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Item No. 15.1.2
Halifax Regional Council
December 3, 2024

TO: Mayor Fillmore and Members of Halifax Regional Council

FROM: Cathie O'Toole, Chief Administrative Officer

DATE: October 9, 2024

SUBJECT: **Funding Envelope for Signature Events from MLSER or other appropriate Funding Reserves**

ORIGIN

August 20th, 2024 Regional Council motion (Item No. 15.4.2):

MOVED by Councillor Mason, seconded by Councillor Cleary

THAT Halifax Regional Council request the Chief Administrative Officer (CAO) produce a staff report regarding the potential to establish one time stabilization funding for Signature Events that will:

1. Propose a funding envelope for one time funding from Market Levy Special Events Reserve (MLSER) or other appropriate funding reserves;
2. Identify what Signature Events may require stabilization funding;
3. Consider a requirement that applicants produce a sustainability plan in order to continue to access further municipal funding through the normal process;
4. Require a demonstration of some matching funding from other orders of government, and;
5. Report back with recommendations no later than November 2024.

MOTION PUT AND PASSED

EXECUTIVE SUMMARY

Events in the Municipality are facing particularly hard times due to a significant rise in costs across several key areas, making it difficult for event organizers to sustain operations. These financial pressures, combined with the lingering effects of reduced capacity during the pandemic, have slowed the recovery of the events sector. Signature Events, which play a critical role in Halifax's cultural and economic landscape, are particularly affected. To address these challenges, staff propose the creation of a one-time funding envelope drawn from the Marketing Levy Special Events Reserve (MLSER), to provide Signature events up to \$35,000 each to work with an external vendor on a Festival Sustainability plan. Staff emphasize that long-term funding solutions are more effective for the sustainability of these events. During consultations with Signature Event Organizers, it was clear that there is a preference for predictable funding. With the Marketing Levy tax increasing by 1% in November 2022, staff have been planning on increasing the

maximum Signature Event grant amount. It is clear following consultations with all Signature events that a long-term funding strategy, rather than short-term relief, is key to maintaining and growing Halifax's vibrant event ecosystem. Some events that are experiencing challenges, have already created sustainability plans. For those events, it is proposed they would be eligible to receive funding for elements that implement their current sustainability plans.

RECOMMENDATIONS

It is recommended that Halifax Regional Council:

1. approve the creation of a one-time sustainability fund of no more than \$350,000 which may be applied to Signature Events that are successful in the evaluation process, to be funded from the **Community and Options Reserve (Q621)**;
2. approve the reserve withdrawal to be part of the 2025/26 Budget for consideration; and,
3. subject to the approval of Recommendations 1 and 2, approve the terms and conditions of this stability fund, as such terms are set forth in the discussion section of this report, including,
 - (a) the application process that would necessitate applicants submit a sustainability plan;
 - (b) the eligible and ineligible expenses;
 - (c) the criteria by which an application will be evaluated;
 - (d) the dates that the fund will be opened and closed to applicants;
 - (e) that applicants would not be eligible for the three-year sustainability MLSER program;
 - (f) that the Executive Director of Parks and Recreation is responsible for the evaluation of applications and the subsequent negotiation of contribution agreements; and,
 - (g) that the CAO, or the CAO's delegate, is approved to execute contribution agreements for the disbursement of funds to successful applicants.

BACKGROUND

Since the pandemic, the events industry in Halifax has faced significant challenges due to rising costs in several critical areas. Increased expenses for security, production, and rental equipment have placed a strain on event organizers, making it difficult for many to sustain their operations. These costs, combined with the lingering effects of reduced capacity during the pandemic, have slowed the recovery of Halifax's events sector, which plays a crucial role in both cultural enrichment and economic development. A report in 2023 by TD Economics noted domestic tourism spending in Canada had reached around 90% of its pre-pandemic level, while spending from international visitors remained about 20% lower than in 2019. Full recovery for tourism and events is not expected until 2025, influenced by factors like rising costs, labor shortages, and reduced corporate spending.

Signature Events

In the context of Halifax's event funding model, Signature Events refer to large-scale, annual special events that meet certain criteria. These events not only attract significant local and regional attention but also contribute to the vibrancy and identity of the Halifax community. The primary objective as outlined in the Administrative Order 2014-020-GOV Respecting Marketing Levy Special Event Reserve (Administrative Order) is the promotion of tourism and business development, more broadly, Signature Events boost the local economy, celebrate community and culture, and position Halifax as a premier destination for tourism and events.

Key criteria for Signature Events funding include:

1. Operational History and Management

- Eligible organizations must have operated for a minimum of three consecutive years. This ensures that the organization has strong event management capabilities and a proven track record of success.

2. Event Longevity and Budget

- To qualify, an event must have been in existence for at least five consecutive years and have a minimum operating budget of \$100,000. These criteria highlight the importance of stability and scale for events that are recognized as signature events.

3. Sustainable Funding

- Eligible events may receive funding for up to three consecutive years, offering a stable source of support for continued growth and development.

4. Anniversary Support

- In addition to regular funding, events celebrating a significant anniversary may receive up to 10% additional funding of the previous year’s grant. This support is intended to help with the expansion of programming during special milestone years, further enhancing their impact.

Halifax is home to key annual events that are essential to sustaining the local events ecosystem. These events not only contribute to the city’s cultural vibrancy but also provide a platform to showcase local talent, attract tourism, and boost the local economy. Events such as the International Buskers Festival, TD Halifax Jazz Festival, and Hal-Con have helped create a sense of pride and celebration within the community while drawing in visitors from outside the region.

Supporting these Signature Events supports the continuity of Halifax's rich calendar of cultural programming. They provide opportunity for the celebration of the community’s diverse heritage, arts, and culture, while also acting as an economic driver for businesses in hospitality, retail, and tourism.

Currently, the municipality financially supports 10 Signature Events with the capacity to fund additional eligible events if applications are received during the November 2024 intake process. Staff have not received any inquiries from new potential events that may be applying to date. The following table breaks down the currently funded Signature Events and their previous grant amount.

Table 1: Current Signature Events and Grant Amount	
Signature Events	2024 Grant Amount
Emera Blue Nose Marathon	\$75,000
CheerExpo	\$35,000
FIN Atlantic Film Festival	\$50,000
Hal-Con	\$60,000
Halifax Comedy Festival	\$35,000
Halifax International Busker Festival	\$60,000
Halifax Jazz Festival	\$60,000
Halifax Urban Folk Festival	\$13,500
Royal Nova Scotia International Tattoo	\$100,000
SEDMHA Minor Hockey Tournament	\$50,000

Concerned Status

Administrative Order 2014-020-GOV Respecting Marketing Levy Special Event Reserve governing the Signature Events grant program outlines the conditions of approvals and payments of grants. If concerns are identified with a Signature Event, the event may be placed on Concerned Status. The Special Events Advisory Committee or Council may identify concerns with an organization or event and recommend the organization be placed under Concerned Status. An organizer will be notified immediately upon the organization being placed under Concerned Status.

Concerned Status may occur if the organization:

- Has a major deficit, such deficit being ten percent (10%) or more of the organization's annual budget;
- Shows evidence of not being financially viable;
- Has a significantly reduced audience or sales base that differs from stated intentions;
- Does not demonstrate the ability to plan into the future;
- Does not address major artistic concerns, such as artistic or editorial direction, declining quality of activity, or failure to achieve activity plan;
- Does not meet contractual obligations or minimum requirements outlined in the agreement; or demonstrates management or governance practices which do not conform with generally acceptable practices in the sector.

An organization placed under Concerned Status will be required to meet quarterly with Parks & Recreation staff for review of the following documentation:

- Profit & loss statement;
- Balance sheet;
- Year-to-date budget;
- Bank reconciliation (only required upon specific request from staff);
- New or updated business plan; and
- Any other documentation relevant to the Concerned Status designation.

When an organization receiving a multi-year grant commitment has been placed under Concerned Status it may result in:

- Lower grant award;
- Additional conditions placed on the current grant and any future grants; and
- Discontinuation of the grant term if applicable where issues go unresolved.

DISCUSSION

In light of the financial pressures faced by Signature Events in Halifax, particularly due to increased costs, staff have explored the potential for one-time stabilization funding.

FINDINGS

Consultation with Signature Events

To better understand the needs of event organizers, staff conducted one-on-one meetings with all Signature Event organizers. During these meetings, staff gathered insight into the financial health and sustainability challenges of each event. While fewer than half of the events indicated that they required stabilization funding, it became evident that certain events, especially those hosting major outdoor activities, are feeling the strain of increased operational costs. All 10 of the Signature Events indicated pressure associated with rising costs and volunteer fatigue to sustain large scale community events. Some of these events have risks to their sustainability that could jeopardize their ability to receive future funding from the MLSER if placed on concerned status under the Administrative Order. From the meetings it was apparent that all Signature Events considered a long-term plan to increase MLSER Signature Event funding to be more important to their viability than one time relief funding. While short-term stabilization would provide temporary relief, a long-term funding strategy is essential to maintaining and enhancing the city's most impactful annual events. Organizers emphasized that stable, predictable funding gives them greater confidence in their budgeting and planning processes, enabling them to better address the rising costs of security, production, staffing, logistics and more.

Research

Based on the consultation phase, staff researched the impact of short-term compared to long-term funding on events, to inform decisions on the motion. Long-term funding is often considered more beneficial than one-time or short-term funding for events for reasons including the following:

- **Revenue Growth:** Events with long-term funding are more likely to see consistent revenue growth. According to a study by the UK Arts Council, organizations that received multi-year funding saw an average growth in revenue of 15% annually compared to those with short-term funding, where growth stagnated or was significantly lower.
- **Audience Growth:** Long-term funding allows for better marketing strategies, which helps to build a more loyal audience base. Research from Eventbrite shows that events with stable, long-term funding reported a 20% increase in repeat attendance compared to those relying on sporadic, short-term funds.
- **Cost Efficiency:** A report from Grantmakers for Effective Organizations (GEO) found that organizations with long-term funding spent 25-30% less on administrative costs (e.g., fundraising and grant applications) because they didn't have to continuously seek new funding sources. This allows more money to be allocated directly to event production and quality improvement.
- **Innovation:** Long-term funding provides event organizers the flexibility to innovate. For instance, according to Harvard Business Review, events with multi-year funding cycles showed 30% more innovation in their programming and outreach strategies, compared to those that only had short-term funding with annual application processes.
- **Planning and Strategic Investment:** Multi-year funding allows for better long-term planning, leading to improvements in infrastructure and equipment. An example from the Edinburgh Festival shows that long-term grants resulted in improved event infrastructure, leading to an 18% increase in attendee satisfaction.
- **Social and Economic Impact:** Long-term funding provides a stable foundation for events to engage with and impact their communities. According to Americans for the Arts, festivals with stable, long-term funding generated 50% more local economic activity and created more long-term employment opportunities than those that only received short-term funds.
- **Local Engagement:** Events that are continuously funded also tend to foster deeper community engagement. A study from the Ontario Arts Council showed that events with long-term investment saw a 40% higher rate of local partnerships and collaborations, leading to a stronger cultural presence in their regions.
- **Financial Stability:** Long-term funding reduces financial volatility. According to a report by the Stanford Social Innovation Review, organizations with consistent funding experienced 50% fewer financial shortfalls compared to those relying on short-term funds.
- **Crisis Management:** During unforeseen crises (like the COVID-19 pandemic), events with long-term funding contracts weathered the storm better. Festivals with ongoing grants were able to survive by pivoting to digital formats or postponing without significant losses.

- Attendee Trust: Attendees are more likely to trust and invest in events that have long-term stability. Survey data from Ticketmaster indicates that 65% of festivalgoers prefer attending events that are established and have a reliable track record, which is easier to maintain with long-term funding.
- Long-term funding allows events to grow strategically, build sustainable models, and engage more effectively with audiences and communities. It also reduces uncertainty, allowing event organizers to focus on improving the quality of their offer

RECOMMENDED APPROACH TO INCREASE SUSTAINABILITY WITHIN SIGNATURE EVENTS

Based on research referenced in the above section staff are not recommending one time funding.

Instead staff propose a three-pronged approach to support Signature events:

- 1) creating a short-term fund to support creation of sustainability plans or supporting implementation of an existing sustainability plan,
- 2) continue with a multi-year funding approach for Signature Events grants, and
- 3) proceeding with a planned increase in the funding allocation and maximum grant award for the Signature Events.

(1) SHORT-TERM SUSTAINABILITY PLANNING FUND

Staff recommend creating a one-time \$350,000 funding envelope drawn from the MLSER to support Signature Events. The proposed envelope would be available in the 2025-2026 fiscal year, depending on the needs of each event and their financial trajectory. The fund would support the creation of a sustainability plan, or expenses associated with implementing a sustainability plan that was created after April 1, 2020.

Based on discussions, staff estimate that a minimum of 8 Signature events would benefit from the creation of a sustainability plan or funds to implement an established plan. Some may not require a plan or funding to implement an established plan, as multiple events in the category are under pressure but still very successful.

Maximum Grant Amount and Eligible Expenses

Staff recommend a maximum one-time amount of \$35,000 per event to build a sustainability plan with a professional consultant. Staff recommend the consultant would be from outside of the event organization to ensure the process is unbiased. To qualify for the maximum amount events would have to have a minimum budget of \$500,000. Events with a budget below \$500,000 would qualify based on a scoring system that staff will use to determine the event's current economic impact. If a Signature Event has already implemented a plan after April 1, 2020, they may apply for funding for expenses on the eligible expenses list. The MLSER Grant program is used for event attraction and supporting events that bring significant economic impact and excitement into the festival season. Focusing on long term success for events and regional/national/international marketing initiatives support the nature of what the reserve was created for.

Eligible Expenses

Staff recommend the following:

Eligible Expenses include expenses directly related to the growth of Signature Events attendance, volunteer retention and marketing initiatives.

- Sustainability Plan: **Mandatory for Signature Events without one.**

Eligible Expenses if the event currently is implementing a sustainability plan established after April 1, 2020:

- Digital/Print Marketing initiatives targeted outside of Halifax Regional Municipality
- Professional development initiatives for Festival Volunteers
- Tourism Partnerships: Work with tourism organizations and/or collaborate with regional or national tourism boards to promote your event as part of broader travel packages or destination marketing.
- Event Listings on Travel/Tourism Websites: listings on major travel and tourism websites or apps, promoting it as a reason to visit HRM.
- Development of a festival app with ability to add sponsorship benefits within the app.
- Livestream Initiatives: Broadcast the event for free or via paid streaming to reach audiences who can't physically attend but may want to come in future years.
- Regional Ticket Giveaways: Partner with media outlets or influencers from other areas to run ticket giveaways, offering exclusive access to non-local audiences.
- Partnerships with Regional/National Influencers: Collaborations with influencers in different regions.

In addition, all eligible expenses must be incurred from April 1, 2025, to March 31, 2026.

Requirements to be included in the Sustainability Plan

As a condition for accessing funding, it is recommended that event organizers produce a sustainability plan no later than 12 months after receiving the funds. This plan should outline their strategy for achieving financial independence and resilience in the long term. By setting clear benchmarks and objectives for future success, event organizers would demonstrate their commitment to improving their financial stability. These plans would also serve as a basis for evaluating their continued eligibility for municipal funding through the standard application process.

Several critical areas will be closely reviewed to ensure these events are still aligning with the Municipality's values and the definition of a Signature event. These include:

- Sponsorship levels and growth over time.
- Government funding contributions at all levels.
- Administrative expenses, ensuring efficient use of funds and analyzing full-time vs contract staff options.
- Ticket sales history, both past and present, to assess audience engagement and revenue generation.
- Accessibility as a core focus of event design.
- Review of the inclusion of diverse groups in the planning and delivery phase with a focus on including members of Halifax's Indigenous, Black and Acadian populations amongst others.
- More elements to be determined through consultation with Discover Halifax.

Plans should prove the event is making significant progress toward financial independence. Failure to meet these goals could result in further funding reductions or, in severe cases, the loss of Signature Event status.

Demonstrate a Clear Plan for Achieving Financial Sustainability.

Events must show a commitment to reduce dependency on municipal funding through diversification of revenue streams and meet predefined goals in areas like sponsorship growth, attendance, and operational efficiency. These guidelines will ensure that the funding is being used effectively to stabilize events that have the potential to recover and thrive. Events that fail to meet

these targets may find themselves at risk of losing their Signature Event status altogether. Staff believe a professional third-party analysis of these festivals overall plans is critical to the long-term success they strive to achieve.

(2) THREE YEAR SUSTAINABILITY FUNDING

In 2015 Council approved a plan that would allow for Signature Events to qualify for three-year vs annual funding through an application process. **Based on consultation with Signature Events, this plan has been successful and staff recommend no change to this policy.**

The 2025-2026 MLSER application process opens for intake in November 2024. This intake is the beginning of a new three-year cycle for Signature Events. Staff are currently working with Finance to determine the projected 2025/2026 MLSER projections.

Since the 2022/2023 intake (the previous three-year funding cycle for Signature Events), staff has completed a full review of the MLSER application and scoring process. The result of this review was that applications have been modernized and updated, as has the scoring system. Applications will be reviewed and scored using the information provided in the applications received.

(3) INCREASE FUNDING ALLOCATION AND MAXIMUM FOR SIGNATURE EVENTS GRANTS

Since the last application process in 2021, the hotel levy tax has increased by 1%, rising from 2% to 3%. The MLSER receives 35% of these funds and Discover Halifax receives the other 65%. As a result, **staff are currently working with Finance on the 2025/2026 MLSER projections to determine what the new maximum Signature Event grant will be. This will be outlined in the 2025/2026 MLSER Grant report that will be reviewed by SEAC in the spring.** This does not mean all Signature Events will automatically receive an increase in their funding, but the expanded grant cap allows for greater flexibility in providing financial support to events that demonstrate significant growth and impact in the future.

A long-term funding approach is key to ensuring the continued success of Halifax's Signature Events. By increasing the maximum available grant and encouraging events to focus on economic impact and equity, the city can support a vibrant, sustainable event ecosystem. This strategy not only provides organizers with the financial confidence they need but also ensures that Halifax's most important cultural and economic events continue to grow and thrive.

Signature Events Dealing with Significant Budget Pressures

If Signature events are approaching concerned status and this recommendation does not fulfill their financial needs in the short term, they will need to make an individual request to Regional Council for additional funding. They will be treated on a case-by-case basis and forfeit their three-year sustainability funding and be placed on Concerned status moving forward.

FINANCIAL IMPLICATIONS

Budget Summary: Community and Events Reserve, Q621

Current projected opening balance April 1 st , 2025	\$5,426,688
Forecasted 2025/26 contributions (including interest)	\$2,388,800
Forecasted 2025/26 withdrawals	(\$2,178,500)
Un-forecasted withdrawal for budget consideration	(\$350,000)
Forecasted available 2025/26 balance	\$5,286,988

RISK CONSIDERATION

There are no significant risks associated with the recommendations in this report. The risks considered rate low. To reach this conclusion, consideration was given to financial and reputational risks. A contribution agreement, using HRM's standard form of contribution agreement, will be negotiated between the event organizers and the Municipality prior to the release of funding. The agreements will include details regarding the stipulations to qualify for funding.

COMMUNITY ENGAGEMENT

Consultations were held 1:1 directly with HRM staff and all 10 Signature Events executive directors.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

Regional Council could choose to:

1. Not approve one-time sustainability fund for Signature Events.
2. Approve a one-time stabilization fund for Signature Events for different amount than \$350,000.
3. Approve one-time sustainability funding for Signature events for \$350,000 from a source other than the Community and Events Reserve (Q621). This may require an additional staff report.
4. Direct the CAO to provide sustainability funding to events associated with different criteria than are identified in this report. This will require an additional staff report.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, S.N.S. 2008, c. 39

7A The purposes of the municipality are to

- (a) provide good government;
- (b) provide services, facilities, and other things that, in the opinion of the Council, are necessary or desirable for all or part of the municipality; and
- (c) develop and maintain safe and viable communities

79A (1) Subject to subsections (2) to (4), the municipality may only spend money for municipal purposes if

- (a) the expenditure is included in the municipality's operating budget or capital budget or is otherwise authorized by the municipality;
- (b) the expenditure is in respect of an emergency under the Emergency Management Act; or
- (c) the expenditure is legally required to be paid.

(2) The Municipality may expend money provided for in an operating budget or capital budget for a purpose other than that set out in the operating budget or capital budget for that fiscal year if the expenditure does not affect the total of the amounts estimated for the operating budget and the

capital budget.

Administrative Order Number 2014-020-GOV Respecting Marketing Levy Special Event Reserve Grants

ATTACHMENTS

N/A

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210

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