their venue more viable and attractive to outside user groups.

Theatre Cambrian has secured dates with the Sudbury Theatre Centre for their main stage productions which will run on a calendar starting February 26, 2019 and is working towards securing additional 2019-20 dates for upcoming productions as we build up to our 35th anniversary. Arrangements have been being made with the Lexington Hotel to host our dinner theatre program, which will include overnight stay and play tourism packages and the possibility of rehearsal and administrative space.

We are seeking your support and investment in Theatre Cambrian to assist us on our Road to Recovery and The Next Act, which is outlined in the business recovery and fundraising plan. Your support will give Theatre Cambrian a clean slate to help with its debt recovery and the sale of the building will allow us to drastically reduce our overhead expenses while continuing to make investments in the community and seek out new partnership opportunities.

We thank you for your support and look forward to hearing your recommendations and working with you ensure that Theatre Cambrian continues to be an important part of Greater Sudbury's cultural landscape.