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**REPORT TO FINANCE COMMITTEE
MEETING OF WEDNESDAY, JULY 05, 2023**

SUBJECT **Modernizing the Bylaws of the Royal Theatre and McPherson Playhouse Services – Bylaws No. 4560 and 4561**

ISSUE SUMMARY

The Royal and McPherson Theatres Services Advisory Committee has directed staff to draft amending bylaws (Bylaws No. 4560 and 4561) for the Royal Theatre and McPherson Playhouse services that would update the establishing bylaws to current standards and provide greater budgeting flexibility starting as early as 2024.

BACKGROUND

On June 7, 2023, Royal and McPherson Theatres Services Advisory Committee (RMTSAC) reviewed a staff report with policy options and directed staff to:

- Draft an amending bylaw to the Royal Theatre Service (Bylaw No. 2587) that will:
 - Change the maximum requisition to the greater of \$580,000 or \$0.0059 per \$1,000 assessment;
 - Update the apportionment method of 50% population and 50% converted land values from the inter-municipal formula of property values to the property assessment information provided by BC Assessment; and
 - Remove restrictions on grant allocation to operating and capital purposes.
- Draft an amending bylaw to the McPherson Playhouse Service (Bylaw No. 2685) that will:
 - Change the maximum requisition to the greater of \$750,000 or \$0.020 per \$1,000 assessment;
 - Add an apportionment method of 50% population and 50% assessed property values, based on the information provided by BC Assessment; and
 - Remove restrictions on grant allocation to operating and capital purposes.
- Bring a staff report with these amending bylaws to the July 2023 meeting of the Finance Committee with a recommendation that these bylaws are advanced to the Capital Regional District (CRD) Board.

This review process began in response to a letter (April 19, 2023) from the Royal and McPherson Theatres Society (RMTS), which requested a change to maximum funding levels “to provide budgeting flexibility that can better address the needs of the Royal Theatre and McPherson Playhouse, community partners, artists and audiences”.

A similar process to modernize these bylaws was undertaken in 2019-20. In 2019, RMTSAC noted that the value of funding received by the theatres through their respective bylaws had eroded over the past 20 years and that the ability to adjust funding levels would be desirable. RMTSAC initiated a process to update the maximum amounts in these bylaws, allowing the potential maximum to rise with growth in property assessments, modernizing the cost apportionment, and removing restrictions on operating and capital allocations in the grant amount. Amending bylaws were drafted for both services (Bylaw No. 4299 and Bylaw No. 4300), reviewed by Finance Committee, and received first, second, and third readings by the CRD Board.

In 2020, the process was suspended, and the amending bylaws were withdrawn due to the onset of COVID-19, mixed response from participating jurisdictions in the council consent process and the activation of a process exploring options for a new full regional arts facilities service. CRD staff met with staff from participating jurisdictions. Their feedback has been incorporated into this current iteration of bylaw amendments to modernize these services.

ALTERNATIVES

Alternative 1

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4560, Royal Theatre Local Service Area Establishment Bylaw No. 1, 1998, Amendment Bylaw No. 1, 2023, be read a first, second, and third time.
2. That Bylaw No. 4561, McPherson Playhouse Local Service Area Establishment Bylaw No. 1, 1999, Amendment Bylaw No. 1, 2023, be read a first, second, and third time.
3. That staff be directed to commence a council consent approval process with the relevant participants of each amending bylaw (Bylaw No. 4560 – Oak Bay, Saanich, Victoria; Bylaw No. 4561 – Victoria).

Alternative 2

That this report be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

Through two sub-regional services, the CRD provides a total of \$1,330,000 in operating and capital funding for the Royal Theatre and McPherson Playhouse (Table 1). The Royal Theatre is owned by the CRD and the McPherson Playhouse is owned by the City of Victoria. Both facilities are managed by a non-profit organization, the RMTS.

Table 1. Fixed Maximum Amounts of CRD Funding for Royal Theatre and McPherson Playhouse

Performing Arts Facility	Operating Funding	Capital Funding	Participants
Royal Theatre	\$100,000	\$480,000	Oak Bay, Saanich, Victoria
McPherson Playhouse	\$350,000	\$400,000	Victoria

There is clear rationale for the proposed modernization of these bylaws, namely:

- The current bylaws specify fixed maximum amounts for grant contributions that have remained unchanged since 1998 and 1999 respectively. The purchasing power of these contributions has decreased considerably over time while the costs of operating these facilities have increased.
- In the Royal Theatre establishing bylaw, cost apportionment is calculated through the outdated inter-municipal formula, which is based on the defunct Municipal Act, and is no longer used in any other CRD bylaw.
- In the McPherson Playhouse establishing bylaw, there is no cost apportionment formula. By adding a formula, prospective participants can receive estimates on how much it would cost to join the service and conduct cost-benefit analysis.
- The restrictions on capital and operating are not best practices and would not be included in any new establishing bylaw.

On May 8, 2023, CRD staff met with RMTS staff to coordinate bylaw policy options with funding options for 2024. It was agreed to maintain 2024 funding within the limit of a 3.5% increase and to draft the starting point of the ad valorem clause in the amending bylaw to align with that funding option.

The starting point of the ad valorem clauses in these amending bylaws allows (but does not require) an increase of 3.5% to the current funding levels in 2024, based on the 2024 financial planning guidelines. This translates to a possible lift of \$20,300 for the Royal Theatre and \$26,250 for the McPherson Playhouse in 2024.

The bylaw cannot contain a clause that the maximum level for grant contributions continues to rise according to inflation or a fixed percentage increase in future years.

In the budgeting process, RMTS could make a request for a lift to its funding level to the RMTSAC based on operational and capital needs and opportunities. Staff would provide financial analysis to RMTSAC, which would make a budget recommendation, and that recommendation would be passed along to the Finance Committee and CRD Board for consideration in the provisional and final budgets. The budgeting process provides the primary cost containment mechanism for service participants. This legislation would allow for more options to be considered during that budgeting process.

Service Delivery Implications

RMTS, the operator of the Royal Theatre and McPherson Playhouse, has identified multiple benefits linked to the modernization of these bylaws. These changes could enable the operator:

- To address the increased cost pressures resulting from inflation;
- To preserve the long-term sustainability of these facilities;
- To maintain current service levels; and
- To respond to changing needs of artists, local arts organizations and audiences.

Alignment with Board and Corporate Priorities

On April 12, 2023, the CRD Board approved the new CRD Corporate Plan 2024-27, which includes goal 10b-2 to “[s]cale up regional support for performing arts facilities within the region”. Modernizing the bylaws related to the Royal Theatre and McPherson Playhouse – the two largest and most impactful performing arts facilities in the region – would advance this goal.

CONCLUSION

At the direction of the Royal and McPherson Theatres Services Advisory Committee, new amending bylaws have been drafted for the Royal Theatre Service and McPherson Playhouse Service. The proposed changes would modernize the establishing bylaws and enable greater budgeting flexibility over time.

RECOMMENDATION

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4560, Royal Theatre Local Service Area Establishment Bylaw No. 1, 1998, Amendment Bylaw No. 1, 2023, be read a first, second, and third time.
2. That Bylaw No. 4561, McPherson Playhouse Local Service Area Establishment Bylaw No. 1, 1999, Amendment Bylaw No. 1, 2023, be read a first, second, and third time.
3. That staff be directed to commence a council consent approval process with the relevant participants of each amending bylaw (Bylaw No. 4560 – Oak Bay, Saanich, Victoria; Bylaw No. 4561 – Victoria).

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ATTACHMENTS

- Appendix A: Bylaw No. 4560, Royal Theatre Local Service Area Establishment Bylaw No. 1, 1998, Amendment Bylaw No. 1, 2023
- Appendix B: Establishing Bylaw No. 2587 Royal Theatre (Redlined)
- Appendix C: Bylaw No. 4561, McPherson Playhouse Local Service Area Establishment Bylaw No. 1, 1999, Amendment Bylaw No. 1, 2023
- Appendix D: Establishing Bylaw No. 2685 for McPherson Playhouse (Redlined)