

# **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 10<sup>th</sup>, 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.