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REPORT TO THE ROYAL & MCPHERSON THEATRES SERVICES ADVISORY COMMITTEE MEETING OF FRIDAY, OCTOBER 15, 2021

SUBJECT **2022 Budget Process for the Royal Theatre Service and the McPherson Playhouse Service**

ISSUE SUMMARY

The Royal and McPherson Theatres Services Advisory Committee (RMTSAC) oversees the operating and capital grant provided to the Royal Theatre through service Bylaw No. 2587 and to the McPherson Playhouse through service Bylaw No. 2685.

BACKGROUND

The bylaws governing the theatre services specify a maximum grant of \$580,000 for the Royal Theatre (\$100,000 operating; \$480,000 capital) and \$750,000 for the McPherson Playhouse (\$350,000 operating; \$400,000 capital). Historically the grant to both theatres has been approved at the maximum amount. Capital Regional District (CRD) Financial Services staff are currently structuring the 2022 budget to maintain funding at these levels.

The CRD provides these grants, along with management agreements, to the Royal and McPherson Theatres Society, a non-profit organization of theatre management professionals established for the purpose of operating the Royal Theatre and McPherson Playhouse.

On September 9, 2020, the Royal and McPherson Theatres Services Advisory Committee (RMTSAC) discussed “the need for budget timelines of the Royal & McPherson Theatres Society (RMTS) and the CRD to be better synchronized, so that the Committee could receive a detailed budget when considering funding for the 2022 budget year” and directed staff that “Royal & McPherson Theatres Society to develop an appropriate budget timeline going forward”. Consequently, staff have requested operating and capital budgets from the Royal & McPherson Theatres Society for 2022 to align with the CRD budget planning process (see Appendix A for RMTS 2022 operating budget and Appendix B for 5-year capital planning budgets for the Royal Theatre and McPherson Playhouse).

In order to understand the impacts of the current situation on the theatres in the 2022 budget process as it relates to funding of the theatres, the RMTSAC Chair has requested that representatives of the Royal & McPherson Theatres Society meet with the Committee to provide an update on the current and projected operational and financial status of the theatres.

IMPLICATIONS

Financial Implications

Based on available information, the Committee’s determination of the needs of the Royal Theatre and McPherson Playhouse through funding service Bylaw Nos. 2587 and 2685 will be reflected in the CRD budget for 2022.

As the reopening timeline is still uncertain, RMTS faces increased operational expenses in the ramp up to full capacity, including costs related to new health and safety protocols, plus recall and retraining of production staff.

In 2022, RMTS will face higher costs and delays in realized revenues. In response to this situation, RMTS is forecasting a deficit that will be offset by the operating reserve that was created so that RMTS could remain financially resilient in challenging years. In terms of cash flow, RMTS has outperformed its conservative burn rate projections during the pandemic so far, and remains highly solvent.

In addition to operational expenses, RMTS has also planned approximately \$3 million in building improvement capital expenses for necessary repairs and upgrades, pending outcomes of infrastructure grant applications. These improvements include an HVAC upgrade to the Royal Theatre, building envelope repairs to the McPherson Playhouse, and phase two of new LED lighting installations at the Royal Theatre (see Appendix B for full list of capital projects).

Service Delivery Implications

The Royal and McPherson Theatres Society is navigating an uncertain reopening timeline. Currently, in step 3 of the BC Restart Plan, indoor venues can host audiences up to a maximum of 50% of their normal capacity. The Province of B.C. initially indicated that step 4 of the BC Restart Plan could begin as soon as September 7, which is when venues would retrain to normal operations, including 100% capacity for audiences. That did not happen and the Province of B.C. has not provided a timeline on when step 4 will be reached.

CONCLUSION

Annual funding of the Royal Theatre through Bylaw No. 2587 and for the McPherson Playhouse through Bylaw No. 2685 are part of the budget approval process. The Royal and McPherson Theatres Society has provided a provisional operating budget for 2022 as well as 5-Year capital plans for the Royal Theatre and McPherson Playhouse to provide more context and rationale for the CRD contribution levels.

RECOMMENDATION

That the 2022 Budget Process for the Royal Theatre Service and the McPherson Playhouse Service report be received for information.

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ATTACHMENT(S)

Appendix A: 2022 Draft Budget of the Royal & McPherson Theatres Society
Appendix B: 5 Year Capital Plans for Royal Theatre and McPherson Playhouse