

DECISION REPORT

Arts, Culture and Events Venues Business Line Budgetary Information**ISSUE**

As the City of Saskatoon (City) heads into its planning for the 2024 and 2025 Business Plan and Budget Cycle, there continues to be several budgetary pressures the City is facing. This report will provide information and Administrative recommendations on the Arts, Culture and Events Venues Business Line.

This process has been established so that City Council can provide early direction to the Administration, on what to include in the 2024/2025 Preliminary Business Plan and Budget which will be considered by City Council in November 2023 during the 2024/2025 Business Plan and Budget deliberation meeting.

BACKGROUND

At its March 15, 2023 meeting when considering the [2023-2025 Budgetary Pressures and Trends](#) Report, Governance and Priorities Committee (GPC) resolved in part:

“That Administration report back on a potential special budget meeting process to address some of the budgetary challenges and pressures for the upcoming two-year budget cycle. That this report include recommendations on using the existing Governance and Priorities Committee/Finance Committee meeting schedule vs. having special budget/Finance committee meetings and recommendations for organizing these special budget meetings based on departmental budgets or based on service lines or some combination.”

At its April 12, 2023 meeting when considering the [2024/2025 Business Plan and Budget Process Report](#), GPC resolved:

“That Option 3 be approved, and the City Clerk’s office be directed to schedule Special Budget Meetings for the presentation of Business Line-based reports if the Governance and Priorities Committee Capacity does not exist as outlined in the April 12, 2023 report of the Chief Financial Office.”

CURRENT STATUS

The multi-year business plan and budget process includes the following key steps:

1. Develop the cost to maintain existing services considering city growth, inflation pressures, and updated revenue estimates. This step is also used to present and discuss required corrections of base budgets and phase-in of funding plans.
2. Provide a summary of the information from Step 1 to GPC.
3. Use cross-divisional teams to discuss City Council’s strategic priorities and develop options to achieve these priorities.

4. Present a list of Business Plan Options to GPC for prioritization.

DISCUSSION/ANALYSIS

Each business line report presented will have the same general outline. The categories in each report will be:

1. Expenditure Overview
2. Service Level Review
3. Pandemic Challenges
4. 2024/2025 Pressures
5. Potential Options

Appendix 1 includes the information for the Arts, Culture and Events Venues business line. The Arts, Culture and Events Business Line includes the City's contributions to TCU Place, SaskTel Centre and Remai Modern. The operational revenues and expenditures of each venue are not included and are managed by each individual entity.

OPTIONS

Appendix 1 provides the full information regarding the options available to Committee.

Option 1 - Reduce the phase-in of the CBCM Contribution for Remai Modern

Option 2 – Operating Grant Changes

RECOMMENDATION

That the Governance and Priorities Committee direct Administration to include the following options in the 2024/2025 Preliminary Business Plan and Budget:

1. Option 1 - Reduce the phase-in of the CBCM contribution for Remai Modern by \$41,000 in 2024 and reassess in future budgets.

RATIONALE

The provided recommendation aims to strike a balance in addressing the significant cost pressures the City is facing heading into 2024/2025 with a more reasonable property tax increase.

FINANCIAL IMPLICATIONS

The financial implications of this business line will be deliberated at the 2024/2025 Business Plan and Budget Deliberations meeting.

OTHER IMPLICATIONS

There are no privacy, legal, social or environmental implications identified.

NEXT STEPS

Any direction from Committee on this report will be incorporated into the 2024/2025 Business Plan and Budget process. Decisions for 2024/2025 Business Plan and Budget will be made by City Council during the budget deliberation meeting which will

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be held on November 28-30, 2023 where the budget implications of all business lines will be deliberated. It is important to note this report does not include the Downtown Event and Entertainment District and decisions on that project will be made by City Council in the coming months.

APPENDICES

1. Arts, Culture and Events Business Line

REPORT APPROVAL

Written by: Kari Smith, Director of Finance

Reviewed by: Clae Hack, Chief Financial Officer

Approved by: Jeff Jorgenson, City Manager Report Approval

Admin Report - Arts, Culture and Events Venues Business Line Budgetary Information.docx

Arts, Culture and Events Venues Business Line

The Arts, Culture and Events Venues Business Line consists of the City's three controlled corporations which are the Remai Modern, SaskTel Centre and TCU Place.

Expenditure Overview

The overall 2023 Budget for the Arts, Culture and Events Venues Business Line includes only the City of Saskatoon's contribution to TCU Place, SaskTel Centre and Remai Modern and is projected to incur \$9.7 million in expenditures.

Gross Expenses	2023 Op. Exp. (in millions)
Remai Modern Art Gallery	\$7.3
SaskTel Centre	\$0.6
TCU Place	\$1.8
Arts, Culture and Events Business Line	\$9.7

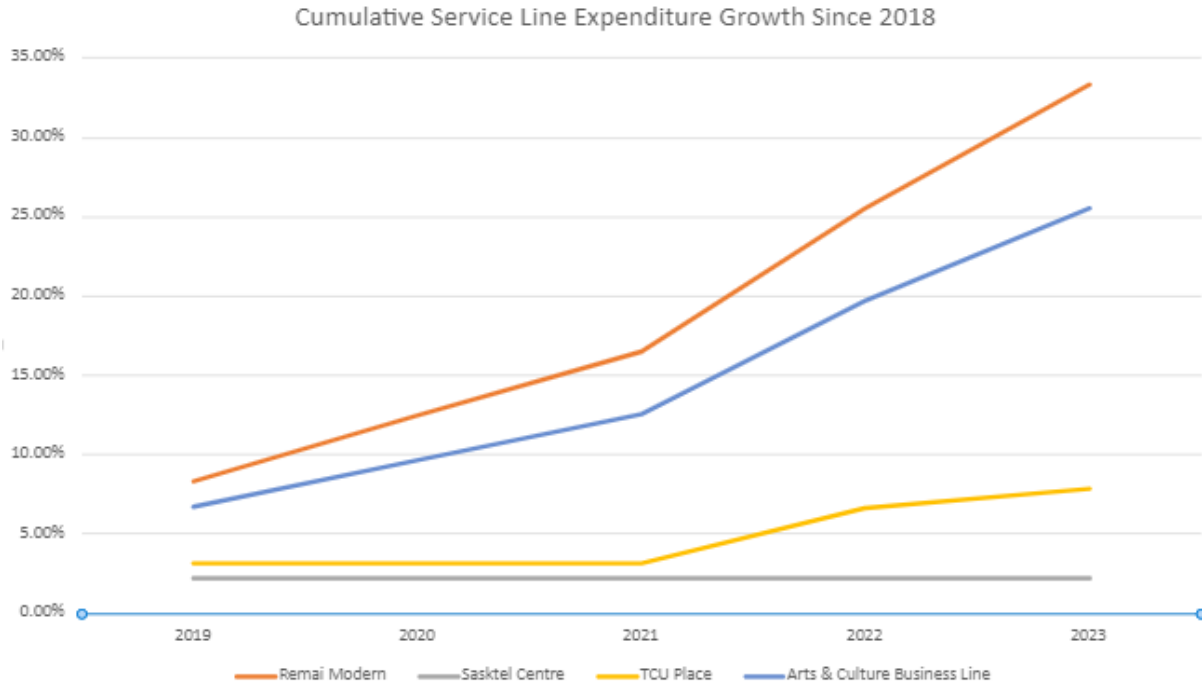
Another way to look at this information is by Budget Category. As seen below most of the expenditures are split between Contracted & General Services and Donations, Grants & Subsidies, with the remaining breakdown being attributable to cost recoveries and finance charges.

Budget Category	2023 Budget (in millions)	% of Overall Expenses
Contracted & General Services	\$4.9	50.8%
Donations, Grants & Subsidies	\$5.0	51.3%
Cost Recoveries	\$(0.4)	-4.0%
Finance Charges	\$0.2	1.9%
Transportation Business Line	\$9.7	100%

A couple of additional key observations are:

- Contracted and General Services are for Civic Buildings and Comprehensive Maintenance (CBCM) contributions, utility and risk management (insurance) expenditures.
- The Donations, Grants & Subsidies includes a \$4.5 million operating grant to the Remai Modern and \$500,000 to TCU Place.
- The cost recovery amount of \$385,000 is for the Sasktel Centre's contribution towards CBCM and is based on a minimum contribution of \$300,000 plus a percentage of any operating surplus achieved.
- The financing charges will be reallocated to other City funding plans in the 2024/2025 budget as the loan payments are completed.

Overall, since 2018, the expenditures in the Arts, Cultures and Events Venues Business Line have grown by 25.50% over the past five years or an average of 5.10% per year. For context, Saskatoon’s population growth ([Per Stats Canada Table 17-10-0142-01](#)) plus Consumer Price Index Inflation ([Per Stats Canada Table 18-10-0005-01](#)) over this same period was 26.69% or 5.34% per year. A graphical overview of each service lines expenditure growth can be seen below:



- Remail Modern saw the largest expenditure growth in the last five years of 33.32% from \$5.5 million annual expenditure in 2018 to \$7.3 million in 2023 or an average of 6% per year.
 - The Remail Modern building was opened in October 2017. Since 2018 an increase was phased-in to the budget for the required CBCM contribution for future facility maintenance which went from \$109,000 contribution in 2018 to \$944,000 in 2023. This increase is included in the \$7.3 million annual civic allocation to the Gallery and is not related to building operations or operations of the gallery.
 - The grant paid to Remail Modern increased from \$4.0 million in 2018 to \$4.5 million in 2023.
 - In addition to the operating grant the City funds approximately \$2.7 million for contributions to the Civic Buildings Comprehensive Maintenance Reserve, Utility Costs and Insurance as the Remail is a City owned property.

- Including both the operating grant and the additional contributions the City covers approximately 60% of the Remai operating expenditures with the remaining 40% funded by Gallery-generated revenue such as other grants, donations and fundraising.

Service Level Overview

This Business Line relates to the City's contribution to each of the Controlled Corporation's budgets who set their own service levels.

Pandemic Challenges

Although the pandemic significantly impacted the actual operating revenues of TCU Place, SaskTel Centre and Remai Modern, the operating revenue and corresponding expenditures are not included in the City's general budgets. Instead, expenditures for CBCM for the City owned buildings, risk management, utilities or grants flow through these service lines. The pandemic impact within the SaskTel Centre service line is experienced through the contribution received from SaskTel Centre for the CBCM contribution. The CBCM contribution is based upon a base amount plus a percentage of net earnings and with the decrease in revenues at SaskTel Centre over the last couple years due to the pandemic, the City has only received the base amount resulting in a shortage compared to budget.

2024/2025 Pressures

While the Administration is still in the process of quantifying the exact pressures that this Business Line is expected to experience in 2024 and 2025, some of the known pressures today include:

- It is expected that the actual CBCM contribution from SaskTel Centre may continue to be short of the \$385,000 budget based on current revenue trends.
- It is estimated that increases to the CBCM contribution for the Remai will be required. The CBCM contribution has been phased-in for multiple years to reach a targeted annual reserve. The 2024 phase-in of \$41,000 will bring the annual contribution to approximately \$985,000.
- Requests for inflationary increases to Remai Modern's operating grant are expected to be 3% in 2024 (\$134,000) and 2.5% (\$115,000) in 2025. This increased investment will support the organization in maintaining staffing levels and programming outputs. Current investments are seeing increasing social and economic impacts that must continue to be invested in to ensure stability and further improve outcomes. The operating grant is complemented by a combination of self-generated revenue as well as grants funding and private philanthropy which are primarily designated for artistic and community projects.

Potential Options:

If all of the options presented in this report along with the options previously presented in the [2024/2025 Budget Inflationary & Phase-in Decisions](#) report were approved it would reduce the Arts, Culture & Event Venues Business Line by the following:

Arts, Culture & Event Venues 2024/2025 Budget Options Impact		
	2024	2025
Options from the 2024/2025 Budget Inflationary & Phase-in Decisions Report	-	-
Options Included in this report	\$41,000	-
Total Options	\$41,000	-

Recommended Options

Option 1 - Reduce or stop the phase-in of the CBCM contribution for the Remai Modern

The CBCM contribution has been phased-in over multiple years with 2022 and 2023 increasing by approximately \$167,000 each year to bring the total annual reserve contribution to \$944,000. The target for the annual reserve contribution is \$985,000 to get the contribution to 2023 values therefore the proposed phase-in increase for the CBCM contribution will be \$41,000 for the 2024 budget. City Council could choose to hold the CBCM contribution to the existing level with no increases in 2024/2025. This may have an impact on the reserves ability to perform the required preventative maintenance on City facilities resulting in a service level decline over the long term.

Options that Could Further Reduce the Funding Gap

Option 2 – Operating Grant Changes

As outlined in the report, most of the expenditures in this Business Line relate to operating grants provided to TCU Place and the Remai Modern. If Committee wishes to investigate possible changes that impact its three Controlled Corporations, the Administration could be directed to work with the respective Administrations on options to bring forward. As such only one option is being provided at this point since it mainly impacts the City and its ability to maintain the Facilities.