

# TORONTO STAFF REPORT

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June 12, 2002

To: Economic Development and Parks and Committee

From: Joe Halstead, Commissioner Economic Development, Culture and Tourism

Subject: Per Capita Funding of Culture by Major Municipalities  
All Wards

Purpose:

This report presents the development of per capita funding of culture benchmarks by major municipalities that includes both direct activity and general grant funding.

Financial Implications and Impact Statement:

There are no financial implications resulting from the adoption of this report.

Recommendations:

It is recommended that this report be received for information.

Background:

As its meeting held on February 7, 2002, the Budget Advisory Committee requested the Commissioner of Economic Development, Culture and Tourism to prepare a report for the Economic Development and Parks Committee by June 2002, on the development of per capita funding of culture benchmarks by major municipalities, including both direct activity and general grant funding.

Comments:

Selected comparative municipalities include Montreal, Quebec; Vancouver, British Columbia; San Francisco, California; and Chicago, Illinois. Similar to Toronto, the chosen cities are known as cultural destinations and offer an opportunity for participation in arts and culture activities for both tourists and the community. New York City, while often cited as a comparator to Toronto for arts and culture, is not included in this study due to the scale of New York City's population and budget. However, for information purposes, a description of New York City's cultural funding is provided in Attachment No. 2.

The following report includes a brief explanation of each city's funding structure, grants, programs and services. Due to Montreal's recent amalgamation in January 2002, capital figures are not available for this city.

This report primarily investigated financial data for FY 2001 and divides ongoing annual municipal spending into the categories of Operations, Capital or Combined (Operations plus Capital). Operations spending includes all activities funded through the municipality, such as the Municipal Cultural Operations and any grant programs such as allocated funds towards arts organizations, civic performing venues (theatres), museums, heritage services, special events or other. Municipal capital figures only encompass capital project expenditures designated for cultural facilities, including previously approved cultural capital projects. Cultural capital projects can take the form of new capital initiatives, renovations, expenditure on construction or equipment, or facilities maintenance. The Culture Division intends to update these figures on an annual basis.

Wherever possible, this report has tried to include all the activities funded by the respective municipality. It must be noted that each city does not fund the same activities, thus the results are not necessarily exactly comparable within themselves but do accurately represent spending by each municipality specifically.

The figures used for comparison reflect gross expenditures for arts and culture activities as approved by the municipal government of each respective city. Unlike Toronto, US cities and, to lesser degrees, both Vancouver and Montreal, have access to a variety of revenue sources beyond the Property Tax base. Funding for the Grants for the Arts program in San Francisco comes from an 8.5 percent cut of the City's 14 percent Hotel/Motel tax.

Finally, the data included in this study was dependent on its availability. Research methodology included contact with each city via telephone and information retrieval from the web.

All figures are quoted in Canadian dollars unless otherwise noted.

#### Municipal Per Capita Expenditures:

The level of municipal per capita expenditures on arts and culture directly affects the cultural capacity of the city. While Toronto currently boasts the third largest English language theatre centre in the world, after New York and London, and the third largest number of live music venues in North America, the number of tourists coming to Toronto has decreased since 1996.

The Toronto Dominion (TD) Bank Financial Group special report, "The Greater Toronto Area (GTA): Canada's Primary Economic Locomotive In Need of Repairs," released on May 22, 2002, stated that Toronto alone was the only North American city to experience a decline in tourism during the past eight years. The TD report also states that Toronto is losing a conservative estimate of approximately \$3.4 billion annually in incoming tourist dollars because Toronto's destination sights are perceived as "stale and tired," illustrating how arts and culture investment directly affects a city's cultural capital portfolio.

On May 31, 2002, the federal and provincial governments announced a joint commitment of \$232 million for seven cultural capital projects in Toronto. Taken together, these major capital projects represent a massive boost to the City's cultural sector. It should be noted that these new and expanded facilities will place increased pressure on the already strained operating budgets of these organizations. Over time, the boost provided by this capital funding will need to be followed by an increased commitment to operational funding.

While per capita expenditures on arts and culture depend greatly on the selected city's current mandate and priorities, this study illustrates that spending is significantly higher in cities across Canada and in the United States (US) than in Toronto. For instance, as Table 1 indicates, Montreal's per capita operation spending in fiscal year (FY) 2001 was 2.2 times higher than Toronto's and in San Francisco, the figure is 6.9 times as much.

Table 1:  
Per Capita Expenditure on Arts and Culture by Selected Municipalities  
Capital and Operations, FY 2001  
Figures in Canadian Dollars.

	Toronto	Vancouver	Chicago	Montreal	San Francisco
Capital	2.45	1.36	0.10	N/A*	1.92
Operations	12.19	16.35	21.85	26.62	84.09
Total	14.64	17.71	21.95	26.62	86.01

\* Figures for capital expenditures by the City of Montreal are not available.

Toronto:

Municipal allocations from the tax base and internal revenues constitute the major revenue streams for the arts and culture sector in Toronto. The Culture Division is responsible for Cultural Development, Arts Services and Heritage Services, primarily facilitates arts and culture participation throughout the City, directs policy and cultural strategy development, conducts City museum maintenance, renovations, programming and public art in conjunction with Urban Development Services. The population of Toronto is 2.5 million (2001).

Artists and smaller arts organizations can apply for grants from Toronto Arts Council (TAC), an arm's length City funding body. In FY 2001, TAC distributed approximately \$8 million in funding on behalf of the City of Toronto.

Municipal funds are also directed towards Major Cultural Organizations, theatres and other initiatives. In FY 2001, City Council directed approximately \$3.2 million in funding for Major Cultural Organizations which comprise Toronto Symphony Orchestra, Canadian Opera Company, Art Gallery of Ontario, National Ballet of Canada, National Ballet School and Caribana. City Council also directed approximately \$2.9 million (net) in FY 2001 to major Toronto theatres such as the St. Lawrence Centre for the Performing Arts and the Toronto Centre for the Arts (included in the 'Other' category).

Since amalgamation, the Culture Division has taken on an enhanced role in heritage and museum programming. Although comparable activities for heritage funding cannot be found in the other municipalities, we have included these activities to reflect the City's actual expenditure for the arts culture and heritage sector. Toronto, in common with Chicago, delivers a large municipal Special Events program. Although, in Toronto, this activity is not through the Culture Division, the figures for special events are included in order to allow for better comparisons with other municipalities in this study.

One encouraging achievement Toronto City Council has made towards further investment in arts and culture is the recently approved \$500,000.00, one-time contribution, Cultural Facilities Capital Grants Program, to commence in September 2002. This match-funds incentive program is intended to address the state of good repair capital requirements of "Small" and "Mid-sized" organizations within the professional theatre sector of Toronto suffering from a decade of government funding cuts. As a new initiative, capital figures for Toronto do not reflect this announcement.

Vancouver:

Although art and culture funding for the City of Vancouver reveals a similar structure to that of Toronto, municipal allocations from the tax base and internal revenues constitute the major revenue streams; Vancouver allots approximately 1.34 times as much funds per capita in combined arts and culture spending than Toronto. The population of Vancouver is 573,420 (2000).

In Vancouver, the Office of Cultural Affairs oversees the granting process, advises the Vancouver City Council on issues and strategies relating to culture, develops and administers cultural policies and programs (including public art) and participates in city planning development.

In FY 2001, Vancouver allocated approximately \$4.6 million in operating grants for Major Exhibiting Institutions, \$1.3 million in operating grants for other arts organizations in the city, and \$1.6 million for city theatre rental grants (both included in the Grants section), all administered through the Office of Cultural Affairs.

Chicago:

Arts and culture funding in Chicago comes from a variety of revenue sources. Earned revenue in the form of tuition, sales, rentals and private support from corporations and corporate foundations through the Mayor's Office of Special Events contribute significantly to the municipal, state and federal funding contributions. A Hotel/Motel tax also supports cultural activity through the Mayor's Office of Special Events and the Chicago Department of Cultural Affairs. The population of Chicago is 2.9 million (2000).

The Chicago Department of Cultural Affairs (CDCA) assumes the funding role of the initiator of new arts, culture and public art projects. Rather than awarding a few large grants, the CDCA encourages start-up projects through awarding many small grants. The CDCA assumes that the arts groups will generate private and box office revenues to supplement their income; made possible through a history of private philanthropy in the United States and an economic environment of affluence.

Chicago's cultural capital projects are funded through allocated City funds from the capital budget. The CDCA annually proposes capital projects that compete with all proposed projects from other departments. This process is not necessarily cost effective, as it often takes years before a project is approved, thus increased building and property costs raise the proposed project budget.

Montreal:

Arts and culture expenditure in Montreal compares favourably with the American cities cited in this report. Due to the City's recent amalgamation in January 2002, it should be noted that the figures included for Montreal in this study reflect the pre-amalgamation funding structure and do not include capital expenditures. Even though, a comparison between Toronto and Montreal's operation expenditure on arts and culture reveals that Montreal spends almost two times as much as Toronto. Recently, the Team Temblay report, "A Cultural Policy for Montreal," released in October 2001, stated that not only does the arts and culture provide job opportunities and sites for social cohesion, it is an annual \$3 billion economy in the Montreal region alone.

The City of Montreal department of Development and Culture, before amalgamation, was responsible for City cultural planning, public art, general administration, festivals and major events, the Maisons de la Culture program and various special projects. Heritage Services conducts heritage conservation and a variety of activities. The figures in the following chart represent these activities in FY 2001.

The Arts Council of Montreal (ACM) is an arm's length funding body that grants approximately \$1.2 million annually to the Major Cultural Organizations and approximately \$6.4 million to other arts programming activities in the City. Major Organizations encompass the Grand Ballet of Canada, the Museum of Fine Arts, the Opera and the Montreal Philharmonic.

The City of Montreal Department of Development and Culture services the population within the City of Montreal, while the ACM constituents include the City's population and the surrounding suburbs. Per capita figures are calculated to reflect this difference.

San Francisco:

The Hotel/Motel tax in San Francisco provides the bulk of revenues other than municipal, state or earned contribution streams. In 2001, Grants for the Arts, a City funding body for the arts, distributed \$12.4 million US in grants to arts organizations and festivals in San Francisco. San Francisco's population is 800,000 (2000).

Alternative revenues in San Francisco take the form of licensing fees, fines, revenues obtained through use of money or property, charges for services, or other. San Francisco also uses property tax check-offs to raise funds for facilities maintenance, capital improvements and equipment acquisitions for arts organizations with a budget under \$1 million.

Administered through Grants for the Arts, in co-operation with the municipal government, this Voluntary Arts Contribution Fund annually raises \$100,000 to \$150,000 US. For small arts organizations, money for a computer or fax machine has a significant impact.

Not only does the City of San Francisco support festivals, arts organizations and public art projects through grants, but in FY 2001 it allocated approximately \$22.3 million US to fund the City's major organizations such as the Fine Arts museums, the War Memorial Opera House and the Asian Art Museum.

Capital Improvements in 2001 supported monument and facilities maintenance, maintenance of the Fine Arts museums and construction for the War Memorial Opera House.

#### Conclusions:

Development of per capita funding of culture benchmarks by major municipalities that includes both direct activity and general grant funding reveal that Toronto's financial commitment to the arts, culture and heritage sector is currently below industry standards. As well, the lack of financial investment has directly impacted the Toronto tourist industry resulting in a decline of the number of attracted tourists and their economic injection into the GTA economy.

The City of Toronto arts and culture sector is not funded at a level that allows for maintaining or increasing its competitive edge. Our competitor cities are not constrained by being restricted to the property tax base for funding. As the Culture Division's *Creative City: A Workprint* (April 2001 report to City Council) states:

“Our competitor cities are not restricted in this way. They use a host of financing tools to aid their cultural and infrastructure sectors including: enterprise zoning, tax credits, preservation tax credits, community regeneration grants, tax-exempt municipal bonds, agency borrowing, loan guarantees. They also get direct support from their federal governments and even from supra-national governments such as the European Parliament. Vancouver and Montreal receive a share of locally generated gas tax revenues for investment in transportation which gives them the flexibility to allocate property tax revenues to culture. San Francisco, like many other U.S. cities, gets the proceeds from a hotel tax that, among other things, funds the City's entire arts grants budget. Without additional sources of revenue, Toronto is competing with its hands tied.”

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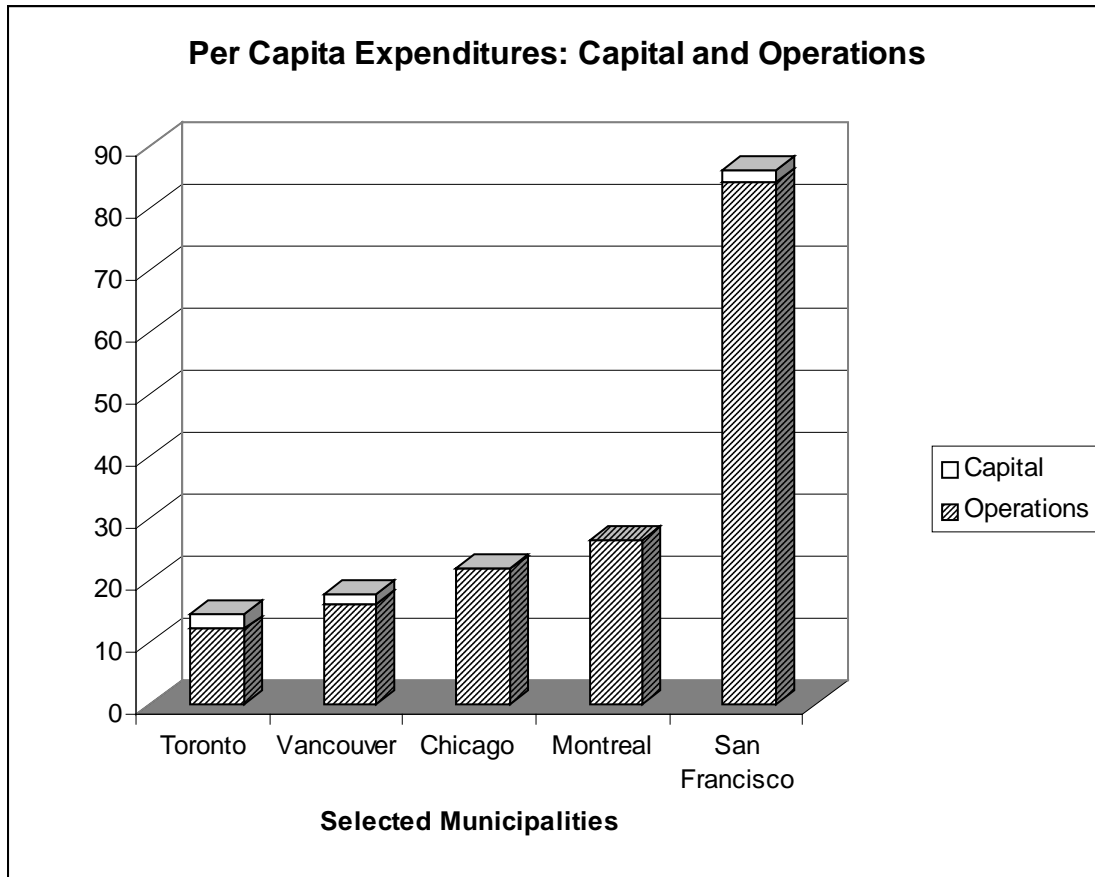
List of Attachments:

Attachment No. 1: Appendix 1 - Per Capita Expenditures on Arts and Culture by Selected Municipalities, FY 2001.

Attachment No. 2 - New York City's cultural funding

Attachment No. 1:

Appendix 1: Per Capita Expenditures on Arts and Culture by Selected Municipalities, FY 2001.



All figures in Cdn. \$  
FY 2001

	Toronto	Vancouver	Chicago	Montreal	San Francisco
Capital	2.45	1.36	0.10	n/a*	1.92
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## Attachment No. 2 - New York City's Cultural Funding

### New York:

The Department of Cultural Affairs (DCA) in New York allocates approximately \$91.2 million US to the City's 34 cultural institutions for operating support and energy subsidies and \$5 million US in City funds for the Cultural Challenge Program. The DCA also oversees a percent for art program that funds public art projects. New York has a population of 7 million (2000).

Capital programs constitute the major area of per capita support for arts and culture. In 2001 the DCA approved major renovations and expansions for some of the City's well-known museums and cultural institutions. For instance, the City has contributed \$35 million US to the renovation and expansion of the Museum of Modern Art and is planning to contribute another \$30 million US. The City has also contributed \$5.3 million US to a \$17 million US capital renovation of the Selwyn Theatre for the Roundabout Theatre Company. These projects are few among many.

Looking towards the future, New York City is committed to a newly considered ten-year Capital Strategy for cultural projects that totals approximately \$587.9 million US in City funds, according to the proposed 2003 Executive Budget. This fiscal support will be directed to such projects as the extensive renovations and expansion of the Lincoln Center for the Performing Arts, a new building for the Guggenheim Museum of Art, reconstruction and expansion of the Metropolitan Museum of Art and expansion of the Museum of Jewish Heritage. This is by no means an exhaustive list of capital projects programmed for the ten-year Capital Strategy.

While Mayor Bloomberg recently proposed an 18 percent cut to the major organizations funded through the Cultural Institutions Unit, a 13 percent cut to other grant recipients and an approximate 30 percent reduction from the current cultural capital budget of \$862 million over the next five years, down to approximately \$599 million US, as reported in the New York Times on May 20, 2002, New York City remains comparatively high in its combined per capita arts and culture expenditures within this report. Note, the new ten-year Capital Strategy figures, as stated in the previous paragraph, reflects the projected reductions by Mayor Bloomberg.