

THE CIVIC THEATRE

Business Plan Summary Financial, Operation, and Project Strategy September 2018



Background

The Civic Theatre opened in 1935 and was in continuous use as a commercial operation until closing in September of 2010. By April 2012, the community galvanized to save the theatre, gathering 4,000 signatures in support of reopening The Civic Theatre. By October of 2012, the new Nelson Civic Theatre Society had submitted a feasibility study and business plan to Nelson City Council and had succeeded in signing a 20-year lease with a 10-year option for renewal.

From its inception, NCTS has operated with a set of purposes intent on building community. Its model has been to use box office revenue to support programs that engage community and respond to its needs and interests. Since 2013 we have:

Developed the physical space

- Reopened the theatre with new digital equipment
- Renewed the concession stand
- Installed fibre optic internet
- Purchased a new retractable screen & theatrical drape
- Added significant sound and lighting upgrades
- Added \$670,000 in capital improvements

Engaged a diverse community

- Employed more than 50 youth
- Engaged more than 400 volunteers
- Created job roles for more than 20 local people
- Maintained a paid membership of close to 1,000 members
- Logged more than 20,000 volunteer hours
- Welcomed 180,000 visitors

Initiated social, community, and cultural programming

- Launched the Kootenay Screen Based Industry initiative
- Initiated Kinesis Film Festival featuring close to 40 locally-made pieces
- Presented 2,000 screenings of 700 films
- Live-streamed diverse content from around the world
- Facilitated 100 affordable community rental events
- Launched an artists residency program to support the creation of new work

We are now at a point where we are sufficiently stable in our operations and strong enough in our program and service delivery to expand.

Business Plan Summary

In June 2018, a 35-page plan plus addenda was completed, outlining Society goals, projects, community linkages, and explanations for theatre operations and booking policy. It provided financial analysis of one, two, and three-screen operations under various financing options. The purpose of this plan was to provide answers for potential fundraising partners as well as to provide a tool to help orient new staff and volunteers. The following is an abbreviated version of our Business Plan.

Capital Expansion

The addition of more theatre spaces is essential for growth for 2 reasons:

1. financial sustainability
2. development of programs and services

1. Financial Sustainability

Financial statements for the past 3 years shows that, due to both direct and indirect competition single screen theatres are no longer viable. At best we are break even.

Major constraints on a single screen theatre are twofold:

- Negative impacts of scheduling films on release. - studios take a 55%-64% share of box office receipts and impose strictures of 1-4 weeks on the length of time a film show.
- Lack of flexibility in programming and services - in film offerings, in availability for community use.

Our model has been to book non-blockbuster films a few weeks after release to take advantage of relaxed terms of 35% to 40%. Multiple screens offer flexibility in programming; the ability to dedicate a screen to a new release for a sometimes protracted period; and cost efficiencies.

2. Development of Programs and Services

Our central goal is to provide a facility and programming that entertains, educates and inspires. Evenings may be devoted to film and community events while daytimes can focus on programming that is not public, such as webinars, courses, and developmental residencies. A single screen limits these options. It's a frustrating restriction when we know we could do so much more. We have had to turn down rental clients, co-presentations, and opportunities for webinars and workshops.

From the perspective of financial sustainability, we need a *minimum* of 2 screens; the third theatre space would give us the necessary flexibility to introduce additional revenue streams and provide programming that fulfills our community and economic development goals.

Project Description

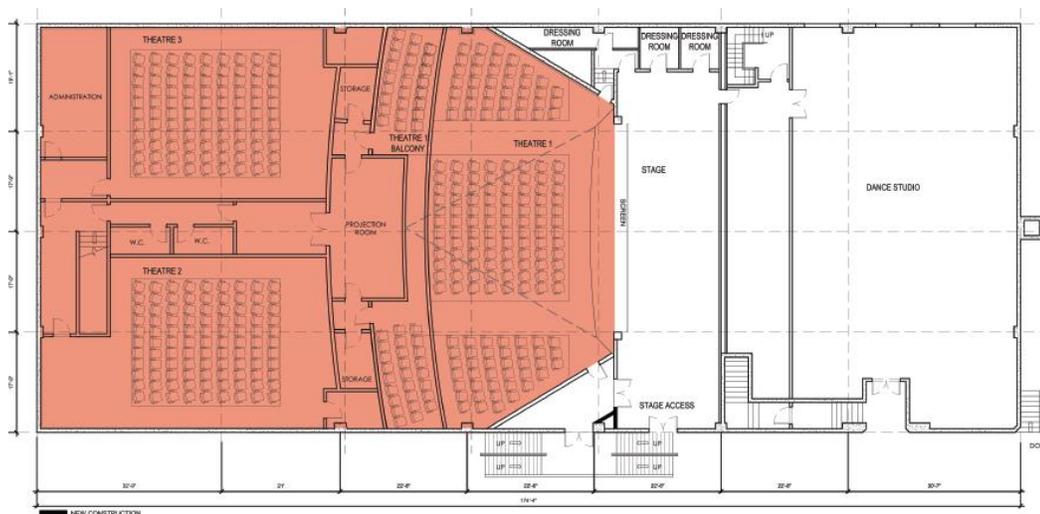
We propose to divide our 306-seat auditorium into 3 separate theatre spaces. Doing the work in a single phase would be the preferred method since it would cause fewer disruptions to ongoing theatre operations and would provide cost efficiencies. Should funding not allow that, we would divide the work into 3 phases.

- Phase 1 would incur the greatest cost as it would include infrastructure work for all 3.
- Two theatres are essential to our survival as a charity.
- Three theatres give us flexibility to grow our charitable mission.

Therefore, our 3-year goal is to complete all 3 phases before the end of 2020. We estimate

- 18-month design and construction timeline
- a 3-4 lean month shutdown for Phase 1
- target for shutdown is August - November, 2019
- Theatre 1 would then reopen and remain in operation during Phases 2 and 3

As programming develops beyond year 3 and, as the regional screen-based industry grows, we will continue to analyze and develop plans for production and studio equipment, which may be incorporated across all three of our spaces, depending on where it is best suited.



Phase 1	Theatre 1 & Lobby	266 seats	\$1,390,000
Phase 2	Theatre 2	65 seats	\$880,000
Phase 3	Theatre 3	65 seats	\$600,000
Total			\$2,870,000
Total if 3 phases done simultaneously			\$2,810,000

Financial Impact

The gross profit margin (GPM) projections for both a 2 screen and a 3 screen operation show a significant improvement in operational efficiency with a rise in gross profit of 100% for a 2 screen theatre and 167% for a 3 screen.

As detailed in the plan's financial section, we are confident that our net profits will enable us to build our charitable programming even with the assumption of a loan repayment if required.

Gross Profit Margin 2 and 3 screen scenarios

	2016/17 Single Screen (Actuals)	2 screen scenario	3 screen scenario
Income			
Box Office Gross	330,557	570,828	678,666
Concession Gross Sales	157,819	285,414	376,797
Theatre Rental	19,358	19,500	39,260
Screen advertising	6,310	15,000	20,250
Total Income	514,044	890,742	1,114,973
Cost of Goods Sold			
Box Office COS	196,318	333,415	379,398
Concession COS	51,557	66,515	86,047
Theatre Rental COS	6,441	6,291	12,341
Advertising COS	3,000	3,750	5,063
Wages & Benefits Hourly	70,589	109,158	134,702
Total Cost of Goods Sold	327,905	519,129	617,551
Gross Profit	186,139	371,613	497,422

Social Impact

A second screen will ease many of the programming strictures but may have little impact on growth in our charitable programming. The biggest benefit of the second screen will be our ability to show more films on release, keeping Nelson audiences in town, particularly our younger demographic.

A third screen will enable us to increase the number of times that we can screen a film that largely depends on word of mouth to build interest. Most importantly, the schedule will open up for our charitable programming. With the demand on our venue diffused across our three spaces, The Civic Theatre can finally become the multi-faceted, future-forward cultural media arts centre that we envision.

All of these aspects could benefit local media producers and educators and provide value for attracting productions to the area. With more spaces we can accommodate more rental clients, engage more co-presentations, host daytime workshops and webinars. We can begin to have regularly scheduled and publicized classes on the same days as films are being presented, partnering with organizations like Learning in Retirement and Selkirk College's Digital Arts and New Media and Professional Music programs, offering class space and experience in sound design and post-production sound and film score mixing.

Programs and Services

Film Presentation

In contrast to a for-profit theatre, our programming encompasses commercial new releases, cult classics, live performance, documentaries, festival content, international selections, independent films and local work. The income from commercial films enables us to take greater content risk.

A Centre for Dialogue

We partner with local organizations to foster discourse on key topics of local interest. Recent free events partnered with Kalein Hospice Society, Nelson and District Arts Council, and the Disruptive Innovation Festival sponsored by the Kootenay Coop.

Co-presentation and sponsorship of events by local charities and nonprofits

This is a service that builds community capacity by providing local groups the means of presenting fundraising, awareness and community-interest events like school and service group fundraisers, free informational events on wildfire or avalanche awareness.

Rental of our space to community groups

The rental program offers our venue to local presenters to hold their own film screenings, live music events, and other content on our stage. We keep our rental rates affordable to ensure local accessibility, while ensuring that they result in a profit margin that supports NCTS' other programs.

Civic Theatre's Youth Initiative

Our plan is to develop and encourage youth appreciation and engagement surrounding screen-based media; supplement and support youth programs and education in our region; and offer entry-level workplace training to local youth in our concession and box office.

Seniors Engagement Program

This program focuses on decreasing isolation and engaging in dialogue and community building. We offer ongoing volunteer opportunities within NCTS and we also offer the weekly *Films with Friends* pre-movie coffee meet up geared towards welcoming people who don't come to movies because they don't want to attend alone.

Developing the Kootenay Screen Based Industry Sector

Since May 2016 we have been committed to the region's screen-based industry workers beginning with the establishment of monthly meetups and quarterly open screenings at The Civic Theatre. We have also launched www.kootenayfilm.com, have continued to grow our Facebook *Kootenay Screen Based Industry Workers* group (now at 280 members), and focus on offering content that supports networking and education in this local sector. Our work is now growing faster thanks to the addition of an SBI Community Coordinator to our team in November 2017.

Developing a Kootenay Film Festival

In September 2017, we staged our inaugural film festival event, entitled *Kinesis: A Celebration of Kootenay Film*, bringing 39 film pieces by Kootenay filmmakers to our screen, a wide array of professional development sessions and panel discussions.

Developmental Residencies

Program development to offer single and multi-week daytime residencies on our stage, enabling filmmakers and multi-media artists to further the developmental process of a creative project. Our residency vision is unique

because of the focus on using fibre to connect a project in our rural community to collaborators elsewhere. This may support a local artist, or an artist from elsewhere retreating to Nelson to develop their work

Further Opportunities through our Venue Expansion

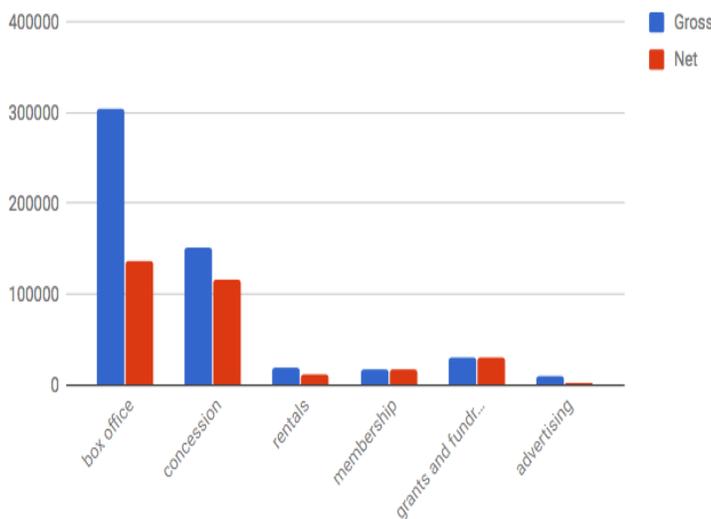
Completion of a third screen and interior spaces will give us the flexibility to incorporate a sound mix studio, afford us the opportunity of building a rental business for theatrical sound mix production, offer daytime use to the screen based industry and to rent the space for post-production film work.

Theatre Operation

It is difficult to compare our operation to industry standards because our purposes are different. Nevertheless, because our revenues fund our charitable programs and services, we strive for operational efficiency and monitor our business operations carefully.

Revenue

2016-2017 Revenue Mix



Attendance

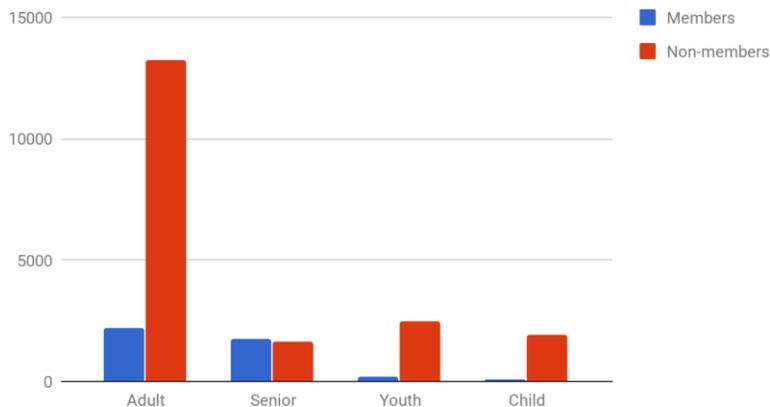
has been steady since we re-opened the theatre despite disruptions to regularity in programming caused by increasingly stringent studio restrictions.

	2017	2016	2015	2014	2013 (7 mths)
# of Films	130	150	163	132	83
# of Screenings	402	481	469	407	228
Attendance	34,706	39,971	39,813	34,643	22,693
% Occupancy	28%	27%	28%	28%	33%

Members

In 2017, members accounted for approximately 17% of ticket sales which represents 7.4 visits per year. This compares favorably with industry averages of 4.1 patron visits a year and demonstrates just one value of a strong membership. Members also provide support for our charitable goals, improve our level of service, provide for a strong board, and represent the diversity of the community.

2017 Attendance by Category



It is interesting to note that, though seniors accounted for 9% of ticket sales in 2017, they represented 34.8% of our membership. This is a demographic that we rely on heavily for volunteer participation and a demographic for whom we aim to provide greater services in the next 3 years.

Summary

The Nelson Civic Theatre Society is now in a stable position as a business, employer, community organization, and developer in the creative industry to support community initiatives for many years. It is also in a position to support an expansion initiative with minimal operational risk.

We are currently liaising with a number of potential funding partners and building relationships with all government levels to support our capital project. Next year we will fully engage corporate and foundation supporters, local businesses, community groups and individuals.