



## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT

Report Date: April 3, 2006  
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Meeting Date: April 18, 2006

TO: Vancouver City Council  
FROM: Director of Civic Theatres  
SUBJECT: Civic Theatres Ticket Surcharge Increase

#### RECOMMENDATION

THAT Council approve an increase in the Civic Theatres ticket surcharge of \$0.25 per ticket on tickets over \$20.00 in face value, effective July 1, 2006.

#### GENERAL MANAGER'S COMMENTS

The General Manager recommends approval noting that revenues derived from the ticket surcharge are one of the key funding mechanisms essential to realising the ongoing renovations and revitalization of the Civic Theatres.

#### CITY MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

#### COUNCIL POLICY

In 1982 Council approved a ticket surcharge on tickets sold to events at the Orpheum for the purpose of funding a capital improvement project. In 1985 Council approved including tickets sold for events at the Queen Elizabeth Theatre and Vancouver Playhouse. Surcharge revenue accrues to the Civic Theatres Capital Reserve and is dedicated to upgrades and improvements to the three theatres. Council must approve any increase in the surcharge.

## PURPOSE

This report seeks Council approval to increase the ticket surcharge by \$0.25 effective July 1, 2006. It also seeks approval to increase the exemption on tickets from \$15.00 to \$20.00 in order to not burden lower priced tickets targeted at making events accessible to families, youth and seniors.

## BACKGROUND

Revenues from the ticket surcharge, along with operating surpluses from the QET Parkade, accrue to the Civic Theatres Capital Reserve. The purpose of the Capital Reserve is to fund upgrades and improvements to the Queen Elizabeth Theatre, Vancouver Playhouse and Orpheum. Normal maintenance is funded from the operating budget and major maintenance is referred to Basic Capital.

The present program of capital upgrades to the three theatres began in 1991 with a consultative planning process involving all major users and staff followed by a feasibility analysis and schematic design. This plan is still current and guides all projects undertaken. Since 1991, more than \$12 million has been committed to projects at all three theatres, using funds from the Capital Reserve. In October 2005 Council approved a further \$4.35 million from Civic Theatres Capital Reserve to fund further planning and design work for the QET Redevelopment Project. The first phase of this project is construction of the Acoustic Separation of the QET & Vancouver Playhouse buildings, scheduled for completion in October 2006.

Other projects funded from Civic Theatres Capital Reserve have included the addition of the QET Salons and lobby air conditioning, QET lobby elevator, acoustic remodelling of the Orpheum auditorium, reconfiguration of the Smithe St. lobby at the Orpheum, lobby washroom upgrades, upgrades to the sound and lighting systems in all three theatres, and upgrades to concessions stations in all three theatres.

In recent years, the ticket surcharge has earned between \$600,000 and \$800,000 annually with the parking surplus contributing an additional \$200,000 to \$250,000 annually. The combined total in 2005 was \$1,016,185.

The last increase in the surcharge was on July 1, 2004. The current ticket surcharge is \$1.50 for City-supported not-for-profit performing arts organizations and \$1.75 for all others, on tickets over \$15.00 in face value. With this increase the surcharge will be \$1.75 and \$2.00 on tickets over \$20.00.

## DISCUSSION

Ticket surcharges are an effective mechanism to raise funds for capital improvements. Generally, theatre ticket revenues accrue to the producer of the show. The theatre earns revenue from the hall rental as well as from ancillary sales. Rental revenue is not sufficient to fund significant capital projects. Most theatres, large and small, have instituted ticket surcharges as a way of securing ongoing capital revenues with minimal impact on the producers or ticket buying public.

As a user-pay system, the ticket surcharge earns money from the end-users of the theatres, the audiences, without regard for where they live. This is significant given that 42% of Vancouver Civic Theatres' patrons live in the City of Vancouver and 58% live in the surrounding municipalities, and beyond.

Some licensees of the theatres (the presenters and producers) are quite sensitive to an increase in the surcharge. They tend, with justification, to see any increase as an increase in the ticket price over which they as the risk-taker have no control and from which they gain no revenue. However in the past they have generally supported the surcharge since the improvements to the theatres have benefited their events and audiences.

In February 2005, a survey of ticket surcharges at 21 Canadian theatres found that they range from \$1.00 to \$2.50, with the majority at \$2.00. The proposed increase would put Vancouver Civic Theatres in the upper end of the range, which staff feels is appropriate given the current program of capital upgrades.

The 8 resident companies (The Prime Performers) and the other major licensees were all notified in writing of the proposed ticket surcharge increase. There has been no negative response.

#### **FINANCIAL IMPLICATIONS**

Funding for Civic Theatres' large capital projects has been financed by loans from the PEF and repaid from revenue from the ticket surcharge and parking. The balance owing at January 1, 2006 was \$1.3 million, not including the \$4.3 million approved in October 2005 for the QET Redevelopment Project now in progress.

Using 2005 as a model (584,182 paid attendance) an increase of \$0.25 on July 1 should generate an additional \$73,000 in 2006 and \$146,000 in 2007.

#### **CONCLUSION**

This report seeks Council approval to increase the Civic Theatres ticket surcharge by \$0.25 effective July 1, 2006. It also seeks approval to increase the exemption on tickets from \$15.00 to \$20.00.

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