

The Arden Theatre Operating Model Review

Operational and Fiscal Review Follow Up

November 2024



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EXECUTIVE SUMMARY

The purpose of this report is to provide an update to Council on the opportunities presented in the Operational and Fiscal Review completed in 2020/2021 related to The Arden Theatre.

The report provides an overview of The Arden Theatre, highlighting its current state and detailing ongoing efforts to refine operations and reduce net subsidization.

In 2020/21, Ernst and Young (EY) completed the Operational and Fiscal Review to identify mid-to-long term opportunities that the City can pursue to realize cost savings, generate additional revenue, and/or modernize processes and practices. Two opportunities were identified related to The Arden Theatre Operations:

1. The Arden Theatre Ticketing System
2. Exploring partnership structures for The Arden Theatre Operations

In 2021, the City transitioned away from an external ticketing provider and implemented a new in-house ticketing software resulting in \$35,000 savings annually due to reduced transactional fees for the City.

The new ticketing system increased revenue opportunities for the City through processing, administration, and service fees, while reducing the end cost to the user with fees that were lower than what the external service provider had charged.

Since the Operational and Fiscal Review, Administration has continued to identify and implement several cost-savings and revenue generation actions. Conservative estimates indicate that the full cost benefits identified in the Operational and Fiscal Review can be achieved over five years without changing The Arden Theatre's operating model, based on current trends, and ongoing operational refinement.

Maintaining the current operating model preserves stability and consistency in delivering programs and managing The Arden Theatre while ensuring direct control over quality, operations, and alignment with community priorities. It also allows for established relationships and expertise to continue supporting not only the theatre's success, but the other City programs and services supported by Arden Theatre personnel and assets.

The cost savings trends remain positive as the level of support provided by the City has continued to stabilize despite changing market conditions. Market fluctuations impacting The Arden Theatre have been shaped by several factors including challenges associated with post-pandemic recovery, shifts in audience behaviour, and the impact of inflation on disposable incomes.

INTRODUCTION AND BACKGROUND

About this Report

This report provides an update on opportunities identified in the 2020/2021 Operational and Fiscal Review for The Arden Theatre, information about the current Arden Theatre operations and results of ongoing efforts to improve operational efficiency.

Background and Progress to Date

In 2020/21, Ernst and Young (EY) completed the Operational and Fiscal Review to identify mid-to-long term opportunities that the City can pursue to realize cost savings, generate additional revenue, and/or modernize processes and practices. Two opportunities identified are related to The Arden Theatre operation:

Opportunity One: The Arden Theatre Ticketing System

Review of the ticketing systems to analyze options that would improve functionality and usability to gain operational efficiencies such as reducing manual tasks and eliminating shadow functions. The recommendation proposed that an enhanced pricing strategy may also be leveraged and the expansion of the ticketing system for the sale of tickets for other City events.

The new ticketing system implemented in 2021 has resulted in the City paying reduced transactional fees resulting in \$35,000 savings annually.

Opportunity Two: Exploring Partnership Structures for The Arden Theatre Operations

Exploring and evaluating alternative models for operating The Arden Theatre to reduce the net cost of service delivery. Based on the opportunity in the report, the cumulative 5-year net benefit was projected to be \$786k to \$1.76M.

In response to the Operational and Fiscal Review recommendations to reduce the net cost to the City, Community Services began pursuing opportunities for transformation, including consideration for:

- alternative delivery models
- service innovation
 - streamlining business processes and work methodology
 - organizational structure review
- shared services

A detailed review of current operations, efficiencies made since the Operational and Fiscal Review and initial review of potential partnership structures was conducted to help inform continued relevance of this recommendation and potential additional steps that may be required.

About The Arden Theatre

The Arden Theatre has been owned and operated by the City since it opened on December 2, 1983, hosting a mix of City programming, professional performances, and rental events. As the first municipal performing arts centre in the region, similar venues have since opened in Leduc, Fort Saskatchewan, Sherwood Park, Spruce Grove and Morinville.

Decades of presenting experiences at The Arden Theatre have minimized artistic risk. As the region's first Performing Arts Centre outside Edmonton, the theatre enjoys a strong reputation locally, provincially, nationally and internationally. Programming members collaborate with a network of presenters to deliver equitable, affordable and impactful programming for the community. The City's approach to theatre operations is often used as a benchmark for sustainable practices.

The Arden Theatre has been supported by residents for over 40 years, despite proximity to Edmonton's cultural amenities. The Grand Prairie Regional Performing and Media Arts Centre Feasibility Study recommends using The Arden Theatre model as an operating standard in the [2017 Grand Prairie Regional Performing and Media Arts Centre Feasibility Study](#).

The Operational and Fiscal Review report identified access to grants and fundraising as a primary benefit to exploring alternative operating models, citing limitations for municipalities to access some grants. Supported by a not-for-profit and two registered charities, the theatre receives over \$300,000 annually through grants and fundraising secured by these organizations. At the time of this report, The Arden Theatre continues to access all provincial and federal funding available to support Cultural Spaces and Professional Programming Presentation.

Community Services Personnel and Equipment Utilisation

Personnel and equipment associated with The Arden Theatre operations also provide support for other City of St. Albert services and events. The approximate annual hours dedicated to these additional services are:

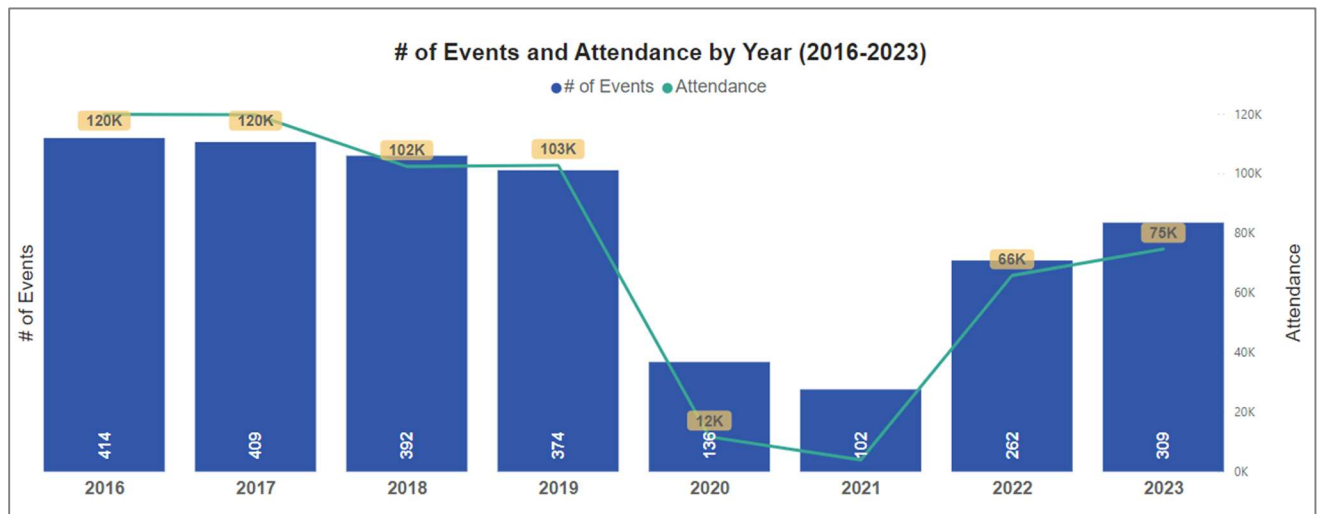
Activity	Annual Hours
Community Development (FCSS and Culture)	80
Community Events (Canada Day, Mayor's Celebration, Indigenous People's Day, National Truth and Reconciliation Day, etc.)	500
International Children's Festival of the Arts	2,700
St. Albert Children's Theatre/Performing Arts Classes and Camps	1,200
St. Albert Place/Plaza	450
Visual Art Studios	50
Ticketing Services	50
Total Hours	5,030

Volunteers contribute over 4,500 hours annually to The Arden Theatre. Based on the 2023 St. Albert Average Living wage of \$23.80/hour this is equivalent to \$107,100 annually in volunteer hours.

The Arden Theatre Current Usage

The Arden Theatre is a rental and presenting facility, meaning that it is activated either with rentals (both non-profit and commercial) or City programs. Revenue is tied to rentals and presenting. Presenting includes booking an artist/performance and producing and promoting the event. Producing the event includes collecting the box office and other revenues from the event.

The Arden Theatre averaged 398 events annually from 2016 to 2019. During the pandemic years, the number of events fell to a low of 102 in 2021. In 2022 the events rebounded back to 262 events and 2023 saw an additional increase of 18% to 309, with 2024 expected to exceed last year. Attendance has also continued to grow. In 2023 attendance grew to 75,000 which was a 14% increase over 2022 attendance of 66,000.



The Arden Theatre Fees and Charges include fees for local and outside commercial and non-profit organizations on prime and non-prime days. Local schools are included within the Reciprocal Use Agreement and can use the venue at a subsidized rate during weekday daytime hours.

Rental revenue continues to grow post pandemic, increasing in 2022 from \$173,000 to \$236,000 in 2023, a 36% increase in one year.

Exploring Partnership Options

This section examines various operating models for The Arden Theatre, focusing on the opportunities and challenges each model presents. It also integrates key operational considerations specific to The Arden Theatre, providing a deeper understanding of how these unique factors may influence the feasibility and success of each model. For each

option, a concise description is provided, along with regional examples, and an assessment of the potential advantages and challenges. Additionally, where available, recent cost recovery data, seating capacities (which affect revenue potential), and potential partnerships that could enhance financial outcomes are included to inform the analysis. Delivery model options explored by Administration included:

- **Option 1: Current State – City Owned/City Operated**
This analysis also considers a regional variation where ownership is shared with a partner, but the City retains operational control.
- **Option 2: City Partners for Operations**
The City collaborates with a partner organization to manage operations.
- **Option 3: City Contracts an “Arms-Length” Organization for Operations**
The City engages an independent organization to handle operations under contract.

Delivery Model Definitions

To ensure a common understanding (terminology) the main components to be considered within operating models are described as follows:

Arms-Length (Specific to Contracting for Operations): In this model, the City retains ownership of the facility but contracts with an external organization or entity to manage and operate it. The external entity operates independently, guided by a clear contractual agreement that defines roles, responsibilities, and expectations.

Management: The facility can be managed by the City directly or through another body, such as a board or society. This outlines the decision-making and operational oversight of the facility.

Ownership: This assumes the City will retain ownership of the facility. In this way, the community resource remains under the City's control, ensuring the building's fabric and system life cycles are addressed and the community asset is protected.

Partnership: This assumes the City retains ownership of the facility but involves collaboration, or an agreement, between the City and a non-profit or private-sector company to operate, promote, program, and/or maintain the facility.

Programming: This typically involves a combination of rental, presenter, and producer models, often seen in other communities and currently used by The Arden Theatre, where external parties manage programming activities.

Operating Considerations

The Arden Theatre presents operational considerations and potential challenges that may make it more complex for another organization to effectively operate, requiring careful evaluation of cost savings opportunities, feasibility of alternative models, and potential impacts on cost recovery and program access.

- **Accessibility and Compliance:** The theatre currently only has two wheelchair spaces, and the ramp does not meet current accessibility standards. Adding a new lift would require updating the interior of the theatre to the current building code, which would reduce seating capacity, lower revenue potential, and increase the net subsidization impact to the City.
- **Limited Venue Size:** As the third smallest venue in the region compared to similar municipal theatres in Fort Saskatchewan, Fort McMurray, Strathcona County, Spruce Grove, Leduc, and Camrose, The Arden Theatre's smaller capacity reduces revenue potential.
- **Parking and Traffic:** Parking availability is limited, particularly during daytime events and when the Farmer's Market is operational. These constraints can deter potential rentals and affect attendance, impacting revenue.
- **Advertising Restrictions:** All users of St. Albert Place face restrictions on building advertising, limited nearby signage, and constraints on digital advertising. These limitations can hinder effective event promotion and the ability to attract larger audiences.
- **Programming and Reputational Considerations:** Administration already evaluates the impact of performance selection on the City's reputation. Additionally, since The Arden Theatre is part of a shared civic space, programming choices, including rental events, may reflect on the City.
- **Historic Resource Status:** The theatre's designation as a municipal historic resource requires adherence to specific maintenance standards and guidelines, increasing the level of expertise needed and, at times, associated maintenance costs.
- **Limited Facilities for Event Expansion:** The lack of kitchen and banquet facilities, combined with a small lobby space, restricts the types of events that can be hosted, further limiting revenue and programming opportunities. Venues

in Fort Saskatchewan, Strathcona County, Camrose, and Fort McMurray leverage banquet halls and catering services to diversify their revenue streams.

Delivery Model Options

Option 1: The City of St. Albert Continues to Own and Operate The Arden Theatre – Current State

In this model, facilities and associated programming is fully operated by the municipality and integrated into civic facilities. The City takes an active part in programming by presenting one or more series of artists as well as providing the facility to commercial and community groups on a rental basis. It also may produce its own shows (example, St. Albert Children's Theatre) that may, in turn, be presented at other venues.

The City continues to maintain the capital and plan for and provide preventive maintenance. Ongoing RMR would continue to be subsidized by facility users through Capital Enhancement Fees included in ticket fees. This would continue to manage the risks associated with maintaining a municipal historic resource.

Regional examples of this operating model are:

Fort Saskatchewan: Shell Theatre

- Seating capacity: 538
- 2023 Cost Recovery: 52%
 - *Cost recovery for Fort Saskatchewan does not include expenses associated with customer service representatives or custodial services.*

Strathcona County: Festival Place

- Seating Capacity: 489
- 2019 Cost Recovery: 58%
 - Festival Place was operated by a non-profit until 2012 when the County assumed operations. The County took on significant capital replacement costs when they were required to assume operations.

Variation on Option 1: Partnership ownership.

Similar to the City-Owned/City-Operated model, there are cases where a partnership ownership model is used, but the City is responsible for managing operations.

Regional examples of this operating model are:

Leduc: Maclab Centre

- Seating capacity: 450

- 2023 Cost Recovery: 37%
 - Was operated by a council including representatives from City and School from 2005 to 2008. It transitioned to being operated by a non-profit from 2008 to 2018. In 2019 operations were assumed by the City of Leduc.

Spruce Grove: Horizon Stage

- Seating capacity: 318
- 2023 Cost Recovery: unknown
 - Originally owned and operated collaboratively with community groups, Spruce Grove, Parkland County, and the school board. Horizon Stage is now operated by the City of Spruce Grove with support from an advisory committee.

Option 1: Assessment

Advantages/Opportunities:

- The City provides financial stability including investments that support community access and use.
- Offers the community a source of entertainment for enjoyment.
- Increases access and flexibility for use.
- Fosters an appreciation of the arts within the community and indirectly supports the growth of local artists and groups.

Disadvantages/Challenges:

- The City assumes financial risk, including covering any revenue or expense shortfalls.
- Programming options may be limited by the City's conservative approach, which may reduce exposure to 'artistic risk' and restrict community development opportunities.
- The artist programming is vulnerable to changes in the political and administrative environment.

Option 2: The City Partners for Theatre Operations

In this model, the City would partner with an external organization for service delivery.

City-owned and Society Operated - The City turns over the operation of the facility to a non-profit society while retaining ownership of the facility and with that, regular and proactive maintenance of capital assets.

Regional examples provided are not exclusively City owned, but are closest to this model, with the exception being the "society" includes partnership with post-secondary institutions.

Fort McMurray – Keyano College

Partner owned by Keyano College. Includes sustainability grant from Regional Municipality of Wood Buffalo.

- Seating capacity: 510
- Cost Recovery 2023: 63%

Camrose - Cargill Theatre

Cargill Theatre exists within the Jeanne and Peter Lougheed Performing Arts Centre. Partner owned and operated. Society operated with grant funding from the City of Camrose and University of Alberta.

- Seating capacity: 584
- Cost Recovery 2023: 63%

Option 2: Assessment

Advantages/Opportunities:

- The City can provide community service while reducing its annual financial risk, retaining ownership of the theatre to ensure its long-term viability as a community asset.
- It allows for a diverse range of programming, from conservative to more experimental ventures.
- A non-profit organization may have greater access to fundraising opportunities.
- The operation may benefit from increased flexibility and responsiveness to community needs, as it is not restricted by civic hierarchical management structures, potentially leading to more cost-effective operations.

Disadvantages/Challenges:

- The non-profit organization bears full financial responsibility, increasing its financial burden.
- The City may lose control over programming content and quality.
- Non-profit organizations can face instability due to changes in leadership and staffing.
- The non-profit may struggle with funding and resources, leading to reliance on subsidies or city support.
- Maintenance requirements for the historic building may increase costs and complexity.
- Zoning of the facility restricts electronic signage and may limit an outside organization's ability to amplify its presence and events.
- May create increased operational costs for other city-delivered programs and events.

Option 3: The City contracts an “Arm’s Length” Agency to Operate

City Owned and “Arm's Length” Agency Operated - This operating model is similar to option 2, except that the City operates the facility through an arm's length agency which uses much of the city's infrastructure. The City retains ownership of the facility and with

that regular and proactive maintenance of the capital. This is the operating model currently used for Musée Heritage Museum, Art Gallery of St. Albert, and St. Albert's Historic River Lots & Grain Elevator Park.

The City of Edmonton has recently contracted Grindstone Theatre to operate and manage the Black Box Theatre and Performance Theatre at Orange Hub for a three-year term, with the option to renew for another three years. The value of the contract is unknown, but the City of Edmonton's 2025 proposed budget includes a \$320,000 increase for operating expenses.

Option 3: Assessment

Advantages/Opportunities:

- The City provides some financial stability.
It develops an appreciation of the arts in the community and indirectly develops and encourages local artists, and directly and indirectly supports the activities of local groups.
- Will allow the City to provide community service while reducing its financial risk.
- Will allow a full range of programming from conservative to risky ventures.
- The arm's length group may have better access to fundraising opportunities and sources than the City directly.
- Ownership of the 'bricks and mortar' is retained by the City ensuring the long-term viability of the theatre as a community asset.

Disadvantages/Challenges

- Will increase the City's exposure to financial and artistic risk.
- The artistic programme is vulnerable to the political and administrative environment of the community.
- The City must be required to cover any revenue/expense shortfall.
- Specialized assets can be allowed to go into disrepair resulting in lost/damaged equipment and decreased facility capabilities.
- As the venue is housed in a historical building, maintenance comes with additional standards and guidelines.
- Zoning of the facility restricts electronic signage and may limit an outside organization's ability to amplify its presence and events.
- May create increased operational costs for other city-delivered programs and events.

Interested Operators

During the initial exploration of recommendations from the Operational and Fiscal Review, including alternative models and partnership options, informal conversations were held with local arts organizations and regional service providers who may be interested in or relevant to operating the venue. Feedback from these discussions highlighted several concerns, including:

- Arts organizations indicated their primary focus on visual and cultural arts, noting a lack of expertise in performing arts and theatre operations, which limited their interest in exploring these areas further.
- Challenges related to the venue's size, accessibility, and the small lobby area.
- Additional costs associated with maintaining a municipal historic resource.
- Potential restrictions on programming content due to operating within a municipal facility.
- The absence of kitchen facilities, which could limit functionality and revenue opportunities.

Access to Additional Funding Streams

The Operational and Fiscal Review recommendations were based on the potential for non-profit operators to access more grants, sponsorships, and funding sources than those available to the City. At this time, this is not a concern for the City, as Administration has successfully secured provincial and federal funding through ongoing partnerships with the Friends of The Arden Theatre Society, Friends of St. Albert Children's Theatre Society, and Friends of the Northern Alberta International Children's Festival Society. These collaborations provide an average of \$300,000 in annual grant funding across multiple service areas in Community Services. Additionally, these volunteer organizations lead fundraising and donation campaigns, raising an average of \$50,000 annually, all of which help reduce the net cost to the City.

EY also identified that non-profit operators may be able to use more flexible resource levels in line with seasonal demand at the theatre. Administration has prioritized maximizing the use of theatre personnel to reduce operational costs elsewhere, by assigning equipment and personnel to support operations throughout the department and organization, reducing the need to hire casual labour or rent equipment for programs and events that have previously required additional operating dollars for delivery.

Lessons from Regional Partnerships.

The three regional municipalities that initially partnered for theatre service delivery- Leduc, Spruce Grove, and Strathcona County - have all brought operations back under municipal control. In some cases, these municipalities made multiple attempts through shared operations, partnerships, or contractual agreements, but ultimately returned to direct management. In some cases, work to establish an alternative operating model continues.

Evaluating Options

After reviewing the three operating models and lessons learned from regional partnerships, including cost recovery strategies, Administration has focused on achieving cost savings identified through the Operational and Fiscal Review by increasing venue utilization and refining services. Efforts have focused on boosting community involvement, maximizing the social impact of theatre operations, reducing

operational costs, and maintaining or lowering the City's subsidization levels. These goals are supported by ongoing operational reviews and the exploration of innovative approaches to service delivery.

Review of Arden Theatre Operations

The following outlines service improvements and efficiencies implemented by Administration, including Phase 1 recommendations from the Operational and Fiscal Review, designed to enhance theatre utilization while maintaining or reducing the net operational subsidy within the City's operating budget. These initiatives also aim to fully achieve the EY Phase 2 recommendations, which proposed a cumulative net savings of \$786,000 to \$1.76 million over five years.

The identified operational efficiencies work as part of an interconnected system, balancing rising costs from inflation, wage increases, and industry recovery. While reported expenses grow across the live performance sector, this ongoing commitment to systems review focuses on stabilizing the City's net subsidization and cost recovery to manage these pressures. Without these efforts, the budget to maintain current service levels would have increased.

1. Resourcing and Scheduling Optimization

- **Resourcing Utilization:**
An assessment was conducted to review current resource levels and identify optimal times for utilizing theatre technicians, technical director, front of house resources, theatre services, and box office employees. By exploring cross functional roles, the organization has maximized productivity and reduced overtime expenses. For example, the reduction of one full-time theatre technician position resulted in a cost saving of approximately \$90,000 annually. Increasing the pool of casual resources helped offset overtime demands, resulting in an 85% reduction in overtime hours for full-time employees.
- **Scheduling Adjustments:**
Scheduling strategies were revised to optimize resource coverage and match skill sets to event needs. Eliminating a backstage support role for professional performances freed resources for other initiatives, saving an estimated \$45,000 annually without adding costs. Updated job descriptions clarified roles, streamlining event resources.

2. Energy and Utility Efficiency

- **Lighting Upgrades:**
The organization replaced traditional theatrical lighting with energy efficient LED systems, including audience lighting. This upgrade led to an 85% decrease in electricity consumption and extended the lifespan of lighting equipment by 80%, significantly lowering the demand on the repair, maintenance, and replacement (RMR) budget.

- **Sustainable Practices:**
Continued efforts are being made to explore additional ecofriendly upgrades to further decrease utility expenses and enhance sustainability within the venue. This includes smart controls that can be programmed to dim or turn off lights when not in use.

3. Maintenance and Asset Management

- **Lifecycle Collaboration:**
Ongoing work with Public Operations has facilitated regular reviews of asset lifecycles, resulting in reduced repair costs and extended equipment life. This proactive approach has minimized unexpected breakdowns and improved planning for replacements.

An annual review of Repair Maintain and Replace priorities ensures that only urgent maintenance is completed, allowing nonessential repairs to be postponed. Collaborative timing of work with facility operations has minimized closure time, increased rental availability and optimized revenue.

- **Resource Sharing and Cost Management:**
An ongoing evaluation assesses whether leasing or sharing equipment with local nonprofits, schools, and municipalities is more cost effective than purchasing. This strategy has led to shared inventory access and more economical use of resources. This includes shared staging/seating with Edmonton International Fringe Festival, fencing with Horizon Stage, and costume/props with primarily high schools across the Capital Region.

4. Programming Efficiency and Community Alignment

- **Program Analysis:**
Regular analysis of program attendance, associated costs, and community impact has helped refine the programming mix to include high demand, cost effective, and grant eligible events. This ensures that offerings align with community needs while being financially viable.
- **Collaborative Partnerships:**
Strategic partnerships with arts organizations across Western Canada, particularly in prairie provinces, have facilitated the coproduction of events and the sharing of marketing expenses. These collaborations have broadened outreach and reduced individual marketing costs. At times transportation costs, hospitality, and more are shared across multiple partners.

5. Ticketing and Pricing Strategy

- **Dynamic Pricing:**
A dynamic pricing model was implemented for high demand events, allowing for revenue increases while maintaining affordable options for broader accessibility.
- **Subscription Programs:**
The multi-buyer programs are continuously reviewed to enhance audience incentives and encourage return attendance. Since the pandemic, changes in collection fee have resulted in an annual increase of over \$100,000.
- **Selective Discounting:**
The introduction of “Special Presentations” exempt from discounts has prevented unnecessary reductions for shows that sell well independently. For example, performances by artists like Corb Lund and Hawksley Workman were priced without discounts, optimizing revenue.

6. Technology and Automation

- **Self service Options:**
The digital ticketing system has been refined to provide residents with self-service options, reducing reliance on box office staff. This has led to a 50% reduction in box office hours and the elimination of a 0.5 permanent position.
- **Routine Automation:**
Administration continues to explore automation through Microsoft Office tools and systems to streamline routine tasks and communication. These initiatives have reduced staff workload and improved operational efficiency.
- **Remote Capabilities:**
The use of equipment that can be operated remotely has allowed for lower resource requirements during events, further cutting labor costs without compromising service quality.

7. Data Driven Decision Making

- **Performance Metrics:**
The theatre team tracks KPIs related to operational costs, revenue, usage, and patron satisfaction, and regularly shares these metrics with team members to inform decision making. Data driven adjustments, such as the 2024 marketing strategy that included a physical brochure, has resulted in a 258% year-over-year increase for the Professional Series on-sale.
- **Customer Feedback Integration:**
Feedback from City programming and rental events is collected and analyzed to

continuously optimize programming, ensuring offerings align with audience expectations and needs.

- **8. Sustainability Initiatives**

- **Volunteer Engagement:**

Administration has reintroduced technical production camps, engaging youth in volunteer production roles to build support for events. This initiative, combined with expanded responsibilities for front of house volunteers, has enhanced the venue's operational capacity while managing costs.

- **Risk Management:**

Administration has worked with Human Resources to address potential risks of including volunteers in concession services alongside paid team members. Additionally, current volunteers have been trained to conduct orientations and onboard new volunteers, supporting succession planning.

9. Grant and Sponsorship Opportunities

- **Streamlined Funding Applications:**

Consolidating grant applications, previously separate applications were submitted for different service levels (Children's Festival, Arden Theatre) has improved efficiency, leading to increased funding. For instance, combining applications for Canadian Heritage grants boosted overall funding by 13.6%, from \$170,500 to \$193,750, while simultaneously decreasing administration time required to support.

10. Strategic Partnerships:

- Collaborating with the Friends of Arden Theatre Society has strengthened local business partnerships, boosting membership and revenue for the non-profit by 156% since 2019.
- Joint marketing efforts, such as shared radio advertisements with other venues, have tripled exposure without increasing costs, resulting in sold out shows on launch days.

This operational systems review underscores a commitment to sustainable practices, data informed adjustments, and strategic partnerships, ensuring optimized operations and enhanced community value.

Financial Overview

The following section provides an overview of The Arden Theatre's current usage, historical and current budget, cost recovery, and municipal cost recovery comparison.

Budget and Cost Recovery

Efforts to boost revenue and cut costs began in 2017, with major operational changes implemented during the pandemic in response to EY's recommendations and the challenges posed by the pandemic.

The Arden Theatre Operating Actuals for 2016 to 2023 years, outlined in the table below, depicts actual revenue and expenses from The Arden Theatre operations.

Operating Actuals Totals	2016	2017	2018	2019	2020	2021	2022	2023
Revenue Total	(927,428)	(972,980)	(968,239)	(1,018,370)	(219,187)	(247,535)	(1,085,821)	(925,393)
Expense Total	1,650,471	1,622,026	1,572,515	1,576,162	952,625	884,580	1,509,778	1,548,052
Net	723,043	649,046	604,276	557,792	733,438	637,045	423,957	622,659
Actual Cost Recovery	56%	60%	62%	65%	23%	28%	72%	60%

The table highlights a consistent trend toward reduced net subsidization over time, despite significant disruptions from the COVID-19 pandemic and subsequent economic challenges:

- **Pre-Pandemic (2016-2019):** Net subsidization steadily declined from \$723K to \$558K, reflecting improved cost recovery (56% to 65%) through growing revenue and stable expenses.
- **Pandemic Impact (2020-2021):** Net subsidization increased sharply due to plummeting revenues (down 79% in 2020) despite expense reductions. Cost recovery dropped to as low as 23%.
- **Recovery Years (2022-2023):** Net subsidization rebounded to \$424K in 2022, the lowest in the dataset, as revenues exceeded pre-pandemic levels. However, this was achieved during a year still impacted by pandemic-related closures and reduced service levels. In 2023, net subsidization increased slightly to \$623K, reflecting inflationary pressures and the stabilization of consumer behavior post-recovery. Despite these factors, 2023 expenses remained lower than those from 2016 to 2019, even with inflation, demonstrating ongoing work to reduce cost to the City.

Administration has continued to maintain reduced expenses. Continued economic pressures in 2023 underscore the need for administration to maintain a strategic focus on demand, pricing, and efficiency to ensure long-term sustainability.

The 2024 budget continues to show momentum in reducing net subsidization, with a budgeted cost recovery of 67%. Cost Recovery at end of Q3 2024 was 73%. Updated projection to end of Q4 is 69% This progress reflects efforts to enhance operational efficiency, diversify revenue streams, and refine processes.

Budget Summary 2024	
Revenue	\$1,065,000
Expenses	\$1,589,300
Net	(\$524,300)
Cost Recovery	67%

Budget 2024 Insights

1. **Continued Improvement Cost Recovery:** The positive trend demonstrates effective alignment of services with demand, reducing the projected net subsidy to \$524,300 despite inflationary pressures and changes in consumer habits.
2. **Operational and Revenue Impacts:** Streamlined operations and new revenue streams are driving financial stability, offsetting rising costs.
3. **Navigating Challenges:** Inflation and shifting consumer behaviour remain challenges, requiring intentional adjustment in pricing, marketing, programming, and service delivery.

Conclusion and Next Steps

The work completed, including operational adjustments and adaptations to respond to changing demands, has positioned Arden Theatre operations in a stable, low-risk state. Despite ongoing economic challenges, including significant inflation affecting maintenance costs, consumables, concession supplies, artist fees, backline rentals, transportation costs, and hospitality expenses, net stabilisation has remained reliable.

Informal discussions revealed minimal external interest in assuming operations by external parties, further underscoring the value of Administrations commitment to ongoing operational review. Key actions in recent years include meeting and surpassing regional cost-recovery benchmarks while minimizing potential impacts on other services areas that access or are supported by Arden Theatre infrastructure, assets, or personnel.

By carefully managing rising costs and strategically utilizing resources, including implementing Phase 1 of the Operational and Fiscal Review recommendations, the City has maintained sustainable service delivery. Administration is confident in its ability to achieve the cumulative net savings outlined in EY recommendations without altering the partnership model. Ongoing service reviews and evaluations will further enhance adaptability, ensure alignment with community needs, while maintaining a focus on cost recovery and budget-conscious decision making.