



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: April 28, 2008
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VanRIMS No.: 02-4000-01
Meeting Date: May 27, 2008

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, 2008.

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 upgrades and improvements of the Civic Theatres.

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 surcharges on 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, 2008.

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.

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, upgrades to the sound and lighting systems in all three theatres, and upgrades to concessions stations in all three theatres.

In May 2006 Council approved \$5.32 million from Civic Theatres Capital Reserve to fund the Acoustic Separation of the QET & Vancouver Playhouse buildings as the first phase of the Queen Elizabeth Theatre Renewal project, part of the Cultural Precinct development. The acoustic separation was completed in October 2006, on schedule and under budget.

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 2007 was \$897,000, at the low end due to the closure of the QET for 6 months for redevelopment. This will be the case again in 2008 & 2009.

The last increase in the surcharge was on July 1, 2006. The current ticket surcharge is \$1.75 for City-supported not-for-profit performing arts organizations and \$2.00 for all others, on tickets over \$20.00 in face value. Subject to Council approval of the increase recommended in this report, the surcharge will be \$2.00 and \$2.25 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 while 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.

It should be noted however that ticket surcharges alone are insufficient to maintain and expand a cultural facility. Additional capital - from governments and private sector donations are necessary to sustain these important capital assets.

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 while 58% live in the surrounding municipalities, and beyond.

Further, 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 November 2006, 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 is at the upper end of the range, which staff feels is now appropriate given the current program of capital upgrades.

FINANCIAL IMPLICATIONS

Funding for Civic Theatres' large capital projects has been financed by loans from the PEF and repaid with revenue from the ticket surcharge and parking. The balance owing at January 1, 2008 was \$6,274,670. With revenues and interest rates at today's levels including this proposed increase but without further increases, the loan should be paid off by the end of 2014.

Using 2006 as a model year and adjusting for closures for construction, a \$0.25 increase on July 1, 2008 should generate increased revenues of \$20,000 in 2008 and \$40,000 in 2009.

COMMUNICATIONS PLAN

A letter was sent out to major Licensees in the week of April 21 informing them of several rate increases including theatre rent and ticket surcharge. The Licensees were invited to a meeting to discuss these increases, held at the QET on April 30, 2008. There were no negative responses received.

CONCLUSION

This report seeks Council approval to increase the Civic Theatres ticket surcharge by \$0.25 effective July 1, 2008.

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