



Making a difference...together

ROYAL & MCPHERSON THEATRES SERVICES ADVISORY COMMITTEE

Notice of Meeting on FRIDAY, SEPTEMBER 7, 2022, at 4:00 p.m.

Room 488, 625 Fisgard Street, Victoria, BC, and Electronically

K. Murdoch (Chair)

M. Alto

S. Brice

S. Dubow

C. Plant

AGENDA

1. Territorial Acknowledgement

2. Approval of Agenda

3. Adoption of Minutes of October 15, 2021

Recommendation: That the October 15, 2021, minutes of the Royal and McPherson Theatres Services Advisory Committee meeting be adopted.

4. Chair's Remarks

5. Presentations/Delegations

5.1. Royal & McPherson Theatres: Update on Operations and Planning, F. Lehrbass, Executive Director, and C. Devlin, President, Royal & McPherson Theatres Society

6. Committee Business

6.1. Update on the Performing Arts Facilities Select Committee (verbal)

6.2. 2023 Budget for the Royal Theatre Service and the McPherson Playhouse Service

Recommendation: The Royal & McPherson Theatres Services Advisory Committee recommends to the Finance Committee to recommend to the Capital Regional District Board:

1. That the maximum allowable contribution amount of \$580,000 be approved for the Royal Theatre service; and
2. That the maximum allowable contribution amount of \$750,000 be approved for the McPherson Playhouse service.

7. New Business

8. Adjournment

To ensure quorum, please advise Nancy More at 250-360-3009 or nmore@crd.bc.ca if you cannot attend.



Making a difference...together

Minutes of a Meeting of the Royal & McPherson Theatres Services Advisory Committee Held Friday, October 15, 2021, in the Board Room, 625 Fisgard St., Victoria, BC

EP=Electronic Participation

Present: Members: K. Murdoch (Chair), M. Alto, S. Brice, S. Dubow
Staff: N. Chan, CFO; C. Gilpin, Manager, Arts & Culture Support Service; N. More, Committee Clerk (recorder)
Also Present: C. Devlin (President), F. Lehrbass (Executive Director), N. Downer (Manager of Finance), M. Gibbons (Treasurer, EP), Royal & McPherson Theatres Society
Absent: C. Plant

The meeting was called to order at 1:30 p.m.

1. Territorial Acknowledgement

2. Approval of Agenda

MOVED by Member Alto, **SECONDED** by Member Brice,
That the agenda be approved as circulated.

CARRIED

3. Adoption of Minutes

MOVED by Member Brice, **SECONDED** by Member Alto,
That the minutes of the September 9, 2020, meeting be adopted as previously circulated.

CARRIED

4. Chair's Remarks

Chair Murdoch remarked on the discussions on regional theatres, and the past attempt to amend the service bylaws that cap the contribution level from the CRD to the theatre services. The Royal and McPherson Theatres Society (RMTS) was in attendance to give a presentation about what is happening at the theatres and the drivers for the RMTS budget, why the money was being asked for and what it would be used for. The regional theatres effort may yet be sorted out at the CRD, and in the meantime, Chair Murdoch was appreciative of those present taking the time on this matter. He noted that the presentation would give members of the Advisory Committee information on the use of the money, which they could report back to their respective municipal councils.

5. Presentations/Delegations

4.1 Presentation: C. Devlin, President, Royal & McPherson Theatres Society, Royal & McPherson Theatres Financial Status

C. Devlin spoke on behalf of the Society. He reported that the Society's budget timing had been adjusted to align better with the CRD budget process. He addressed the Advisory

Committee with the aid of a PowerPoint presentation, included in the agenda package. C. Devlin's remarks included the following main points:

- Challenges included the pandemic and infrastructure. With support from the CRD last year and professionals retained, have met goals related to re-opening and financial plans, revenue diversification, maintenance of physical structure and a capital plan.
- Re-opening plan includes government funding and donations; thus, plans to grow organizational capacity for fundraising.
- Anticipation of a budget deficit in 2022, as a function of the lag between preparing for productions and realizing revenue from them. However, the existing operating and capital surpluses built up over past years can be utilized; i.e., using the rainy-day fund.
- Operating funding still facing long-term challenges due to the requisition amount in the two CRD bylaws not having changed since 1998, and the depreciating value of the grants over time. The Society meets expenses through revenue, surcharges, and bar concessions.
- Capital funding for maintenance, repair and improvements of the facilities needed in both the short and long term totals about \$26 million over the next ten years. The RMTS internally-restricted capital fund and the CRD capital reserve for both theatres amounts to significantly less than the required amount. The strategic focus of the Society Board is to prioritize fundraising, which could mean hiring a specialist for that effort.
- The theatres need a healthy mix of community non-profit as well as commercial shows to accumulate revenue for capital maintenance.

Clarifications and discussion included the following points:

- Robust discussions have been held about what it means to operate at 50% capacity. In order to stay open and not go broke, a critical mass of presenters must first be reached.
- By provincial regulations, the requisitions must either be fixed (as they are now) or indexed.
- The Society has been risk-managing some of the long-term capital projects. Layered or matching funding will have to be sought. Some capital projects will be split into phases, such as investigation, costing, and implementation. With solid plans for projects, the Society would make specific asks when presenting to participating councils.
- The regional theatre question will go back to the Performing Arts Facilities Select Committee for further consideration.
- Emergency benefit program under federal government to mitigate pandemic measures and transition to full capacity won't be known until after the Throne Speech and subsequent legislation.
- For capital projects that are shovel ready, combined federal/provincial infrastructure grants will be pursued by the Society. Advocacy avenues on a more political level can be explored.

- The life span of the two theatres depends on how well the facility is maintained, owner investment and other funding.
- The Royal Theatre expansion feasibility study is back on track, with key staff to review space plan issues before architectural drawings are begun. If that goes forward, there is opportunity for fundraising for the capital and maintenance projects of the Royal and McPherson to be tied together.

MOVED by Member Dubow, **SECONDED** by Director Alto,
That the Royal & McPherson Theatres Financial Status Presentation be received for information.

CARRIED

6. Committee Business

5.1. 2022 Budget Process for the Royal Theatre Service and the McPherson Playhouse Service

N. Chan provided context for the report. The Advisory Committee mandate is to provide the Finance Committee with a recommendation on funding for the theatres services, within the constraints of the bylaws. The Finance Committee this year does not meet again prior to the consideration of the CRD provisional budget. However, the budget will be built to take direction from the Advisory Committee, as shown in these minutes, and presented at the Committee of the Whole on October 27.

MOVED by Member Alto , **SECONDED** by Member Brice,
The Royal & McPherson Theatres Services Advisory Committee recommends to the Finance Committee to recommend to the Capital Regional District Board:
That the maximum allowable contribution amount be approved for the Royal Theatre and McPherson Playhouse services.

CARRIED

7. New Business: There was no new business.

8. Adjournment

MOVED by Member Alto, **SECONDED** by Director Dubow,
That the meeting be adjourned at 2:31 p.m.

CARRIED

CHAIR

RECORDER



Making a difference...together

REPORT TO THE ROYAL & MCPHERSON THEATRES SERVICES ADVISORY COMMITTEE MEETING OF WEDNESDAY, SEPTEMBER 07, 2022

SUBJECT **2023 Budget 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 grants provided to the Royal and McPherson Theatres Society for the Royal Theatre through service Bylaw No. 2587 and the McPherson Playhouse through service Bylaw No. 2685.

BACKGROUND

The bylaws governing the theatre services specify a grant of up to \$580,000 for the Royal Theatre (\$100,000 operating and \$480,000 capital) and \$750,000 for the McPherson Playhouse (\$350,000 operating and \$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 2023 budget to maintain funding at these levels.

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

General local elections will be held on October 15, 2022, changing the CRD budget planning process timeline compared to non-election years. The provisional budget will be considered by the CRD Board on September 21, 2022, earlier than in non-election years. Final budget review will be conducted by the next CRD Board in March 2023. Input from RMTSAC on budget levels for will flow through the Finance Committee to be considered as part for the final budget package.

IMPLICATIONS

Financial Implications

In terms of operating cost pressures, RMTS has faced higher costs due to inflation as well as delays in realized revenue, with higher-than-normal show cancellations and postponements due to COVID-19. In response to this situation, RMTS has leveraged assistance from federal and provincial relief funding programs, as well as utilizing its operating reserve, to offset operating deficits (see Appendix A). 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 \$1.7 million in building improvement capital expenses in 2023 for necessary repairs and upgrades. These improvements include an HVAC upgrade at the Royal Theatre and building envelope repairs to the McPherson Playhouse (see Appendix B for full list of capital projects).

As reported at the October 2021 RTMSAC meeting, recent Stantec reports have identified \$40 million in recommended building improvements to preserve the assets and their functionality for the long term. In response, RMTS is in the process of drafting a Master Renovation Plan that will include a long-term asset management plan for these facilities. Additional capital funds will be required for these larger projects, beyond the limits of the current annual grants, and options are available, including infrastructure grants from provincial and federal governments.

Service Delivery Implications

The Royal and McPherson Theatres Society has navigated event and gathering restrictions, safety protocols, and significant barriers for touring performing artists due to travel delays, while relaunching performances in 2021 and the return to in-person events for many community organizations in 2022. Due to the resourcefulness of RMTS staff, CRD audiences have benefitted from the presentation of a diverse and high-caliber array of arts experiences. This level of service delivered by RMTS, despite adverse operating conditions, is commendable.

In 2023, high inflation continues to degrade the purchasing power of the fixed contribution amounts to the Royal Theatre and McPherson Playhouse. RMTS has indicated that it may need to program more commercial shows, which generate higher rental fees and shared revenue than community non-profit shows, in order to remain financially sustainable.

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 audited financial statements, and 5-Year capital plans for the Royal Theatre and McPherson Playhouse to provide more context and rationale for the CRD contribution levels.

RECOMMENDATION

The Royal & McPherson Theatres Services Advisory Committee recommends to the Finance Committee to recommend to the Capital Regional District Board:

1. That the maximum allowable contribution amount of \$580,000 be approved for the Royal Theatre service; and
2. That the maximum allowable contribution amount of \$750,000 be approved for the McPherson Playhouse service.

Submitted by:	Chris Gilpin, MPA, Manager, Arts and Culture Department
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Acting Chief Administrative Officer

ATTACHMENT(S)

Appendix A: 2021 Financial Statements for the Royal & McPherson Theatres Society
Appendix B: CRD 2023 Capital and Operating Budgets

Financial Statements of

**THE ROYAL AND MCPHERSON
THEATRES SOCIETY**

And Independent Auditors' Report thereon

Year ended December 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Members of The Royal and McPherson Theatres Society

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of The Royal and McPherson Theatres Society (the Society), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Society as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Victoria, Canada
April 1, 2021

THE ROYAL AND MCPHERSON THEATRES SOCIETY

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,229,751	\$ 807,099
Accounts receivable	120,571	80,355
Due from Capital Regional District	132,086	107,225
Inventory	14,574	6,069
Prepaid expenses	77,948	38,214
	1,574,930	1,038,962
Investments (note 2)	4,534,879	3,743,002
Capital assets (note 3)	631,775	634,112
	\$ 6,741,584	\$ 5,416,076

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 359,398	\$ 186,274
Deferred revenue	22,735	44,000
Deferred ticket sales	2,159,875	523,198
	2,542,008	753,472
Deferred contributions (note 4a)	386,301	263,151
Fund balances:		
Unrestricted:		
McPherson Playhouse Operating Fund	-	25,276
Royal Theatre Operating Fund	-	8,420
Invested in capital assets – capital asset fund	631,775	634,112
Internally restricted (note 5):		
McPherson Playhouse Operating Reserve Fund	195,119	310,286
Royal Theatre Operating Reserve Fund	563,782	944,150
McPherson Playhouse Capital Fund	74,524	122,755
Royal Theatre Capital Fund	2,348,075	2,354,454
	3,813,275	4,399,453
	\$ 6,741,584	\$ 5,416,076

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

THE ROYAL AND MCPHERSON THEATRES SOCIETY

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2021, with comparative information for 2020

	McPherson Playhouse			Royal Theatre			Capital Asset Fund	Combined	
	Operating Fund	Reserve Fund	Capital Fund	Operating Fund	Reserve Fund	Capital Fund		Total 2021	Total 2020
Revenue (Schedule)	\$ 819,639	\$ -	\$ -	\$ 849,051	\$ -	\$ -	\$ -	\$ 1,668,690	\$ 1,979,634
Deferred contributions (note 4a)	-	-	22,874	-	-	45,976	-	68,850	178,901
Deferred revenue (note 4b)	-	-	34,000	-	-	21,265	-	55,265	-
Interest income	-	1,843	1,058	-	5,607	28,442	-	36,950	74,444
	819,639	1,843	57,932	849,051	5,607	95,683	-	1,829,755	2,232,979
Expenses (Schedule)	(952,995)	-	-	(1,207,574)	-	-	-	(2,160,569)	(2,455,668)
Amortization of capital assets	-	-	-	-	-	-	(112,419)	(112,419)	(81,580)
Building and equipment:									
Owner (note 4a) and externally funded (note 4b)	-	-	(56,874)	-	-	(67,241)	-	(124,115)	(178,901)
Society funded	-	-	(2,972)	-	-	(15,858)	-	(18,830)	(31,619)
	(952,995)	-	(59,846)	(1,207,574)	-	(83,099)	(112,419)	(2,415,933)	(2,747,768)
Excess (deficiency) of revenue over expenses	(133,356)	1,843	(1,914)	(358,523)	5,607	12,584	(112,419)	(586,178)	(514,789)
Fund balances, beginning of year	25,276	310,286	122,755	8,420	944,150	2,354,454	634,112	4,399,453	4,914,242
Funding capital improvements	-	-	(55,247)	-	-	(54,835)	110,082	-	-
Transfer of user fees to capital funds (note 5)	(8,930)	-	8,930	(35,872)	-	35,872	-	-	-
Transfer of reserve funds to operating funds (note 5)	117,010	(117,010)		385,975	(385,975)	-	-	-	-
Fund balances, end of year	\$ -	\$ 195,119	\$ 74,524	\$ -	\$ 563,782	\$ 2,348,075	\$ 631,775	\$ 3,813,275	\$ 4,399,453

See accompanying notes to financial statements.

THE ROYAL AND MCPHERSON THEATRES SOCIETY

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (586,178)	\$ (514,789)
Amortization of capital assets	112,419	81,580
Amortization of deferred contributions	(68,850)	(178,901)
Contributions received	192,000	184,000
Net change in non-cash working capital (note 6)	1,675,220	(1,747,735)
	1,324,611	(2,175,845)
Investing:		
Net change in investments	(791,877)	1,697,519
Purchase of capital assets	(110,082)	(265,859)
	(901,959)	1,431,660
Increase (decrease) in cash and cash equivalents	422,652	(744,185)
Cash and cash equivalents, beginning of year	807,099	1,551,284
Cash and cash equivalents, end of year	\$ 1,229,751	\$ 807,099

See accompanying notes to financial statements.

THE ROYAL AND MCPHERSON THEATRES SOCIETY

Notes to Financial Statements

Year ended December 31, 2021

The Royal and McPherson Theatres Society (the “Society”) operates and manages the McPherson Playhouse on behalf of the City of Victoria (the “owner”) and Royal Theatre on behalf of the Capital Regional District (the “owner”). The Society was incorporated under the Society Act of British Columbia on March 3, 1977 and transitioned into the new Societies Act (British Columbia) on June 28, 2017. The Society is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Over the course of the current and prior year and in response to the pandemic, the Society has experienced the following impacts and undertaken the following activities:

- From March 13, 2020, cancellation of all events and performances at the Royal Theatre and McPherson Playhouse.
- Subsequent to the cancellation of events, no scheduling of any of the 170 casual employees since March 2020, layoffs of 6 full time employees and reduced compensation to employees through the Work-Sharing program.
- In preparation to re-open the theatres, staff was gradually recalled to work beginning in the summer of 2021. On October 25, 2021, Public Health Order restrictions for venue capacities were completely lifted. On November 5, 2021, the Society officially re-opened the Royal Theatre and McPherson Playhouse to full capacity.
- While able to operate at full capacity, the Society brought back 63 staff members and welcomed over 21,000 audience members to 33 events.
- In December 2021, Public Health Orders were adjusted again for bars and nightclubs, resulting in the closure of the bars and concessions in the theatres.
- On December 22, 2021, a new Public Health Order was implemented reducing venue capacities to 50%, directly impacting theatre operations.
- Pursued all available government subsidies and programs resulting in support from the Canadian Emergency Wage Subsidy, the Canadian Emergency Rent Subsidy, the Tourism and Hospitality Recovery Program (THRP) Wage Subsidy and the Tourism and Hospitality Recovery Program (THRP) Rent Subsidy.
- Review of expenditures to identify areas for cost savings and elimination of discretionary expenditures.
- On February 17, 2022, the Public Health Order restored venue audience capacity to 100%. With fiscal prudence, the Society is resuming regular business.

As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Society is not known at this time, an accurate estimate of the future financial effect on the Society is not practicable at this time.

THE ROYAL AND MCPHERSON THEATRES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the standards for government not-for-profit organizations. The following is a summary of the significant accounting policies used in the preparation of the financial statements.

(b) Fund accounting:

Revenue and expenses related to operating the McPherson Playhouse are reported in the McPherson Playhouse Operating Fund. Revenue and expenses related to operating the Royal Theatre are reported in the Royal Theatre Operating Fund. The Capital Asset Fund reports the revenue and expenses on capital assets owned by the Society.

The McPherson Playhouse Capital Fund and the Royal Theatre Capital Fund report revenue and expenses related to capital expenses at the McPherson Playhouse and the Royal Theatre respectively. Building and other capital costs are not recorded as assets because the Society is the manager and not the owner of these venues. Fundraising amounts and capital expenses, relating to these facilities, are recorded as revenue and expenses in these funds.

The McPherson Playhouse Operating Reserve Fund and the Royal Theatre Operating Reserve Fund report assets held for the purpose of supporting day-to-day operations and managing risk associated with unforeseen shortfalls or disruption.

Donations are reported in the appropriate fund designated by the donor.

(c) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with terms to maturity of three months or less at the date of purchase.

(d) Capital assets:

Purchased capital assets owned by the Society are recorded in the capital fund at cost. Contributed assets are recorded in the capital fund at estimated fair value at the date of the contribution. Amortization is provided on a straight-line basis over the assets' estimated useful lives. Pianos are amortized over 25 years, box office ticketing enterprise system and website over 10 years, furniture and equipment over 5 years and office leasehold improvements over 10 years. Building and leasehold improvements, including stage and front of house equipment, are shown as expenses within the appropriate capital fund and not capitalized, as the benefit of the asset accrues to the owner.

THE ROYAL AND MCPHERSON THEATRES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(e) Revenue recognition:

The Society follows the deferral method of accounting for contributions. Restricted contributions are deferred and recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from production recoveries, box office, and theatre rentals are recognized once the event has occurred.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized in the appropriate operating fund when earned.

(f) Allocations:

Certain operations of the operating funds are conducted jointly. Revenue and expenses, which are not directly attributable to either operating fund, are allocated equally between the funds.

(g) Contributed services:

The Society receives certain benefits from volunteers. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any financial instruments at fair value.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of estimates include amortization of capital assets, valuation of gift certificate liabilities and the collectability of accounts receivable. Actual results could differ from these estimates.

2. Investments:

Investments consist of bankers' acceptances and term deposits bearing interest at rates varying between 0.55% and 2.48% and maturity dates varying between 90 days and up to three years. It is the Society's intention to hold these assets on a long-term basis.

THE ROYAL AND MCPHERSON THEATRES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Capital assets:

				2021
	Cost	Accumulated amortization		Net book value
Furniture and equipment	\$ 632,256	\$ 568,179	\$	64,077
Box office ticketing enterprise system and website	967,059	637,753		329,306
Pianos	188,568	119,164		69,404
Office leasehold improvements	241,418	72,430		168,988
	\$ 2,029,301	\$ 1,397,526	\$	631,775
				2020
	Cost	Accumulated amortization		Net book value
Furniture and equipment	\$ 619,072	\$ 532,194	\$	86,878
Box office ticketing enterprise system and website	870,161	592,999		277,162
Pianos	188,568	111,628		76,940
Office leasehold improvements	241,418	48,286		193,132
	\$ 1,919,219	\$ 1,285,107	\$	634,112

The above tables only reflect those capital assets owned by the Society. Any building and other capital costs incurred by the Society are recorded as expenses in either the McPherson Playhouse Capital Fund or Royal Theatre Capital Fund in the year incurred.

THE ROYAL AND MCPHERSON THEATRES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

4. Deferred contributions and revenue:

- (a) Deferred contributions, received from the owners and reported in the McPherson Playhouse Capital Fund and the Royal Theatre Capital Fund, pertain to restricted contributions for each building.

The changes for the year in the deferred contributions balances reported in the McPherson Playhouse Capital Fund and the Royal Theatre Capital Fund are as follows:

	McPherson Playhouse Capital Fund	Royal Theatre Capital Fund	Total
Balance, December 31, 2019	\$ 169,660	\$ 88,392	\$ 258,052
Contributions	84,000	100,000	184,000
Amounts recognized to revenue	(57,934)	(120,967)	(178,901)
Balance, December 31, 2020	195,726	67,425	263,151
Contributions	92,000	100,000	192,000
Amounts recognized to revenue	(22,874)	(45,976)	(68,850)
Balance, December 31, 2021	\$ 264,852	\$ 121,449	\$ 386,301

- (b) Deferred revenue, received externally and reported in the McPherson Playhouse Capital Fund and the Royal Theatre Capital Fund, pertain to restricted revenues for each building.

The changes for the year in the deferred revenue balances reported in the McPherson Playhouse Capital Fund and the Royal Theatre Capital Fund are as follows:

	McPherson Playhouse Capital Fund	Royal Theatre Capital Fund	Total
Balance, December 31, 2019	\$ -	\$ -	\$ -
Contributions	-	44,000	44,000
Amounts recognized to revenue	-	-	-
Balance, December 31, 2020	-	44,000	44,000
Contributions	34,000	-	34,000
Amounts recognized to revenue	(34,000)	(21,265)	(55,265)
Balance, December 31, 2021	\$ -	\$ 22,735	\$ 22,735

THE ROYAL AND MCPHERSON THEATRES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. Internally restricted fund balances:

The Society levies a user fee for all patrons attending performances at each theatre. The Board has internally restricted these resources to be expended subject to certain restrictions. These funds are transferred from the operating funds to the corresponding capital fund. In 2021 the Society transferred user fees totaling \$ 8,930 (2020 - \$9,199) to the McPherson Playhouse Capital Fund and \$35,872 (2020 - \$52,030) to the Royal Theatre Capital Fund respectively.

In 2019, the Society formally established the McPherson Playhouse Operating Reserve Fund and the Royal Theatre Operating Reserve Fund. The purpose of these Funds is to hold sufficient reserves to help ensure the operational stability and resilience of the Society. The Board has internally restricted these funds to be expended subject to certain restrictions. In 2019, the Society transferred \$505,202 from the McPherson Playhouse Operating Fund and \$1,131,211 from the Royal Theatre Operating Fund to establish the Reserve Fund balances. In 2021, the Society transferred \$117,010 (2020 - \$200,000) from the McPherson Playhouse Reserve Fund to the McPherson Playhouse Operating Fund and \$385,975 (2020 - \$200,000) from the Royal Theatre Reserve Fund to the Royal Theatre Operating Fund.

6. Net change in non-cash working capital:

	2021	2020
Accounts receivable decrease (increase)	\$ (40,216)	\$ (78,053)
Due from Capital Regional District decrease (increase)	(24,861)	229,089
Inventory decrease (increase)	(8,505)	6,888
Prepaid expenses decrease (increase)	(39,734)	42,398
Accounts payable and accrued liabilities increase (decrease)	173,124	(123,281)
Deferred revenue increase (decrease)	(21,265)	39,667
Deferred ticket sales increase (decrease)	1,636,677	(1,864,443)
	<u>\$ 1,675,220</u>	<u>\$ (1,747,735)</u>

7. Financial risks and concentration of credit risk:

It is management's opinion that the Society is not exposed to significant interest, currency or credit risks.

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they become due. The Society uses budgets to monitor actual and forecasted cash flows to ensure operations are within resources available and sufficient cash is generated to sustain operations. Liquidity risk is mitigated in part by maintaining adequate working capital and sufficient fund balances.

THE ROYAL AND MCPHERSON THEATRES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. Pension plan:

The Society and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined pension plan. Basic pension benefits provided are based on a formula. The Plan has about 220,000 active members and approximately 112,000 retired members. Active members include approximately 25 contributors from the Society.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2021 with the results available in 2022.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The Society paid \$106,739 (2020 - \$116,495) for employer contributions to the Plan in fiscal 2021.

9. Remuneration paid to Directors, Employees and Contractors:

Under the British Columbia Societies Act, the Society is required to disclose in the annual financial statements all remuneration paid to directors and the annual remuneration paid to employees and contractors receiving greater than \$75,000.

For the fiscal year ending December 31, 2021, the Society paid total remuneration of nil (2020 - nil) to directors. The Society paid \$ 379,326 to four employees (2020 - \$466,596 to five employees) for services, each of whom received total annual remuneration of \$75,000 or greater. No contractors were paid a total annual remuneration of \$75,000 or greater in either 2021 or 2020.

THE ROYAL AND MCPHERSON THEATRES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

10. Commitments:

The Society is committed to an operating lease agreement for office premises from April 2019 to March 2024, with an option to renew for a further term of five years. Future minimum lease payments until renewal are as follows:

2022	\$ 46,923
2023	48,166
2024	12,119

11. Government COVID-19 subsidies

The Society received the following subsidies in 2021 which have been included in revenue of the McPherson Playhouse and Royal Theatre Operating funds:

	2021	2020
Canada Emergency Wage Subsidy (CEWS)	\$ 381,911	\$ 514,304
Canada Emergency Rent Subsidy (CERS)	43,129	8,136
Tourism and Hospitality Recovery Program (THRP) Wage Subsidy	76,184	-
Tourism and Hospitality Recovery Program (THRP) Rent Subsidy	4,824	-
Canada Emergency Commercial Rent Assistance (CECRA)	-	30,720
	\$ 506,048	\$ 553,160

THE ROYAL AND MCPHERSON THEATRES SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2021

12. Statement of Operations and Fund Balances comparative information:

The comparative information for the McPherson Playhouse and Royal Theatre operating funds is presented in the Schedule of Operating Fund Revenue and Expenses. The comparative information for the other funds is as follows:

	<u>2020 McPherson Playhouse</u>		<u>2020 Royal Theatre</u>		<u>2020</u>
	Reserve	Capital	Reserve	Capital	Capital
	Fund	Fund	Fund	Fund	Asset
					Fund
Revenue:					
Deferred contributions (note 4)	\$ -	\$ 57,934	\$ -	\$ 120,967	\$ -
Interest income	5,084	4,026	12,939	52,395	-
	5,084	61,960	12,939	173,362	-
Expenses:					
Amortization of capital assets	-	-	-	-	(81,580)
Building and equipment:					
Owner funded (note 4)	-	(57,934)	-	(120,967)	-
Society funded	-	-	-	(31,619)	-
	-	(57,934)	-	(152,586)	(81,580)
Excess (deficiency) of revenue over expenses	5,084	4,026	12,939	20,776	(81,580)
Fund balances, beginning of year	505,202	243,166	1,131,211	2,413,871	449,833
Funding capital improvements	-	(133,636)	-	(132,223)	265,859
Transfer of user fees to capital funds (note 5)	-	9,199	-	52,030	-
Transfer of operating funds to reserve fund (note 5)	(200,000)	-	(200,000)	-	-
Fund balances, end of year	\$ 310,286	\$ 122,755	\$ 944,150	\$ 2,354,454	\$ 634,112

THE ROYAL AND MCPHERSON THEATRES SOCIETY

Schedule of Operating Fund Revenue and Expenses

Year ended December 31, 2021, with comparative information for 2020

	McPherson Playhouse Operating Fund	Royal Theatre Operating Fund	Total 2021	McPherson Playhouse Operating Fund	Royal Theatre Operating Fund	Total 2020
Revenue:						
Production recoveries	\$ 46,770	\$ 166,381	\$ 213,151	\$ 85,369	\$ 280,525	\$ 365,894
Grants from owners	350,000	100,000	450,000	350,000	100,000	450,000
Box office charges	85,198	85,198	170,396	107,992	107,992	215,984
Rental income	23,515	90,763	114,278	18,550	92,091	110,641
User fee charges (note 5)	8,930	35,872	44,802	9,199	52,030	61,229
Concession sales	19,803	85,414	105,217	15,501	89,087	104,588
OnStage revenue	-	-	-	14,900	14,900	29,800
Interest income	2,225	2,225	4,450	9,907	9,907	19,814
Government COVID-19 subsidies (note 11)	253,024	253,024	506,048	276,580	276,580	553,160
Other	30,174	30,174	60,348	34,262	34,262	68,524
	819,639	849,051	1,668,690	922,260	1,057,374	1,979,634
Expenses:						
Administration:						
Salaries, contracts and benefits	353,006	353,006	706,012	380,344	380,344	760,688
Office	107,714	107,714	215,428	116,903	116,903	233,806
Professional fees	14,264	14,264	28,528	12,921	12,921	25,842
Conventions, conferences and travel	122	122	244	57	57	114
Administration and management fees	12,663	12,663	25,326	13,490	13,490	26,980
Production expenses	109,547	191,101	300,648	164,699	301,858	466,557
Box office operations	170,007	170,007	340,014	185,744	185,744	371,488
Building operations	91,869	201,869	293,738	87,950	198,228	286,178
Building maintenance	74,701	106,669	181,370	91,545	88,431	179,976
Concession operations	19,102	44,849	63,951	19,054	54,829	73,883
OnStage expenses	-	-	-	15,078	15,078	30,156
Community services	-	5,310	5,310	-	-	-
	952,995	1,207,574	2,160,569	1,087,785	1,367,883	2,455,668
Excess of revenue over expenses	(133,356)	(358,523)	(491,879)	(165,525)	(310,509)	(476,034)
Transfer of user fees to capital funds (note 5)	(8,930)	(35,872)	(44,802)	(9,199)	(52,030)	(61,229)
Change in operating funds before transfer from operating reserve funds (note 5)	\$ (142,286)	\$ (394,395)	\$ (536,681)	\$ (174,724)	\$ (362,539)	\$ (537,263)

CAPITAL REGIONAL DISTRICT
FIVE YEAR CAPITAL EXPENDITURE PLAN SUMMARY - 2023 to 2027

Service No.	1.290	Carry Forward from 2022	2023	2024	2025	2026	2027	TOTAL
	Royal Theatre							

EXPENDITURE

Buildings	\$1,706,000	\$1,600,000	\$700,000	\$2,186,000	\$93,000	\$0	\$4,579,000
Equipment	\$15,000	\$228,000	\$0	\$450,000	\$0	\$0	\$678,000
Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Engineered Structures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Vehicles	\$0	\$0	\$0	\$0	\$0	\$0	\$0

\$1,721,000	\$1,828,000	\$700,000	\$2,636,000	\$93,000	\$0	\$5,257,000
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SOURCE OF FUNDS

Capital Funds on Hand	\$165,000	\$90,000	\$0	\$75,000	\$0	\$0	\$165,000
Debenture Debt (New Debt Only)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Equipment Replacement Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grants (Federal, Provincial)	\$0	\$0	\$0	\$680,000	\$0	\$0	\$680,000
Donations / Third Party Funding	\$825,000	\$825,000	\$350,000	\$1,055,000	\$0	\$0	\$2,230,000
Reserve Fund	\$731,000	\$913,000	\$350,000	\$826,000	\$93,000	\$0	\$2,182,000

\$1,721,000	\$1,828,000	\$700,000	\$2,636,000	\$93,000	\$0	\$5,257,000
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CAPITAL REGIONAL DISTRICT

2023 BUDGET

Royal Theatre

COMMITTEE OF THE WHOLE

Service: 1.290 Royal Theatre

Committee: Finance

DEFINITION:

The function of purchasing, maintaining, equipping, operating and selling the Royal Theatre in Victoria to the Capital Regional District. The function is for the purpose of pleasure, recreation and community use and includes all facilities and concessions associated with the Royal Theatre and a parking lot. Local Services Establishment Bylaw No. 2587, March 25, 1998.

SERVICE DESCRIPTION:

This is a service to provide funding for the support of the Royal Theatre in the City of Victoria as a community centre of art and education. Ownership was transferred to the CRD in 1998. The service operates under an agreement with the Royal and McPherson Theatres Society Board who manage the theatre in return for financial support.

PARTICIPATION:

City of Victoria, District of Saanich, and District of Oak Bay, apportioned 50% on converted value of land and improvements and 50% on the basis of population (see bylaw for details).

MAXIMUM LEVY:

Capital Expenditures	\$480,000
Annual Operating Expenditures	\$100,000

Note: Grants in Lieu of Taxes paid to the Regional District will be held to the credit of the participant.

MAXIMUM CAPITAL DEBT:

NIL

COMMISSION:

Royal and McPherson Theatre Society reporting to a sub-committee of the Finance Committee.

FUNDING:

CAPITAL REGIONAL DISTRICT
FIVE YEAR CAPITAL EXPENDITURE PLAN SUMMARY - 2023 to 2027

Service No.	1.290	Carry Forward from 2022	2023	2024	2025	2026	2027	TOTAL
	Royal Theatre							

EXPENDITURE

Buildings	\$1,706,000	\$1,600,000	\$700,000	\$2,186,000	\$93,000	\$0	\$4,579,000
Equipment	\$15,000	\$228,000	\$0	\$450,000	\$0	\$0	\$678,000
Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Engineered Structures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Vehicles	\$0	\$0	\$0	\$0	\$0	\$0	\$0

\$1,721,000	\$1,828,000	\$700,000	\$2,636,000	\$93,000	\$0	\$5,257,000
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SOURCE OF FUNDS

Capital Funds on Hand	\$165,000	\$90,000	\$0	\$75,000	\$0	\$0	\$165,000
Debenture Debt (New Debt Only)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Equipment Replacement Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grants (Federal, Provincial)	\$0	\$0	\$0	\$680,000	\$0	\$0	\$680,000
Donations / Third Party Funding	\$825,000	\$825,000	\$350,000	\$1,055,000	\$0	\$0	\$2,230,000
Reserve Fund	\$731,000	\$913,000	\$350,000	\$826,000	\$93,000	\$0	\$2,182,000

\$1,721,000	\$1,828,000	\$700,000	\$2,636,000	\$93,000	\$0	\$5,257,000
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CAPITAL REGIONAL DISTRICT
5 YEAR CAPITAL PLAN
2023 - 2027

Project Number Project number format is "yy-##" "yy" is the last two digits of the year the project is planned to start. "##" is a numerical value. For example, 23-01 is a project planned to start in 2023. For projects in previous capital plans, use the same project numbers previously assigned.	Capital Project Description Briefly describe project scope and service benefits. For example: <i>Full Roof Replacement of a 40 year old roof above the swimming pool area; The new roofing system meets current energy standards with an expected service life of 35 years".</i>	Carryforward from 2022 Input the carryforward amount from the 2022 capital plan that is remaining to be spent. Forecast this spending in 2023 to 2027.	Project Drivers Maintain Level of Service = Project maintains existing or improved level of service. Advance Board or Corporate Priority = Project is a Board or Corporate priority. Emergency = Project is required for health or safety reasons. Cost Benefit = Project provide economic benefit to the organization.
Capital Expenditure Type Study - Expenditure for feasibility and business case report. New - Expenditure for new asset only Renewal - Expenditure upgrades an existing asset and extends the service ability or enhances technology in delivering that service Replacement - Expenditure replaces an existing asset	Total Project Budget Provide the total project budget, even if it extends beyond the 5 years of this capital plan.	Funding Source Codes Debt = Debenture Debt (new debt only) ERF = Equipment Replacement Fund Grant = Grants (Federal, Provincial) Cap = Capital Funds on Hand Other = Donations / Third Party Funding Res = Reserve Fund STLoan = Short Term Loans WU = Water Utility If there is more than one funding source, use additional rows for the project.	Long-term Planning Master Plan / Servicing Plan = Plan that identifies new assets required to meet future needs. Asset Management Plan / Sustainable Service Delivery Plan = Integrated plan that identifies asset replacements based on level of service, criticality, condition, risk, replacement costs as well as external impacts. Replacement Plan = Plan that identifies asset replacements based primarily on asset age and/or asset material/type. Condition Assessment = Assessment that identifies asset replacements based on asset condition.
Capital Project Title Input title of project. For example "Asset Name - Roof Replacement", "Main Water Pipe Replacement".	Asset Class L - Land S - Engineering Structure B - Buildings V - Vehicles	Cost Estimate Class Class A (±10-15%) = Estimate based on final drawings and specifications; used to evaluate tenders. Class B (±15-25%) = Estimate based on investigations, studies or preliminary design; used for budget planning. Class C (±25-40%) = Estimate based on limited site information; used for program planning. Class D (±50%) = Estimate based on little/no site information; used for long-term planning.	

Service #: 1.290
Service Name: Royal Theatre

SECTION 1: PROJECT DESCRIPTION AND BUDGET													
Project Number	Capital Expenditure Type	Capital Project Title	Capital Project Description	Total Project Budget	Asset Class	Funding Source	Carryforward from 2022	2023	2024	2025	2026	2027	5 - Year Total
20-03	New	Add Balcony & Pit Railings	Add railings to ensure patron safety and comfort.	\$75,000	B	Cap	\$75,000	\$0	\$0	\$75,000	\$0		\$75,000
21-01	Replacement	HVAC Upgrade	Replace 1994 HVAC main unit in audience chamber.	\$500,000	B	Other	\$450,000	\$450,000	\$0	\$0	\$0	\$0	\$450,000
21-02	Replacement	Replace House Light System - Phase 2	Replace House Light System with upgraded LED technology	\$90,000	B	Cap	\$90,000	\$90,000	\$0	\$0	\$0	\$0	\$90,000
21-05	Replacement	Replace Extendable Scissor Lift	Replace existing scissor lift that is past end of life for safety & reliability	\$26,000	E	Res	\$15,000	\$15,000	\$0	\$0	\$0	\$0	\$15,000
21-12	Renewal	Repair Building Envelope	Repairing building envelope of the 1914 structure.	\$2,293,000	B	Res	\$375,000	\$375,000	\$350,000	\$375,000	\$93,000	\$0	\$1,193,000
21-12	Renewal	Repair Building Envelope	Repairing building envelope of the 1914 structure.		B	Other	\$375,000	\$375,000	\$350,000	\$375,000	\$0	\$0	\$1,100,000
21-13	Renewal	Plan, Rebuild and Expand Orchestra Pit	Plan, Rebuild and expand orchestra Pit to allow increased physical distancing of musicians and performers	\$115,000	B	Res	\$111,000	\$0	\$0	\$111,000	\$0	\$0	\$111,000
22-01	Replacement	Replace Theatre Doors Phase 2	Replace house doors in balcony and mezzanine with automated soundproof doors	\$230,000	B	Res	\$230,000	\$230,000	\$0	\$0	\$0	\$0	\$230,000
23-01	Study	Study and Plan main floor replacement Including seats and aisle lights	Study and Plan repouring and refinishing of concrete main floor and replacement of seats and aisle lights	\$30,000	B	Res	\$0	\$30,000	\$0	\$0	\$0	\$0	\$30,000
23-02	Defer	Emergency Repairs	Unforeseen emergency repairs.	\$50,000	B	Res	\$0	\$50,000	\$0	\$0	\$0	\$0	\$50,000
23-03	Replacement	Replace Audio Stage Monitors	Replace audio stage monitors that are failing and at end of useful life. Essential for performers.	\$197,000	E	Res	\$0	\$197,000	\$0	\$0	\$0	\$0	\$197,000
23-04	Replacement	Replace Paging Touch Screens	Replace paging touch screens that are no longer supported by manufacturer and cannot be maintained or reprogrammed. Production requirement for communication to patrons and performers.	\$16,000	E	Res	\$0	\$16,000	\$0	\$0	\$0	\$0	\$16,000
24-01	Replacement	Repour and refinish concrete main floor and replacement of seats and aisle lights	Repour and refinish concrete main floor and replacement of seats and aisle lights	\$700,000	B	Other	\$0	\$0	\$0	\$280,000	\$0	\$0	\$280,000
24-01	Replacement	Repour and refinish concrete main floor and replacement of seats and aisle lights	Repour and refinish concrete main floor and replacement of seats and aisle lights.		B	Grant	\$0	\$0	\$0	\$280,000	\$0	\$0	\$280,000
24-01	Replacement	Repour and refinish concrete main floor and replacement of seats and aisle lights	Repour and refinish concrete main floor and replacement of seats and aisle lights.		B	Res	\$0	\$0	\$0	\$140,000	\$0	\$0	\$140,000
24-02	Replacement	Replace Orchestra Shell	Replace 40 year old orchestra shell	\$750,000	B	Other	\$0	\$0	\$0	\$300,000	\$0	\$0	\$300,000
24-02	Replacement	Replace Orchestra Shell	Replace 40 year old orchestra shell.		E	Grant	\$0	\$0	\$0	\$300,000	\$0	\$0	\$300,000
24-02	Replacement	Replace Orchestra Shell	Replace 40 year old orchestra shell.		E	Res	\$0	\$0	\$0	\$150,000	\$0	\$0	\$150,000
25-01	Replacement	Replace Seats and Aisle Lights in balcony	Replace 20 year old seats in balcony	\$250,000	B	Other	\$0	\$0	\$0	\$100,000	\$0	\$0	\$100,000
25-01	Replacement	Replace Seats and Aisle Lights in Balcony	Replace 20 year old seats in balcony.		B	Grant	\$0	\$0	\$0	\$100,000	\$0	\$0	\$100,000
25-01	Replacement	Replace Seats and Aisle Lights in Balcony	Replace 20 year old seats in balcony.		B	Res	\$0	\$0	\$0	\$50,000	\$0	\$0	\$50,000
													\$0
													\$0
GRAND TOTAL				\$5,322,000			\$1,721,000	\$1,828,000	\$700,000	\$2,636,000	\$93,000	\$0	\$5,257,000

Service: 1.290 Royal Theatre

Project Number 20-03

Capital Project Title Add Balcony & Pit Railings

Capital Project Description Add railings to ensure patron safety and comfort

Project Rationale The addition of railings will ensure patron safety and comfort while moving to and from seats in the balcony area of the theatre.

Project Number 21-01

Capital Project Title HVAC Upgrade

Capital Project Description Replace 1994 HVAC main unit in audience chamber.

Project Rationale Replace main HVAC unit in the audience chamber for audience comfort. Current HVAC unit at end of useful life.

Project Number 21-02

Capital Project Title Replace House Light System - Phase 2

Capital Project Description Replace House Light System with upgraded LED technology

Project Rationale Phase 2 will improve illumination in the audience chamber with the installation of new lighting fixtures, in new positions in the ceiling created by architectural intervention. The improved illumination will assist in maintaining appropriate COVID-19 cleaning standards.

Project Number 21-05

Capital Project Title Replace Extendable Scissor Lift

Capital Project Description Replace existing scissor lift that is past end of life for safety & reliability

Project Rationale The current scissor lift has reached the end of its useful life as it is 25+ years.

Service: 1.290 Royal Theatre

Project Number 21-12 **Capital Project Title** Repair Building Envelope **Capital Project Description** Repairing building envelope of the 1914 structure.

Project Rationale Flagged as IMMEDIATE priority in Royal Theatre – Building Envelope Assessment Report prepared for the CRD Dec. 8, 2020 by Stantec Architecture Ltd. Repairing building envelope will ensure the 1914 structure will remain stable and will reduce energy consumption

Project Number 21-13 **Capital Project Title** Plan, Rebuild and Expand Orchestra Pit **Capital Project Description** Plan, Rebuild and expand orchestra Pit to allow increased physical distancing of musicians and performers

Project Rationale Plan, rebuild and expand orchestra pit to align with professional standards of performing arts organizations.

Project Number 22-01 **Capital Project Title** Replace Theatre Doors Phase 2 **Capital Project Description** Replace house doors in balcony and mezzanine with automated soundproof doors

Project Rationale Replace house and mezzanine doors with touchless automated soundproof doors.

Project Number 23-01 **Capital Project Title** Study and Plan main floor replacement Including seats and aisle lights **Capital Project Description** Study and Plan repouring and refinishing of concrete main floor and replacement of seats and aisle lights

Project Rationale Study to plan the repouring of the concrete main floor and replacement of seats and aisle lights.

Service: 1.290 Royal Theatre

Project Number	24-01	Capital Project Title	Repour and refinish concrete main floor and replacement of seats and aisle lights	Capital Project Description	Repour and refinish concrete main floor and replacement of seats and aisle lights
Project Rationale	Repouring and refinishing concrete main floor for improved safety, hygiene and cleaning protocols. Replacing the seats and lights for patrons comfort and safety. New seating will improve cleaning protocols. Current seats reaching end of useful life.				
Project Number	24-02	Capital Project Title	Replace Orchestra Shell	Capital Project Description	Replace 40 year old orchestra shell
Project Rationale	Replace 40 year old inappropriate orchestra shell with custom designed shell for professional symphony orchestra to provide the best quality product for patrons and clients.				
Project Number	25-01	Capital Project Title	Replace Seats and Aisle Lights in balcony	Capital Project Description	Replace 20 year old seats in balcony
Project Rationale	Replacing the seats and lights for patrons comfort and safety. New seating will improve cleaning protocols. Current seats are reaching end of useful life.				

1.290 Royal Theatre
Asset and Reserve Summary
2023 - 2027 Financial Plan

Asset Profile

Royal Theatre

Assets held by the Royal Theatre service consist of land, Royal Theatre built in 1913 as well as various equipment. Royal Theatre was renovated in 2003 and 2005.

Capital Reserve Fund Schedule

Reserve Fund: 1.290 Royal Theatre Capital Reserve Fund (Bylaw No. 2855)

Cost Centre: 101607 (PLO)

Capital Reserve Fund

Projected year end balance

	Estimate	Budget				
	2022	2023	2024	2025	2026	2027
Beginning Balance	867,190	1,122,622	595,622	620,622	169,622	451,622
Planned Capital Expenditure (Based on Capital Plan)	(126,000)	(913,000)	(350,000)	(826,000)	(93,000)	-
Transfer from Operating Budget	378,000	379,000	375,000	375,000	375,000	371,000
Interest Income**	3,432	7,000				
Total projected year end balance	1,122,622	595,622	620,622	169,622	451,622	822,622

** Interest should be included in determining the estimated ending balance for the current year. Interest in planning years nets against inflation which is not included.

CAPITAL REGIONAL DISTRICT

2023 BUDGET

McPherson Theatre

COMMITTEE OF THE WHOLE

SEPTEMBER 2022

Service: 1.295 McPherson Theatre

Committee: Finance

DEFINITION:

A local service established for the purpose of purchasing, maintaining, equipping and operating the McPherson Playhouse in Victoria, British Columbia. Local Services Establishment Bylaw No. 2685, March 10, 1999.

SERVICE DESCRIPTION:

This is a service to provide funding for the support of the McPherson Theatre in the City of Victoria. The building is owned by the City of Victoria. The service operates under an agreement with the Royal and McPherson Theatres Society Board who manage the theatre in return for financial support. This building operation was transferred to the CRD for ease of administration with the Royal & McPherson Theatres Society and to recognize the benefits of one organization operating the two theatres (one ticket system, ability to move acts between if financially beneficial, etc.)

PARTICIPATION:

The City of Victoria is the only participant.

MAXIMUM LEVY:

The maximum amount that may be requisitioned under section 816(1) of the Municipal Act (Section 803 of the Local Government Act) for the annual cost of the local service will be:

- (a) for capital expenditures including but not limited to, the renovation, reconstruction or rebuilding of a performing arts theatre, machinery and equipment, reserve fund transfer and annual debt servicing payments. The maximum amount will be \$400,000.
- (b) for annual operating expenditures which may also include expenditures of a nature referred to in (a) above, the maximum amount will be \$350,000.

MAXIMUM CAPITAL DEBT:

None

COMMISSION:

Royal and McPherson Theatre Society reporting to a sub-committee of the Finance Committee.

FUNDING:

McPHERSON THEATRE	BUDGET REQUEST						FUTURE PROJECTIONS			
	2022 BOARD BUDGET	2022 ESTIMATED ACTUAL	2023 CORE BUDGET	2023 ONGOING	2023 ONE-TIME	2023 TOTAL	2024 TOTAL	2025 TOTAL	2026 TOTAL	2027 TOTAL
<u>OPERATING COSTS:</u>										
Third Party Payments	307,893	307,893	307,753	-	-	307,753	306,903	306,037	305,152	304,249
Internal Allocations	41,807	41,807	41,947	-	-	41,947	42,797	43,663	44,548	45,451
Interest Charge	300	300	300	-	-	300	300	300	300	300
TOTAL OPERATING COSTS	350,000	350,000	350,000	-	-	350,000	350,000	350,000	350,000	350,000
*Percentage Increase	0.00%	0.00%	0.00%			0.00%	0.00%	0.00%	0.00%	0.00%
<u>CAPITAL / RESERVE</u>										
Capital Equipment Purchases	88,000	88,000	88,000	-	-	88,000	90,000	90,000	90,000	94,000
Transfer to Reserve Fund	348,233	348,233	348,233	-	-	348,233	346,233	346,233	346,233	342,233
TOTAL CAPITAL / RESERVES	436,233	436,233	436,233	-	-	436,233	436,233	436,233	436,233	436,233
TOTAL COSTS	786,233	786,233	786,233	-	-	786,233	786,233	786,233	786,233	786,233
<u>FUNDING SOURCES (REVENUE)</u>										
Estimated balance C/F from current to Next year		-	-	-	-					
Balance C/F from Prior to Current year	-	-								
Grants In Lieu of Taxes	-36,233	-36,233	-36,233	-	-	-36,233	-36,233	-36,233	-36,233	-36,233
TOTAL REVENUE	-36,233	-36,233	-36,233	-	-	-36,233	-36,233	-36,233	-36,233	-36,233
REQUISITION	-750,000	-750,000	-750,000	-	-	-750,000	-750,000	-750,000	-750,000	-750,000
*Percentage increase over prior year requisition		0.0%	0.00%			0.00%	0.00%	0.00%	0.00%	0.00%

CAPITAL REGIONAL DISTRICT
FIVE YEAR CAPITAL EXPENDITURE PLAN SUMMARY - 2023 to 2027

Service No.	1.295	Carry Forward from 2022	2023	2024	2025	2026	2027	TOTAL
	McPherson Theatre							

EXPENDITURE

Buildings	\$2,303,000	\$2,628,000	\$300,000	\$300,000	\$238,000	\$0	\$3,466,000
Equipment	\$187,000	\$187,000	\$0	\$0	\$0	\$0	\$187,000
Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Engineered Structures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Vehicles	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$2,490,000	\$2,815,000	\$300,000	\$300,000	\$238,000	\$0	\$3,653,000

SOURCE OF FUNDS

Capital Funds on Hand	\$88,000	\$88,000	\$0	\$0	\$0	\$0	\$88,000
Debenture Debt (New Debt Only)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Equipment Replacement Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grants (Federal, Provincial)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Donations / Third Party Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserve Fund	\$2,402,000	\$2,727,000	\$300,000	\$300,000	\$238,000	\$0	\$3,565,000
	\$2,490,000	\$2,815,000	\$300,000	\$300,000	\$238,000	\$0	\$3,653,000

CAPITAL REGIONAL DISTRICT
5 YEAR CAPITAL PLAN
2023 - 2027

Project Number Project number format is "yy-##" "yy" is the last two digits of the year the project is planned to start. "##" is a numerical value. For example, 23-01 is a project planned to start in 2023. For projects in previous capital plans, use the same project numbers previously assigned.	Capital Project Description Briefly describe project scope and service benefits. For example: <i>"Full roof Replacement of a 40 year old roof above the swimming pool area; The new roofing system meets current energy standards with an expected service life of 35 years".</i>	Carryforward from 2022 Input the carryforward amount from the 2022 capital plan that is remaining to be spent. Forecast this spending in 2023 to 2027.	Project Drivers Maintain Level of Service = Project maintains existing or improved level of service. Advance Board or Corporate Priority = Project is a Board or Corporate priority. Emergency = Project is required for health or safety reasons. Cost Benefit = Project provide economic benefit to the organization.
Capital Expenditure Type Study - Expenditure for feasibility and business case report. New - Expenditure for new asset only Renewal - Expenditure upgrades an existing asset and extends the service ability or enhances technology in delivering that service Replacement - Expenditure replaces an existing asset	Total Project Budget Provide the total project budget, even if it extends beyond the 5 years of this capital plan.	Funding Source Codes Debt = Debenture Debt (new debt only) ERF = Equipment Replacement Fund Grant = Grants (Federal, Provincial) Cap = Capital Funds on Hand Other = Donations / Third Party Funding Res = Reserve Fund Sloan = Short Term Loans WU - Water Utility If there is more than one funding source, use additional rows for the project.	Long-term Planning Master Plan / Servicing Plan = Plan that identifies new assets required to meet future needs. Asset Management Plan / Sustainable Service Delivery Plan = Integrated plan that identifies asset replacements based on level of service, criticality, condition, risk, replacement costs as well as external impacts. Replacement Plan = Plan that identifies asset replacements based primarily on asset age and/or asset material/type. Condition Assessment = Assessment that identifies asset replacements based on asset condition.
Capital Project Title Input title of project. For example "Asset Name - Roof Replacement", "Main Water Pipe Replacement".	Asset Class L - Land S - Engineering Structure B - Buildings V - Vehicles	Cost Estimate Class Class A (±10-15%) = Estimate based on final drawings and specifications; used to evaluate tenders. Class B (±15-25%) = Estimate based on investigations, studies or preliminary design; used for budget planning. Class C (±25-40%) = Estimate based on limited site information; used for program planning. Class D (±50%) = Estimate based on little/no site information; used for long-term planning.	

Service #: 1.295
Service Name: McPherson Theatre

SECTION 1: PROJECT DESCRIPTION AND BUDGET													
Project Number	Capital Expenditure Type	Capital Project Title	Capital Project Description	Total Project Budget	Asset Class	Funding Source	Carryforward from 2022	2023	2024	2025	2026	2027	5 - Year Total
18-01	Replacement	Replace Lobby Windows	Replacing the current single pane leaking windows	\$350,000	B	Cap	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20-05	Study	Railing Study	Study to assess the upgrades to interior railings necessary for health and safety	\$20,000	B	Cap	\$10,000	\$10,000	\$0	\$0	\$0	\$0	\$10,000
21-03	Replacement	Replace House Light System Phase 2	Replace house light system with upgraded LED technology.	\$80,000	B	Cap	\$78,000	\$78,000	\$0	\$0	\$0	\$0	\$78,000
21-04	Replacement	Replace Extendable Scissor Lift	Replace current scissor lift that has reached the end of its useful life.	\$26,000	E	Res	\$26,000	\$26,000	\$0	\$0	\$0	\$0	\$26,000
21-10	Replacement	Balcony Rail Fabrication and Installation	Install interior railings for patron and staff safety	\$25,000	B	Res	\$25,000	\$25,000	\$0	\$0	\$0	\$0	\$25,000
21-13	Renewal	Repair Building Envelope and Restore Façade	Repair building envelope and restore façade	\$1,163,000	B	Res	\$0	\$325,000	\$300,000	\$300,000	\$238,000	\$0	\$1,163,000
22-05	Renewal	Repair East Elevation Wall	Repair east elevation wall	\$2,109,000	B	Res	\$2,109,000	\$2,109,000	\$0	\$0	\$0	\$0	\$2,109,000
22-06	Renewal	Recoating of Fibreglass Façade	Recoating of fibreglass façade	\$13,000	B	Res	\$13,000	\$13,000	\$0	\$0	\$0	\$0	\$13,000
22-07	Renewal	Repair Stand-alone canopies	Repair stand-alone canopies	\$5,000	B	Res	\$5,000	\$5,000	\$0	\$0	\$0	\$0	\$5,000
23-01	Defer	Emergency Repairs	For Unforeseen Emergency Repairs	\$50,000	B	Res	\$50,000	\$50,000	\$0	\$0	\$0	\$0	\$50,000
23-02	Replacement	Replace Faucets in Public Washrooms	Replace faucets in public washrooms to touchless faucets.	\$13,000	B	Res	\$13,000	\$13,000	\$0	\$0	\$0	\$0	\$13,000
23-03	Replacement	Replace Audio Stage Monitors	Replace audio stage monitors that are failing and at end of useful life. Essential for performers.	\$152,000	E	Res	\$152,000	\$152,000	\$0	\$0	\$0	\$0	\$152,000
23-04	Replacement	Replace Paging Touch Screens	Replace paging touch screens that are no longer supported by manufacturer and cannot be maintained or reprogrammed. Production requirement for communication to patrons and performers.	\$9,000	E	Res	\$9,000	\$9,000	\$0	\$0	\$0	\$0	\$9,000
													\$0
													\$0
													\$0
GRAND TOTAL				\$4,015,000			\$2,490,000	\$2,815,000	\$300,000	\$300,000	\$238,000	\$0	\$3,653,000

Service: 1.295 McPherson Theatre

Project Number 18-01 **Capital Project Title** Replace Lobby Windows **Capital Project Description** Replacing the current single pane leaking windows
Project Rationale Replace the current single pane leaking windows with better more energy efficient windows

Project Number 20-05 **Capital Project Title** Railing Study **Capital Project Description** Study to assess the upgrades to interior railings necessary for health and safety
Project Rationale Study to assess the upgrades to interior railings necessary for health and safety

Project Number 21-04 **Capital Project Title** Replace Extendable Scissor Lift **Capital Project Description** Replace current scissor lift that has reached the end of its useful life.
Project Rationale Replace existing 25+ year old scissor lift which has reached the end of its useful life.

Project Number 21-09 **Capital Project Title** Replace and Add FOH Directional Signage **Capital Project Description** Replace and add directional signage to improve safety, access, audience flow and crowd management.
Project Rationale Replacing and adding directional signage will improve safety, access, audience flow and crowd management.

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Project Number 21-10 **Capital Project Title** Balcony Rail Fabrication and Installation **Capital Project Description** Install interior railings for patron and staff safety
Project Rationale Install upgrades to interior railings for safety of patrons and staff.

21-13 **Capital Project Title** Repair Building Envelope and Restore Façade **Capital Project Description** Repair building envelope and restore façade
Project Rationale Flagged as IMMEDIATE priority in McPherson Playhouse – Building Envelope Assessment Report prepared for the CRD Dec. 8, 2020 by Stantec Architecture Ltd. Repairing building envelope will ensure the 1913 structure will remain stable and will reduce energy consumption. Restoring the 1913 façade will include point work on the bricks, gutter replacement and refinishing the fiberglass stonework around the historic wooden doors.

Project Number 22-02 **Capital Project Title** Add New Storage Closet in Mezzanine **Capital Project Description** Construct storage closet in mezzanine level
Project Rationale Adding a storage closet between the balcony entrances on the mezzanine level will keep assets secure and maintain clear patron pathways.

Project Number 22-04 **Capital Project Title** Restore Lobby Floor **Capital Project Description** Restore terrazzo lobby floor
Project Rationale Restoring the lobby terrazzo floor by removing the old product will reduce cleaning and maintenance costs and will improve efficiencies.

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Project Number 22-05 **Capital Project Title** Repair East Elevation Wall **Capital Project Description** Repair east elevation wall

Project Rationale Flagged as IMMEDIATE priority in McPherson Playhouse – Building Envelope Assessment Report prepared for the CRD Dec. 8, 2020 by Stantec Architecture Ltd. Repairing the east elevation wall to prevent future water damage to the basement and preserve the structural integrity of the wall.

Project Number 22-06 **Capital Project Title** Recoating of Fibreglass Façade **Capital Project Description** Recoating of fibreglass façade

Project Rationale Flagged as IMMEDIATE priority in McPherson Playhouse – Building Envelope Assessment Report prepared for the CRD Dec. 8, 2020 by Stantec Architecture Ltd. Recoating the fibreglass façade will reduce shredding and breaking down.

Project Number 22-07 **Capital Project Title** Repair Stand-alone canopies **Capital Project Description** Repair stand-alone canopies

Project Rationale Flagged as IMMEDIATE priority in McPherson Playhouse – Building Envelope Assessment Report prepared for the CRD Dec. 8, 2020 by Stantec Architecture Ltd. Repairing the stand-alone canopies with the installation of stainless steel wire ropes will improve safety.

Project Number 23-01 **Capital Project Title** Emergency Repairs **Capital Project Description** For Unforeseen Emergency Repairs

Project Rationale Capital funds to accommodate any emergency repairs to the building.

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Project Number 23-02 **Capital Project Title** Replace Faucets in Public Washrooms **Capital Project Description** Replace faucets in public washrooms to touchless faucets.
Project Rationale Replace faucets with sensor to control water flow and reduced touch points.

Project Number 23-03 **Capital Project Title** Replace Audio Stage Monitors **Capital Project Description** Replace audio stage monitors that are failing and at end of useful life. Essential for performers.
Project Rationale Replace audio stage monitors that are failing and at the end of their useful life. Essential for performers.

Project Number 23-04 **Capital Project Title** Replace Paging Touch Screens **Capital Project Description** Replace paging touch screens that are no longer supported by manufacturer and cannot be maintained or reprogrammed. Production requirement for communication to patrons and performers.
Project Rationale Replace paging touch screens that are no longer supported by manufacturer and cannot be maintained or reprogrammed. Production requirement for communication to patrons and performers.

1.295 McPherson Theatre
Asset and Reserve Summary
2023 - 2027 Financial Plan

Asset Profile

McPherson Theatre

Assets held by the McPherson Theatre service consist of new upgrades to McPherson Theatre built in 1914 as well as various equipment.

Capital Reserve Fund Schedule

Reserve Fund: 1.295 McPherson Playhouse Capital Reserve Fund (Bylaw No. 3270)

Cost Centre: 101899 (PLO)

Capital Reserve Fund

Projected year end balance

	Estimate	Budget				
	2022	2023	2024	2025	2026	2027
Beginning Balance	2,210,452	2,517,433	148,666	194,899	241,132	349,365
Planned Capital Expenditure (Based on Capital Plan)	(50,000)	(2,727,000)	(300,000)	(300,000)	(238,000)	-
Transfer from Operating Budget	348,233	348,233	346,233	346,233	346,233	346,233
Interest Income*	8,748	10,000				
Total projected year end balance	2,517,433	148,666	194,899	241,132	349,365	695,598

* Interest should be included in determining the estimated ending balance for the current year. Interest in planning years nets against inflation which is not included.