



Report to: General Committee

Date Report Authored: August 25, 2011

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**SUBJECT:** Theatre Endowment Terms of Reference  
**PREPARED BY:** Eric Lariviere, Theatre Manager X 7546

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**RECOMMENDATIONS:**

- 1) THAT the report titled Theatre Endowment Terms of Reference be received;
- 2) AND THAT the document entitled “Theatre Endowment – Terms of Reference” as outlined in Appendix A be approved;
- 3) AND THAT the Theatre Endowment comprises of the *Theatre Endowment Reserve Fund* and *Capital Improvement Reserve Fund*;
- 4) AND THAT the funds in the *Capital Improvement Reserve Fund* be utilized for funding of new capital projects other than those projects funded either from Life Cycle Replacement and Capital Reserve;
- 5) AND THAT the *Theatre Endowment Reserve Fund* and the *Capital Improvement Reserve Fund* receive equal share of the allocated \$1.00 ticket handling fee (currently at \$1.00 out of a \$3.50 handling fee);
- 6) AND THAT the *Theatre Endowment Reserve Fund* and the *Capital Improvement Reserve Fund* receive equally the proportionate increase in allocated ticket handling fee for any future increases to fees;
- 7) AND THAT an amount of \$25,000 be transferred from the *Theatre Endowment Reserve Fund* to the Theatre operating account annually for a period of four years (2012-2015), to fund special initiatives (as per Terms of Reference);
- 8) AND THAT a report be provided to Council on the usage of the funds annually;
- 9) AND THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

**PURPOSE:**

- 1) To review the Theatre Endowment guidelines and to define and establish clear terms of reference for the two reserve funds.
- 2) To implement the use of reserve funds from the Theatre Endowment to achieve the goals and objectives of the Theatre strategic plan.

## **BACKGROUND:**

### **Endowment**

The Theatre has two reserve funds:

1. **Theatre Endowment Reserve Fund:** the fund has generated revenue through individual donations and interest; balance as of September 1, 2011: \$285,808 and;
2. **Theatre Capital Improvement Reserve Fund (CIF):** the fund has generated revenue through the allocation of \$1 of the handling fee on ticket sales and interest; balance as of September 1, 2011: \$175,203;

The Theatre Endowment Reserve Fund receives an average of \$6,000 towards donations and an average of \$8,000 as interest over the past five years and the fund was utilized to purchase a projector in 2009.

The Theatre CIF receives an average of \$39,000 from the allocated portion of \$1.00 from the ticket handling fee and an average of \$1,600 as interest over the past five years and the fund was utilized for a public area upgrade in 2008.

Since its creation in 1985 (**See Appendix B**) the Endowment has been used to fund such projects/events as the purchase of the Steinway Grand Piano, the 10<sup>th</sup> Anniversary celebrations, the Wall of Fame, the Main Curtain, Audio Mixing Console, Electronic Message Sign, as well as the Film projector and screen.

The Theatre Endowment guidelines were amended and approved in January 2006 to include the allocation of revenues from donors. When possible the endowment has provided the matching contribution on grants however there has not been any official policy or terms of reference for the Endowment.

## **OPTIONS/ DISCUSSION:**

### **Strategic Goals**

Markham Theatre for performing arts has initiated a major transformation of its programs and services for the community.

With a new vision, a new mission, a new artistic and business strategy, the goal is to reposition the Theatre's programs and services to broaden the appeal and to grow the base of participants/attendees. The Theatre strives to broaden its reach across the diverse and fast growing citizens' base in Markham.

Markham Theatre is the leading performing arts venue in York Region. "Live Arts Matter to all" is the new vision; Its mission is "To cultivate a vibrant creative community through live arts."

Our goals and objectives are determined around a set of 5 values/guiding principles:

1. Artistic Excellence;
2. Community and Accessibility
3. Knowledge;
4. Partnership;
5. Sound management and governance.

For the year 2011, we have established the following goals:

1. To produce a successful 2011-12 Season;
2. To sustain our programs/repositioning efforts, marketing realignment and audience development initiatives;
3. To develop an aggressive fund raising program and build capacity;
4. To review governance: recruitment of new board and HR review;
5. To meet budget.

This investment of designated funds will advance the artistic and business goals of the Theatre operation and enhance the number and value of its programs and services.

The Advisory Board endorsed both the strategic plan and endowment fund changes, noting the need for transparency and use of the funds contributed by donors and users of the theatre.

### **Markham Theatre Endowment Policy Review**

Management reviewed best practice for cultural endowment funds across Canada.

The review of the Theatre Endowment and the definition of clear Terms of reference is a critical step to actualize the guidelines and to provide clarity in definition, purpose and utilization of the funds.

The review of the policy brought to attention the need for clear guidelines around the administration of the *Theatre Endowment Reserve Fund* and the *Capital Improvement Reserve Fund*.

## **Theatre Endowment Terms of Reference Highlights (see Appendix A)**

The proposed Terms of Reference suggest the following highlights:

### **Use of Funds**

- **The *Theatre Endowment Reserve Fund*** channels income into major initiatives outlined in the Theatre Strategic Plan, and will support the following types of endeavors:
  1. Innovative, professional and community programs to deliver the highest artistic standards;
  2. Education, community outreach, and audience development programs and initiatives;
  3. Creative projects and productions to encourage the emergence of a vibrant professional cultural community in Markham;
  4. Strategic marketing initiatives with the objective to build capacity to increase earned revenues, such as community groups promotional support, social media, community public relations, ethnic media.
  5. Capacity building initiatives, special events, including cultivation events and annual campaigns, improvement of actual capital and infrastructure.
- **The *Capital Improvement Reserve Fund*** channels income into the purchase of new capital, other than those funded from either life cycle or non life cycle funding, but central to the Theatre's mission.

### **Enhanced Origin of Income**

- Income from tickets handling fee: Currently an amount of \$1.00 out of a ticket handling fee of \$3.50 is transferred to the Capital Improvement Reserve Fund. It is now recommended, the income from the tickets handling fee will now be transferred equally to both the Endowment and the Capital Improvement Reserve Funds.
- The two funds of the Theatre Endowment can also receive income from:
  - Corporate donations;
  - Net proceeds from fundraising activities and donations;
  - Government and Foundation Grants and Funds for designated purposes.

**FINANCIAL CONSIDERATIONS AND TEMPLATE:****Establishing an Annual Allocation**

For four years, starting in 2012, an amount of \$25,000 (from the Theatre Endowment Reserve Fund to the operating account) will be allocated to fund special initiatives, and according to the criteria established in the proposed Terms of Reference. A report on the utilization of the funds will be submitted annually to council, and assessed/evaluated every four (4) years.

The annual allocation reflects the historical trends as the amount represents 50% of the average revenues received during the past three years. The annual allocation is based on the principle that the actual capital of the endowment should be reasonably preserved and continues to grow.

**Allocation of Ticket Handling Fee**

Both the *Theatre Endowment Fund* and the *Capital Improvement Fund* will now receive an equal share of the allocated amount from the income generated by the ticket sales handling fee. As of today, this allocated amount is set at \$1.00 (split of \$0.50) – total fee is \$3.50 and will be adjusted accordingly when increased.

**ALIGNMENT WITH STRATEGIC PRIORITIES:**

Funds are used through the endowment created to “help secure the future, encouragement and development of the performing art through the Markham Theatre Performing Arts as a valuable and vital element of the cultural life of the community.” *From extract of Council Resolution of October 8<sup>th</sup>, 1985.*

This report is aligned with the Theatre’s strategic priorities and goals. The Theatre’s new artistic and business plan will broaden the appeal and participation to the Theatre, will expand community engagement, and will grow the level of programs and services to our constituents.

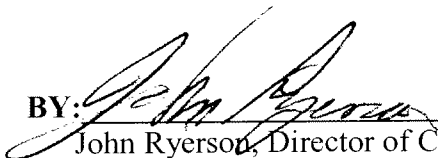
The request is also aligned with the goals and objectives of the E3-continuous improvement program and initiatives encouraged by the corporation.

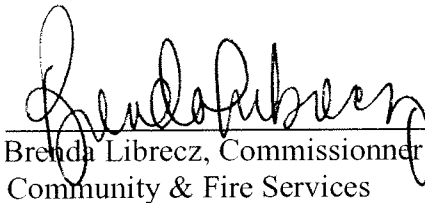
**BUSINESS UNITS CONSULTED AND AFFECTED:**

Culture, Finance and Theatre Advisory board

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**RECOMMENDED**

BY:   
John Ryerson, Director of Culture

  
Brenda Librecz, Commissionner  
Community & Fire Services

**ATTACHMENTS:**

**Appendix A:** TERMS OF REFERENCE, Markham Theatre Endowment Fund

**Appendix B:** 1985, Extract of the Resolution of Council meeting of October 8<sup>th</sup>, 1985;

**Appendix C:** January 2006 Report to General Committee "Theatre Endowment Fund Policy"/ Resolution of Council Meeting NO. 2 Dated January 17, 2006/

Appendix A: Recreation and Culture Department Policies and Procedures Manual – December 5, 2005/ Extract Theatre Endowment Fund Policy.