



Leah Brodie

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City Administration

222 3rd Ave. N
Saskatoon, SK S7K 0J5

To: City Administration

Re: Nutrien Wonderhub Lease Renewal

I greatly appreciate the work that has been done to date as we've negotiated base rent for the next five-year term of the Lease and Operating Agreement between Children's Discovery Museum on the Saskatchewan Inc. (Nutrien Wonderhub) and City of Saskatoon.

As discussed, I am submitting the attached request as part of the negotiation process, which I recognize is outside of the approved terms of the lease. The attached document provides further information and context and outlines the request being submitted in an effort to secure the financial sustainability of the children's museum, for the benefit of children and families in Saskatoon.

Sincerely,

Leah Brodie
CEO, Nutrien Wonderhub

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Appendix A: Nutrien Wonderhub Request

Background and Context

Nutrien Wonderhub is Saskatchewan's only children's museum. We bring children and families together to create, learn, and play. At Wonderhub kids explore endless possibilities, enriching their imaginations and their lives. During a key developmental time in children's lives, Wonderhub makes learning fun. This opens up opportunities for growth and inspires our next generation of doers and thinkers. **Wonderhub, as the community knows and loves it today, would not be here without the visionary support and partnership of City Council.**

In 2014, Council selected Children's Discovery Museum on the Saskatchewan Inc. (o/a Nutrien Wonderhub) as the tenant of choice for the historic Mendel Building. Later that year the museum launched the *Kid-Approved Capital Campaign* with a goal to raise the \$15 million needed to build a world-class children's museum in Saskatoon. Thanks to the generosity of our community including \$3 million in funding from the Canada Cultural Spaces Fund (Department of Canadian Heritage), a \$2.5 million sponsorship from Nutrien (then PotashCorp), a \$2 million contribution from City of Saskatoon, and support from many donors, sponsors, and funders, the museum met its fundraising goal and opened its doors on June 28, 2019.

Of note, the \$3 million Cultural Spaces Grant (Department of Canadian Heritage), supported key upgrades to the Mendel Building, a City-owned asset, including unexpected costs related to asbestos removal and accessibility upgrades including a new elevator and accessible bathrooms, which remain open to the public six days/week with Wonderhub as the building tenant.

Upon opening, the response from the community was immediate and overwhelmingly positive. During the first nine months of operations the museum had over 135,000 visits. Then, on March 16, 2020, with the arrival of the COVID-19 pandemic, Wonderhub closed its doors to the public and would remain closed until a phased re-opening beginning August 6, 2020. Today, the museum is fully re-opened to the public and hosted nearly 120,000 visits in 2022-23.

While Wonderhub's visitation continues to grow, the organization has had an operating deficit for three of the past four fiscal years. The museum is forecasting a deficit of approximately \$280,000 in 2023-24 and anticipates a similar deficit budget in 2024-25. **As we look to the future, and with a lean operating budget, it is critical that we take proactive steps now to explore all available avenues for partnership and support in order to secure the long-term financial sustainability of the museum, for the benefit of children, families, and classrooms.**

The Power of Play

The important role the children's museum plays in our community cannot be understated. Wonderhub focuses on children 10 and under because we know how powerful these early developmental years are. According to the Lego Foundation, a non-profit organization who conducts extensive research on the impact learning through play has on children's lives, **children learn best through play**. Over 300 different studies have found a positive link between learning through play and developing five essential skills that help children take on the future with confidence:

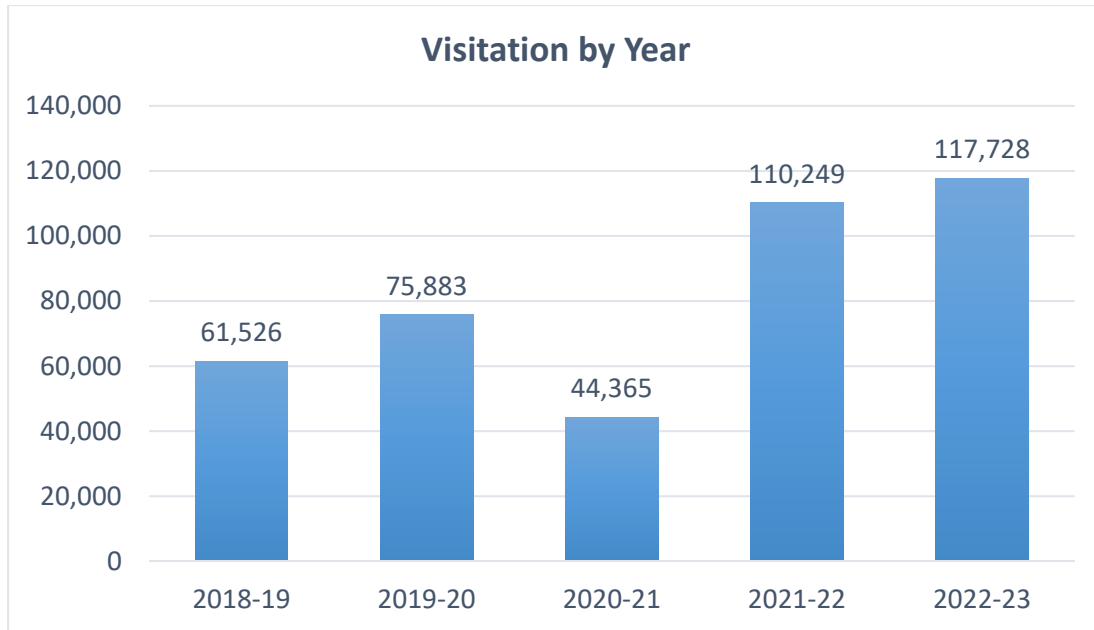
- physical skills
- social skills
- emotional skills
- cognitive skills
- creative skills

By helping to build children's social and emotional tool kits, play supports mental health, boosts wellbeing, and contributes to happier and healthier families. On June 11, 2024, the United Nations observed the first-ever International Day of Play, noting that beyond recreation, play is "a universal language spoken by people of all ages, transcending national, cultural, and socio-economic boundaries." Through play, children learn to forge connections with others, build a wide range of leadership skills, develop resilience, navigate relationships and social challenges as well as conquer their fears. Play is considered to have a positive impact on promoting tolerance, resilience, and facilitating social inclusion, conflict prevention, and peacebuilding. **In a world that is constantly changing, creating spaces and opportunities for play is more important than ever before, helping children to thrive and reach their full potential.**

Successes

Visitation

Since opening on June 28, 2019, Wonderhub's total visitation to August 31, 2023, was 409,751. The museum is once again forecasting visitation of approximately 120,000 in 2023-24, bringing the total to an estimated 530,000 visits during the museum's first five years of operations. The museum's annual visitation is comparable to other local organizations with a longer history and significant operating funding.



School Visits

In 2022-23, the museum hosted 450 school and group (e.g. daycares, preschools, and homeschools) visits, connecting with nearly 12,000 children.

Community Partnerships

The museum has formed partnerships with many organizations in the community, including Remai Modern, Saskatoon Public Library, Saskatoon Symphony Orchestra, Children’s Festival of Saskatchewan, Saskatoon Open Door Society, Global Gathering Place, People Bridge Advocacy, Haven Kid’s House, and others. In July 2024, Wonderhub provided 190 complimentary admit one passes (a value of \$2,565) to Saskatoon Open Door Society (SODS) that were used for a summer camp hosted by SODS for refugee children. Ensuring newcomer children and families have access to the museum to experience the power of play and connect with others in the community is a priority for the museum and is something that we are looking to expand in the future.

Challenges

Operating Funding

As with many non-profit organizations in our community, the past few years have presented significant challenges in the wake of the global pandemic. A lack of available operating grants for children’s museums at the provincial and federal levels have placed further financial pressure on the museum. At present, the \$95,000 Culture Grant (previously a \$25,000 Culture Grant and \$70,000 Program Service Agreement) from City of Saskatoon is only the only unrestricted operating grant the museum receives. We are grateful for this critical support. The

museum has also benefited from City of Saskatoon project funding (restricted) including a Cultural Capital Grant of \$49,550 in 2024, two Take It Outside Grants (total of \$18,000) and various Saskatchewan Lotteries Community Grants, administered by City of Saskatoon, (under \$10,000 each).

The museum does not currently receive any provincial or federal operating grants. In the past Wonderhub received a total of \$325,000 in funding as an “Emerging Eligible Cultural Organization” from SaskCulture as follows:

- 2014-15: \$50,000
- 2015-16: \$50,000
- 2016-17: \$50,000
- 2017-18: \$50,000
- 2018-19: \$50,000
- 2019-20: \$50,000
- 2020-21: \$25,000

In May 2020, SaskCulture informed the museum that its Eligibility Committee did not recommend the children’s museum as an eligible organization for Annual Global Funding from SaskCulture and a final \$25,000 grant, noted as “transitional funding” was provided in 2020-21. This unexpected decision has contributed to the financial pressure the museum continues to face today.

Since opening at the Mendel Building, the museum has received a total of \$17,500 in program (restricted) funding from SaskCulture. Wonderhub has also received a Canada-Saskatchewan Job Grant and Re-skill Saskatchewan grant, both of which have been restricted to specific training opportunities. The museum’s leadership is committed to working with SaskCulture to revisit this eligibility decision and with the Province to explore other avenues for support in the form of a provincial operating grant.

Pricing Elasticity of Admission Fees

As a champion for the power of play during critical early childhood development years, maintaining reasonable admission fees is a priority for the museum. In 2023-24, Wonderhub increased its per person admission from \$8.50/person to \$9.50/person. The museum is mindful of the pricing elasticity (a measurement of the change in demand in relation to a change in price) of admission fees. From September 1, 2022 – June 30, 2023, the museum had 42,009 paid admission visits. With an increased fee introduced in October 2023, the museum has had slightly lower paid admission visits at 39,829 from September 1, 2023 – June 30, 2024. This indicates that the museum is reaching a tipping point at \$9.50/person and any further increases

to the admission fee may result in a lower number of paid admissions and ultimately lower revenue.

While a \$9.50/person admission fee may be affordable for middle-class families, the museum acknowledges that it creates financial barriers to access for many families in Saskatoon. Wonderhub offers Discovery Passes through Saskatoon Public Library, offering free admission to library card holders, however the passes are limited due to funding realities. At a time when families are feeling increasing financial pressure, continuing to increase admission fees in any significant amount is not a viable option.

Cost per Visit

In 2022-23, the cost per visit (total operating expenses/total visits) was \$13.50. The City's Culture Grant funding per visit (\$95,000/117,728) was \$0.81, with the museum generating the revenue to support the remaining \$12.69/visit. In 2022-23, admission fees of \$8.50/person offset a portion of the cost per visit, however, not all visits are by paid admission as the museum prioritizes accessibility by reducing financial barriers to access throughout the year with Discovery Passes (available at three Saskatoon Public Libraries), free programming, and partnerships with reduced or free admission for organizations such as Saskatoon Open Door Society and Haven Kid's House. A percentage of annual visits are also made up of those guests who visit with an annual membership, students who visit with their class, and other event and program attendees.

Exhibit Repairs and Maintenance

Due to their unique hands-on and interactive nature, as the museum's exhibits age, the cost to maintain and enhance exhibits, with a focus on safety and providing a high-quality experience with identified learning outcomes, becomes more expensive year after year. Ensuring the museum's ability to properly maintain exhibits is critical in order to offer an exceptional visitor experience which impacts key earned revenue lines such as admission and membership.

Mitigating the Operating Deficit

In 2022-23, the museum's total revenue of \$1,436,657 was comprised of \$1,091,350 in earned revenue (76%) and \$345,307 in contributed revenue (24%). A summarized statement of operations and at August 31, 2023, can be found in Appendix B. The 2022-23 statement of operations shows an operating deficit of \$180,374 before other income and expenses which includes \$51,775 of unrealized capital gains. The forecasted deficit of approximately \$280,000 in 2023-24 has grown primarily due to decreased grant revenue of approximately \$110,000 from 2022-23, a year in which the organization received two significant project-specific federal grants.

Contributed Revenue

With a new Board-approved three-year strategic plan in place, the organization has renewed its commitment to building a strong and sustainable fund development program in order to increase contributed revenue through donations, sponsorships, and grants. A successful fundraising program is built through strong stewardship and stakeholder engagement, and the return on investment will not be immediate but is expected in the coming years. It is important to recognize that support for general operating expenses does not often appeal to donors and is often not eligible for grants and sponsorships. New and renewed support will most likely be linked to expanded and enhanced programming and exhibits and initiatives to remove barriers to access for children, families, and classrooms which is important, however, it doesn't address capacity for current operational needs and puts increased pressure on the organization to spread administrative capacity even thinner to meet the outcomes of restricted grants, donations, and sponsorships.

Earned Revenue

The museum's earned revenue, including \$493,542 in admission fees and \$202,506 in membership fees in 2022-23 is strong. Leadership continues to look for opportunities to maximize earned revenue where possible, including the potential introduction of new and innovative earned revenue lines in the future.

Expenses

Reducing costs is challenging as the museum operates with a lean budget and team and any significant expense reductions would negatively impact the overall visitor experience and jeopardize the safety of our guests. Like many non-profit organizations, payroll is the single largest expense line at \$1,113,873 with 20.76 full-time equivalents in 2022-23. Base rent paid to City of Saskatoon is the next largest expense line.

Base Rent Negotiations – Wonderhub Request

As noted within Administration's report, as part of the base rent negotiation process for the second five-year term of the Lease and Operating Agreement, Wonderhub has requested that Base Rent be reduced to 50% of the required Civic Building Comprehensive Maintenance (CBCM) Reserve contribution, which is 1.2% of the appraised value of the building adjusted for Wonderhub's proportionate use of the building (79% of total square footage). **Administration has calculated base rent at \$164,900 from August 1, 2024 – July 31, 2025, and the museum is respectfully requesting that this be reduced to \$82,450.** This request has been made in an effort to help reduce the museum's operating deficit and to secure the financial sustainability of the organization.

While Wonderhub has made this request for additional support in conjunction with base rent, the museum understands that other opportunities for expanded support, perhaps

through an increased operating grant, may be a more viable avenue for Committee and Council to consider in the future.

Wonderhub looks forward to continuing negotiations, in good faith, with Administration, including discussions pertaining to other provisions in the lease, as noted in the report from Administration.

With a forecasted operating deficit of approximately \$280,000 in 2023-24 (Appendix B) and a similar deficit anticipated in 2024-25, Wonderhub is asking Council to support its efforts to reduce, but not totally eliminate, the operating deficit. The museum is committed to continuing to grow earned income, contributed (fundraised) income, and working to secure a Provincial operating grant.

Request of Standing Policy Committee on Finance (SPCF)

Nutrien Wonderhub is requesting the following:

1. That the Standing Policy Committee on Finance approve the recommendation submitted by Administration at the August 7, 2024, committee meeting, related to the overholding provision in the Lease and Operating Agreement.
2. That the SPCF recommend that City Council communicates with the Province to advocate for a provincial operating grant in support of Nutrien Wonderhub, Saskatchewan's only children's museum.

Closing

The partnership between City of Saskatoon and Nutrien Wonderhub positively benefits children, families, and classrooms in Saskatoon. We are thankful for the visionary support of City Council which created a world-class children's museum in Saskatoon and we appreciate your consideration of this request. The museum plays an important role in the educational and cultural landscape of Saskatoon. **With City Council's continued partnership and support, we can ensure Wonderhub will continue to thrive for years to come for the benefit of children and families in our community.**

Appendix B: 2022-23 Operating Deficit and 2023-24 Operating Forecast

	2022-23 Actuals	2023-24 Forecast
Revenues		
Admissions	\$493,542	\$489,818
Grants	\$236,641	\$125,686
Memberships	\$202,506	\$191,705
School Groups/Programming	\$174,167	\$175,418
Donations and Sponsorships	\$108,666	\$114,053
Birthday Parties	\$66,582	\$53,929
Merchandise	\$61,931	\$52,247
Fundraising Events	\$46,532	\$46,291
Facility Rentals	\$25,460	\$43,199
Sublease	\$20,630	-
Total Revenue	\$1,436,657	\$1,292,346
Expenses		
Payroll, Employment Related Costs, and Benefits	\$1,113,873	\$1,002,812
Building and Maintenance	\$211,909	\$233,287
General Operating	\$192,944	\$193,932
Programming Supplies	\$36,744	\$44,200
Cost of Merchandise Sold	\$34,139	\$24,191
Marketing and Communications	\$27,422	\$75,000
Total Expenses	\$1,617,031	\$1,573,422
Excess (Deficiency) of Revenues over Expenses		
Operating Deficit	(\$180,374)	(\$281,076)
Other Income and Expenses	\$93,710*	\$208,991**
Total Operating Surplus (Deficit)	(\$86,664)	(\$72,085)

*In 2022-23, "other income and expenses" included \$51,775 of unrealized capital gains and \$473 of realized capital gains.

**In 2023-24, "other income and expenses" is forecasted to include approximately \$73,259 of unrealized capital gains and \$59,631 of realized capital gains.