

# Staff Report



Development Services Department

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**REPORT TO:** Committee of the Whole

**DATE OF MEETING:** May 5, 2025

**SUBMITTED BY:** Cory Bluhm, Executive Director, Economic Development

**PREPARED BY:** Jeremy Dueck, Director, Arts & Entertainment

**WARD(S) INVOLVED:** All

**DATE OF REPORT:** April 21, 2025

**REPORT NO.:** DSD-2025-207

**SUBJECT:** Arts & Entertainment Reserve

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## RECOMMENDATION:

That an Arts & Entertainment Reserve be established to pursue talent for tourism-driven programming and event opportunities, with attributes as described in the “Reserve Information Sheet” attached as Appendix A to report DSD-2025-207; and,

That the Director of Arts & Entertainment and Executive Director of Economic Development be authorized to allocate funds and authorize expenses from the Arts & Entertainment Reserve as described in Appendix A of report DSD-2025-207; and further,

That \$300,000 be transferred from the Municipal Accommodation Tax Reserve to the Arts & Entertainment Reserve to provide an initial funding base.

## REPORT HIGHLIGHTS:

- The purpose of this report is to create a reserve and provide Arts & Entertainment division staff delegated authority to pursue talent for tourism-driven programming and event opportunities.
- The key finding of this report is that an Arts & Entertainment Reserve is required to create sustainable funding for event recruitment – without increasing tax-based funding (i.e., without increasing transfers from operating/capital budgets).
- The financial implications are an initial transfer of \$300,000 from the Municipal Accommodation Tax (MAT) Reserve to the Arts & Entertainment Reserve.
- This report supports the 2023-26 strategic action plan by creating a financial structure for events and festivals.

## **BACKGROUND:**

The City's Strategic Plan (2023-2026) aims to create an "Economically Thriving City" by implementing an entertainment venue management structure. Make It Kitchener 2.0 aims to create a vibrant and active city. As part of the 2024 and 2025 budget discussions, Council has shared its desire to see the City's festival, event, and performance offerings grow.

In 2023, City Council endorsed the creation of a Centralized Services Provider model to support the four arts and entertainment venues owned by the City of Kitchener. One of the supports contemplated by this model is assistance in venue operators taking calculated risks on new shows, concerts, etc.

Currently, the City's Special Events team is using Council-approved operating funds to produce its entire portfolio of signature events (e.g., Canada Day, Wayback Festival, etc.). As the cost to produce special events continues to rise, staff are being challenged to find new ways to offset increased expenses – particularly the cost of talent – without going over the approved budget amount. One opportunity includes the introduction of ticketed events; however, such events require the City to take on risk in the event ticket sales do not reach levels sufficient to cover costs. To do this, there needs to be a financial mechanism in place to underwrite non-budgeted programming risks.

In addition, one major obstacle in pursuing this vision of special events is how quickly talent deals must come together. Delegated authority (DSD-2024-259) is already in place to enable staff to sign and authorize talent purchases, but there is not a financial mechanism in place to support talent purchases that are not planned for in the operating budget, thus constraining growth in the portfolio of events.

## **REPORT:**

Through the City's Strategic Plan, Make It Kitchener 2.0 and recent budgets, Council has been clear on their ambition to see an increase in special events – offering bigger, better and more. Despite the additional operating funding provided by Council, due to the rising costs of producing an event – in particular talent costs – staff will be challenged to deliver an increased quantity and quality of events without introducing new methods of generating revenue. One option is to expand existing events through the introduction of ticketed event days. For example, the Wayback Festival currently offers a one-day event with a free concert. Staff could consider programming a second day as a ticketed concert, whereby the revenues generated offset the increasing costs of the free concert. This option, however, introduces new risk as there is no guarantee every ticketed event will be financially successful. In the event of financial loss (e.g., due to low ticket sales, weather impacts, etc.), staff would require a funding base to underwrite such losses, so as not to create a negative year-end variance. The creation of paid "VIP" experiences provides another revenue opportunity.

Another potential application of the Arts & Entertainment Reserve could be to support risk-taking for new, non-budgeted, ticketed events in the other City-owned arts and entertainment venues such as the Conrad Centre for the Performing Arts.

The creation of an Arts & Entertainment Reserve account is crucial for several reasons:

- **Ongoing, Renewable Funding** – A dedicated reserve will provide a funding source for talent costs and related expenses, allowing the Arts & Entertainment division to program non-budgeted events without relying on increased funding from property taxes.
- **Strategic Investment** – The reserve will enable staff to pursue strategic event and programming opportunities that have the potential to create positive economic spin-off and benefit tourism.
- **Financial Stability** – By earmarking funds specifically for new non-budgeted events and/or non-budgeted components of existing events, the division can better mitigate the risk of operating budget shortfalls and variances.

The benefits of a reserve include:

- **Increased Event Recruitment Capability** – The availability of funds for major event bids will enhance the City's ability to attract high-profile events, boosting its profile.
- **Economic Impact** – High-quality arts and entertainment events attract visitors and residents alike, driving economic activity in the local area through increased spending on accommodation, dining, and other services.
- **Vibrancy** – Adding non-budgeted events and programs will contribute to a vibrant, active community, fostering a sense of pride and belonging among residents.

As the scale of events being considered would attract visitors from beyond Waterloo Region, leading to increased hotel stays, it is appropriate that the initial seed funding come from the Municipal Accommodation Tax. Staff would ensure that any funding drawn from this Reserve is attributed to costs associated with a multi-day event or an event that drew out-of-town visitors.

Staff have engaged with the Director of Financial Planning & Asset Management regarding the creation and use of the proposed reserve. Staff have previously engaged with the Executive Director of Economic Development and the Director of Sport – key invested groups of the City's MAT Reserve, overseeing allocation and fulfilment.

## **STRATEGIC PLAN ALIGNMENT:**

This report supports **Creating an Economically-Thriving City Together: Focuses on growing an agile, diverse local economy powered by talented entrepreneurs, workers & artists; creating opportunities for everyone and a resilient future that propels our city forward.**

## **FINANCIAL IMPLICATIONS:**

The Arts & Entertainment Reserve would receive initial seed funding of \$300,000 from the Municipal Accommodation Tax (MAT) Reserve which is in place to enhance tourism initiatives and attract major events. Specifically, staff recommends earmarking these initial funds from the MAT to support non-budgeted programs and events. The MAT ended 2024

with a balance of approximately \$1M, so there is sufficient funding available to transfer to the Arts & Entertainment Reserve.

Ongoing funding for the Arts & Entertainment Reserve would come from:

- **Non-budgeted ticketing revenue** – Any profits realized from new ticketed events that were in addition to the City's current portfolio of special events will be allocated to the reserve.
- **Non-budgeted revenue generation opportunities** – Any profits or commissions generated from food and beverage sales, merchandise commissions, sponsorships, etc., over and above event expenses, would be allocated to the reserve.

This initial funding model will enable proof of concept, whereby the initial funding from the MAT reserve will allow for some new ticketed events to be tried, but the ongoing success of this model will be dependent on ticket sales and other revenue generated by the new events on a recurring basis.

#### **COMMUNITY ENGAGEMENT:**

INFORM – This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

#### **PREVIOUS REPORTS/AUTHORITIES:**

There are no previous reports/authorities related to this matter.

**APPROVED BY:** Justin Readman, General Manager – Development Services

**ATTACHMENTS:** Appendix A – Arts & Entertainment Reserve Information Sheet

## **Appendix A – Arts & Entertainment Reserve Information Sheet**

<b>Name:</b>	Arts & Entertainment Reserve
<b>Type:</b>	Discretionary
<b>Category:</b>	Program Specific
<b>Cost Centre:</b>	TBD
<b>Ownership Lead:</b>	Director, Arts & Entertainment

### **Purpose:**

Provide an initial funding mechanism to support the Arts & Entertainment division as it relates to non-budgeted, tourism-driven opportunities, such as ticketed events.

### **Funding Sources (other than interest income):**

- Initial \$300K funding investment from the MAT.
- Non-budgeted ticketing revenue.
- Other non-budgeted revenue generation opportunities (e.g., food & beverage, sponsorship, etc.)

### **Funding Uses (other than interest expense):**

- Underwriting talent costs for non-budgeted, ticketed opportunities that have a tourism impact.
- Major event bids and other event recruitment initiatives.
- Underwriting operating costs for non-budgeted events such as production, security, etc.
- Underwriting capital expenses for non-budgeted events such as venue repair (e.g., grass replacement in Victoria Park Commons).

### **Minimum Funding Target:**

Closing balance should not be below \$0.

Rationale: Projects should not proceed unless funding is available.

### **Maximum Funding Target:**

Closing balance should not exceed \$1 million.

Rationale: Staff should be planning for event recruitment and capital expense opportunities.

### **Excess Funds:**

Excess funding greater than the maximum transfers to the Economic Development Reserve Fund.

### **Other:**

NA