

# Management Discussion and Analysis

The National Arts Centre Corporation (the “Corporation”) regularly presents subscription seasons in music, theatre and dance in both of Canada’s official languages. In addition, the Corporation presents a variety of other programming and makes its facilities available to other presenters and artists. The Corporation also offers educational opportunities for students across Canada through its *Music Alive Program*, and over the past decade the NAC Orchestra has become known as one of Canada’s leading teaching orchestras, offering masterclasses and school performances across Canada and internationally. The Corporation also engages young people through dance workshops, theatre classes and student matinees in Ottawa.

The Corporation remains committed to the fulfillment of its strategic goals published in its Strategic Plan, *Canada is our Stage*:

**Creation:** Helping artists and arts organizations across Canada create ambitious new work for national and international audiences;

**Performance:** Developing a new Department of Indigenous Theatre, and strengthening the NAC’s national performance role;

**Learning:** Extending the *Music Alive Program* to Atlantic Canada, and our education activities across the country;

**Architectural Rejuvenation:** Shepherding the architectural rejuvenation of the NAC;

**Production Renewal:** Overseeing the renewal of the NAC’s performance halls and production facilities;

**A National Francophone Organization:** Becoming just as national in French as we are in English by renewing our commitment to Francophone artists, arts organizations and audiences;

**Increasing Our Earned Revenue:** Increasing our earned revenues to support our national initiatives;

**Audiences at the Centre:** Building relationships with our audiences.

These strategic goals support the Corporation’s legislative mandates, which are to maintain and operate the National Arts Centre (the “Centre”), to develop the performing arts in the National Capital Region, and to assist the Canada Council for the Arts in developing the performing arts elsewhere in Canada.

## Physical Resources

The Corporation owns and operates the National Arts Centre, the largest bilingual performing arts centre in Canada. The Centre is situated on 2.6 hectares in downtown Ottawa, bordering on the Rideau Canal, a UNESCO World Heritage Site. The Centre’s performance facilities include four halls (Southam Hall, 2,076 seats; Babs Asper Theatre, 897 seats; Azrieli Studio, 305 seats; Fourth Stage, 160 seats), dressing rooms, workshops and rehearsal halls. A box office, restaurant, interior parking and intermission bars provide services to patrons. The NAC’s Public Spaces host free events and programming. In addition, several multi-purpose rooms are available for education, performances and receptions.

In 2015, the Government of Canada approved funding of \$110.5 million for the Architectural Rejuvenation Project to increase and improve the public spaces of the Centre. Construction is now complete. In 2016, the Government of Canada approved funding of \$114.9 million for the Production Renewal Project to modernize the Centre's performance halls and aging production facilities. These projects are substantially complete.

## Human Resources

The Corporation is comprised of a 10-member Board of Trustees and led by a Chief Executive Officer, supported by 17 directors and eight artistic and creative leaders. The Corporation has 275 full time-employees and 666 part-time employees, averaging to approximately 416 full-time equivalent employees.

Performances are labour-intensive and rely on a large number of behind-the-scenes personnel. The Corporation employs people with varied specialized skills, including non-union staff and unionized staff who are organized into five collective bargaining units. A large number of employees, whose work is dependent on the demands of programming and sales, have variable schedules and work on an as-needed basis. National Arts Centre Orchestra musicians are self-employed, although a collective agreement sets out their fees and working conditions.

## Financial Overview

2018-2019 was the first full year of operations following the substantial completion of the Architectural Rejuvenation and Production Renewal projects. The company generated a surplus of \$94,000 for this fiscal year. This reduced the accumulated deficit to \$5,766,000. The NAC is planning a surplus budget for 2019-2020 of \$500,000. There will be a series of planned surpluses aimed at reducing the accumulated deficit that evolved during the construction process. The new and improved Public Spaces and multi-purpose rooms have resulted in renewed excitement at the Centre, and significant increases in food and beverage revenues.

The NAC staged 1,451 shows and events last season. Total box office revenue for all performances was \$24,018,000. The total 2018-2019 box office for NAC programming was \$13,679,000. The Centre attracted 996,328 patrons to performances, events and commercial activities.

## Commercial Operations

Commercial Operations consists of Food and Beverage sales, Parking fees, and Hall Rentals (performance spaces). Revenues from Parking and Food and Beverage vary according to the level of programming and attendance. Hall Rental revenues vary based on both the availability of touring productions and the availability of the Centre's halls on dates suitable to touring companies. Offering food, beverages and parking to customers enhances the experience of an evening's performance, and provides additional financial support for the Corporation's activities.

Now that construction is substantially complete, the Corporation has seen enhanced opportunities to generate Food and Beverage revenues. Parking revenues were lower than expected due mainly to the City of Ottawa's renewal of Elgin Street.

## Programming

Programming activities consist mainly of the six disciplines — Music, English Theatre, French Theatre, Dance and NAC Presents as well as the newly introduced Indigenous Theatre — plus a variety of other programs such as galas and festivals. Box Office, Marketing, Production, Digital Engagement and Public Spaces departments support these activities. In April 2019, the Corporation announced the programming details for Indigenous Theatre, which begins in 2019–2020. The new department increases the number of NAC disciplines to six. The type of programming varies each season. There were also a number of major national initiatives this year.

## Grants from the National Arts Centre Foundation

The National Arts Centre Foundation (the “Foundation”) is a key element of the Corporation’s strategy of increasing earned revenues. The Board of Directors of the Foundation authorized a grant of \$11,110,000 to the Corporation for designated programs. This includes \$3.6 million to the *National Creation Fund*. The fund invests in Canadian-led productions helping artists and arts organizations across Canada create ambitious new work in theatre, music and dance.

## Parliamentary Appropriations

Parliamentary appropriations include base funding for operations, special programming, capital repairs and maintenance, and the recognition of deferred capital funding. Investment in capital repairs over the past few years has been significant, including the Architectural Rejuvenation and Production Renewal projects. However, as part of the measures adopted in the 2012 Federal Budget, the Corporation’s base funding for operations was reduced by \$1,935,000 annually and has been subject to freezes on appropriations for salary and wage increases. There has not been an increase to funding for programming inflation since 2004.

## Risks

The Architectural Rejuvenation and Production Renewal projects have resolved the Centre’s immediate capital needs. Plans for the long-term maintenance and operations of the building are being developed to define the work required to maintain the Centre’s physical infrastructure, which will be addressed in the near future.

The Corporation continues to review its security processes and emergency response preparedness to ensure the safety of its patrons, artists and employees. Architectural Rejuvenation and Production Renewal have provided an opportunity to modernize some safety systems.

Local and global economic conditions may have an impact government funding, ticket sales, commercial revenue, sponsorship and donations. The Corporation regularly monitors economic conditions in order to mitigate current and future funding risks.

## **Outlook**

Architectural Rejuvenation and Production Renewal resulted in many short-term financial and managerial challenges. Now that the construction is substantially complete, the NAC's new public spaces and renewed performance halls will provide additional programming, social and commercial opportunities for the NAC.

The popularity of the Corporation's national, educational, touring, Indigenous and outreach programs continues to grow. The Corporation will pursue its goals of artistic expansion, excellence and relevance on the national stage in the performing arts.

The NAC's historic new Indigenous Theatre department, led by the renowned playwright, actor and director Kevin Loring, has begun to lay the foundation for its first season in 2019–2020.

The NAC is in a unique position to support artistic, educational and community outreach initiatives across Canada. The Corporation will be working with its artistic partners and stakeholders to create and support exciting new opportunities for Canadian artists, arts organizations and Canadians across the country.