

Metropolis Performing Arts Center Analysis- Arlington Heights, IL

SUBMITTED TO

Village of Arlington Heights

SUBMITTED BY

C.H. Johnson Consulting, Incorporated

Date

February 4 2015



**JOHNSON
CONSULTING**

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SECTION 1

LETTER

February 4, 2015

Ms. Robin Ward
Mr. Thomas Kuehne
Village of Arlington Heights
33 S Arlington Heights Rd
Arlington Heights, IL 60005

Re: Metropolis Performing Arts Center (MPAC) Analysis

Dear Ms. Ward and Mr. Kuehne:

Johnson Consulting is pleased to submit this report regarding the MPAC. Pursuant to our engagement, this report provides an overview of our prior study; summarizes key observations from questionnaires and interviews with current and prior users of the MPAC and other stakeholders; provides a review of historic performance and operations of the MPAC; identifies and analyzes key characteristics of regional competitive and comparable venues; assesses the economic impact of the venue; and provides recommendations related to operating strategies for the MPAC going forwards.

Johnson Consulting has no responsibility to update this report for events and circumstances occurring after the date of this report. The findings presented herein reflect analyses of primary and secondary sources of information. Johnson Consulting used sources deemed to be reliable, but cannot guarantee their accuracy. Moreover, some of the estimates and analyses presented in this study are based on trends and assumptions, which can result in differences between the projected results and the actual results.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely,

C.H. Johnson Consulting, Inc.

C.H. JOHNSON CONSULTING, INC.

SECTION 2

INTRODUCTION AND EXECUTIVE SUMMARY

INTRODUCTION AND EXECUTIVE SUMMARY

C.H. Johnson Consulting, Inc. (Johnson Consulting) has been retained by the Village of Arlington Heights to update the analysis it performed for the Village regarding the Metropolis Performing Arts Center. Since our last report was completed in 2002, several events have transpired, including: (i) the Village has purchased the theater, (ii) a management entity Performing Arts Metropolis (PAM) has been formed to operate the theater, (iii) several theater directors have come and gone; and (vi) the Village continues to subsidize the venue annually and has done so since its purchase.

The Village has requested an update of our prior analysis. Specifically, the Village would like to confirm or revise its strategy regarding the venue. In our update, the following topics are to be addressed.

- An economic impact assessment to see if the volume of spending caused by the theater justifies the Village's continued investment,
- Update of our prior study, and
- An options assessment, looking at management options, perhaps closing the venue and using the space for alternative uses, among others.

METHODOLOGY

In order to complete its assignment, Johnson Consulting performed the following tasks:

- Summarized our prior study that had been completed in 2002.
- Reviewed key events and milestones of the MPAC since completion of 2002 through now.
- Examined existing operations at the Metropolis PAC, including existing facilities, oversight and management structure, utilization and financial performance.
- Conducted interviews and public outreach to obtain: (i) input from local businesses about the benefit they see in terms of their store and restaurant sales during events, the contribution the theater provides in terms of image to the market, ideas they have regarding improving impacts, (ii) input from attendees about the theater and what they would like to see and activities before and after attending an event, and (iii) input from local residents about the contribution of MPAC to their community.
- Developed case study profiles of a set of regional and national comparable facilities.
- Prepared an economic and fiscal impact analysis for the Metropolis PAC, based on the most recent year of event activities.

- Prepared findings and recommendations, with regards to MPAC strengths, weaknesses opportunities and threats, as well as options and their benefits if (a) the MPAC was closed, (b) MPAC was managed by others, (iii) the MPAC was expanded, and (iii) other options.

REPORT OUTLINE

Section 1 – Letter

Section 2 – Intro and Executive Summary

Section 3 – Prior Report, Interview Summary and Existing Conditions

Section 4 – Comparable Facilities Analysis

Section 5 – Public Input and Economic Impact

Section 6 – Findings and Recommendations

EXECUTIVE SUMMARY

Since our prior work in 2002, Metropolis has been plagued by mismanagement and poor oversight of operations over the past several years. This has resulted in poor performance of the venue and the need for increasing levels of operating subsidies to maintain the facility. As a result of this, the Village appointed an oversight committee to monitor the PAM Board and its efforts to turn around the facility. During our interviews there was significant indication that there is no longer trust in the PAM Board and its function as the responsible entity for oversight of operations at Metropolis. The murkiness created by a lack of sufficient oversight led to the reign of an Executive Director that made poor operating, management, and programming choices that accelerated the decline of Metropolis. This was further confounded by a breakdown in the reporting structure between the Executive Director and the PAM Board, as well as, between the PAM Board and the Village of Arlington Heights.

Despite all of these challenges, the community has indicated that having a theater in Arlington Heights is important for access to the arts and to have a vibrant downtown that attracts people from all over the region. Approximately 75 percent of all tickets purchased in the 2013-2014 season came from outside of Arlington Heights. This shows that people are interested in coming to Arlington Heights for a theater experience. To retain and grow this user base, much better programming needs to be developed. Metropolis also is supported financially by the Village to a similar degree that other theaters in the region are. Metropolis actually has a stronger business case for success compared to other regional theaters due to its accessibility, the environment that has grown up around the theater, and revenue growth opportunities from operations.

What is the financial impact of Metropolis on Arlington Heights? The theater itself is estimated to have generated modest economic and fiscal benefits. In 2013-2014 Season, Metropolis PAC events are estimated to generate 500 room nights. On an annual basis, the total economic and fiscal impact of the Metropolis Theater is estimated to include \$3 million of direct spending, \$1.8 million of combined indirect and induced spending, \$1.7 million of increased earnings, 30 full-time equivalent jobs, and \$297,000 in Village, County and

State tax revenues. Total direct tax revenues to the Village of Arlington Heights attributable to the Metropolis Theater are estimated to be about \$84,000 per year.

To maintain and grow the above impacts and to fix the broken operating profile of the facility, a number of different management options were evaluated and are summarized in the following table.

Table 2 - 1

Management & Facility Options	Positives	Negatives	Potential Cost
Close the Venue	Reduces cost to Village	Loss of an important community asset Loss of jobs Negative impacts to area businesses Future of the facility Empty hole in the center of downtown	Costs to wind down operations and sell the theater. Loss of tax revenue and economic impacts.
Recently Retooled Management Structure	Hired new Executive Director School of Performing Arts PAM board seems more engaged	Legacy of past mismanagement Communication process (Board, ED, Village) Administration and financial issues Inconsistent programming Lack of non-box office revenue generation Declining image in the community Insufficient joint marketing with ballroom Increased Village subsidy potentially required	\$150,000 to \$250,000 annual deficit, assuming management and oversight improves. Fundraising and grants must be sought. Target these funds for event sponsorship, Cap Ex, and Deficit Reduction
Expand the Venue	Increase revenue generation Ability to attract larger acts	Can't fill the current theater on a regular basis (management, outreach and programming) Doesn't address current issues Not essential at this time	Close to break even operations, excluding cost of construction
Private Management	Programming capabilities Management and operating controls Familiarity with board and municipal oversight Performance metrics Systems and facility upkeep standards	Very expensive (annual operating loss+MGMT FEE+Performance Bonus) Small size of venue & Return on Investment Contract and contract oversight	Operations close to break even + \$200,000 annual management fee + performance bonuses (can equal management fees). Could be structured to limit deficit. Does not address fundraising issue.
Village Operation of the Theater	Remains a professional theater venue Direct oversight and control of programming and operation Potential use of existing Village staff and resources to create efficiencies and reduce costs Potentially more responsive to the needs of the community	Village is not in the business of running a professional theater venue Ramp up in understanding how the theater operates and industry best practices is a BIG undertaking Potential lack of insulation of politics from a business operation and programming Loss of not-for-profit grant opportunities Cost of payroll and overhead Increased Village subsidy potentially required Need to hire additional staff	\$200,000 to \$250,000 annual deficit, assuming management and oversight improves. Fundraising and grants must be sought. Target these funds for event sponsorship, Cap Ex, and Deficit Reduction

When evaluating the above options we considered what is most important for the mission of Metropolis going forward. In our opinion these factors include:

- Retaining Metropolis as a community asset for arts and entertainment
- Proper management and oversight
- Being an engine of activity, driving the greatest impacts to local businesses and the community
- Serving as an arts learning resource for the community
- Leveraging partnerships

There are a number of moving parts that factor into the recommendations for the future of MPAC at this time. The PAM Board recently hired a new ED and it is unclear how the new ED will perform in the turn around of MPAC. Our conversations with the new ED indicate that he has significant experience in the theater and entertainment industry and is working towards implementing the type of management and administrative controls that have been lacking for over a decade. District 214 approached the Village about exploring the opportunity of a lease arrangement that would allow the District to lease MPAC from the

Village, while retaining MPAC' role as a professional theater venue. In January 2015, the District notified the Village that it was not interested in moving forward with this concept at this time. The discussion about the District is retained in this report, because many of the objectives they cited, should be integrated into future operations, regardless of approach or operator. The District was interested in increasing its community education courses and filling MPAC during dark days or under utilized time periods with lower cost production events and select District fine and performing arts events. It is our opinion that there is an operating model that should remedy the current operating structure, continuing the current operating model, but improving it and reducing the size of the PAM Board and the appointment process. The following outlines our recommendations for MPAC:

- A. **Place the Operation on Probation:** Give the new ED and the PAM Board one calendar year to right the ship and start rebuilding goodwill. The situation should be reevaluated after this period.
- B. **PAM Board and Current Operations:** The PAM Board has been serving with effort and integrity but with the weakness at the ED position, this has not been good enough for ensuring the stewardship of MPAC. The Village needs to have more direct involvement in the oversight of MPAC going forward. The recent Oversight Committee that has been created to monitor and advise the PAM Board is a step in the right direction. The PAM Board needs to continue to have some members that are familiar with theater operations and management. It is recommended that the PAM Board be reduced in size to 9 members with the Village appointing four members plus the Chair. The balance of the board members could be appointed by the Village Board or using the current appointment process. Further, the PAM Board must have a bigger responsibility in social networking and fundraising efforts for the theater. Management at the Theater must reduce the need for the PAM Board to have to compensate for staff weaknesses.

There also needs to be much more oversight of the ED position. The ED must review staff and add new staff with the skills needed, especially for administration. The ED and staff also need to develop PAM Board briefing packages that allow the PAM Board to accurately understand the operations and trends in demand and financial areas. An additional focus for the PAM Board should be to develop an evaluation plan so that the progress of the ED can be tracked over the next 6 months to 1 year, and then on an ongoing basis. Key evaluation metrics would include financial integrity, theater attendance, profitability, improved demand in the School spaces, community perception, corporate and non-event utilization, as well as having the ED develop and implement a management plan that maps out the organizational structure of the different departments and provides goals and objectives for specific departments and positions to meet. These steps will provide concrete metrics that will allow for systematic evaluation of programming changes, financial enhancement, and organizational restructuring.

Objectives for an improved management model at MPAC must include:

- **Industry Investment:** Select members from the PAM Board, as well as the ED should consider attending the International Association of Venue Managers (IAVM) annual Performing Arts Center Conference, and the ED and senior staff should become active in this organization so that trends in the industry and best practices can be incorporated into the operation of the venue going forward.
- **Tightening Financial Controls:** Hire a full time Financial professional that would institute professional fiduciary controls and prepare accurate PAM reports and management information, and direct preparation of policies and procedures.
- Implement the ideas formulated by District 214 and reach out to the District and other educational institutions to develop theater and school programming, and to access their marketing registration lists.
- There is an opportunity to increase food and beverage revenue, particularly through beverage service. Consider outsourcing food and beverage to a nearby restaurant/ food service operation, which could use their staff and expertise to improve food and beverage offerings. This and the MPAC's staff should work much closer with the adjacent ballroom operation attract more social and corporate business.
- Devise skills for fund raising and grant writing, either internally or by using a commissioned consultant.

C. **Private Management:** If PAM and the new ED do not remedy the operation, hiring private management should be considered, to provide facility management. This firm could report to a PAM Board if is still operating, or the PAM Board could be dissolved and the management firm could report to the Village. If PAM were to be eliminated, the Village should always seek counsel from outside community interests, via some form of Advisory Council. A new MPAC Advisory Council, similar to what was proposed by District 214, (which could be some members of the current PAM Board) should serve as advisor to the Village and the private management firm helping set policy and demand and financial goals, and help with fundraising and community relations.

It is our considered opinion that, as stated in our 2002 report, the MPAC's operation should not ever need more than \$300,000 in annual support, if that. Further, the venue's contribution to the social fabric of the Village, and its economic impact should steadily improve. This projection does not address any current liabilities, which have been addressed. The Village and the PAM Board should address capital improvements via special allocations and capital campaigns.

SECTION 3

PRIOR REPORT, INTERVIEWS, & EXISTING CONDITIONS

SUMMARY OF PRIOR STUDY

In 2002, Johnson Consulting was retained by the Village of Arlington Heights to conduct a development and operating review of the MPAC. At the time of our study, the developer of the MPAC had announced their intention to cease operations of the venue as a live performance theater and presented the Village with an opportunity to purchase or lease the venue. The objective of our study was to address the following key framework questions:

- What was the development cost of the MPAC?
- What potential operating scenarios (business models) exist for the MPAC?
- What strategies can be employed to improve the MPAC's management, marketing, and overall operations?
- Are there physical changes in the theater-building program that could enhance its functionality, appeal, and financial performance?

In order to address these questions, Johnson Consulting summarized conditions in the local market and prepared an inventory of like-sized theaters in metropolitan Chicago; reviewed the historical performance, operations, and business model of the MPAC; analyzed the allocation of construction and development costs for the project; presented a discussion of physical limitations of the venue and their impact on capacity and performance; reviewed industry trends and provided an overview of performance, support and management strategies at peer facilities; and presented long-term governance and management strategies for the MPAC, including an outline of an optimum performance scenario for the venue.

KEY OBSERVATIONS

At the time of our study, the MPAC was not performing at a standard and level that allowed it to meet operating requirements, reflecting a number of key issues:

- A poorly defined initial operating strategy.
- Partnership and resource support agreements that did not materialize as anticipated by the developer (over-dependence on revenue sources under the control of the developer, but not the theater).
- Limited recognition of the interests of the market.
- Failure to develop a clear market niche or cultivate interest in the theater through subscription series.
- A poorly executed building program that resulted in a theater with limited functionality and flexibility.
- A theater whose limited size restricts its events options.

- An absence of key revenue producing features, such as quality pre-function space or private suites that are typically found in venues such as this, which limits the financial potential of its operations.

Despite a transition to a not-for-profit operation in April 2002, the degree of operating losses incurred during the MPAC's first two years of operation were significant enough for the developer to opt to sell the venue. Regardless, the theater and its related spaces had been well received by patrons, performers, and event promoters, with a new management team clearly focused on the business aspect of the theater. At the time of our study, the MPAC had the potential to establish a stronger identity in the market and provide a contribution to area restaurants, retail outlets, and other businesses throughout the Arlington Heights Central Business District (CBD).

2002 RECOMMENDATIONS

Our analysis indicated that having a performing arts center in the Downtown of Arlington Heights was very consistent with urban trends within similar communities. We recommended that the Village evolve a condition where the theater is more appropriately sized for the marketplace, at some point in time, is not an excessive economic burden to the Village, and develops a business environment that can support the theater and its programming indefinitely. Specifically, our report outlined four scenarios that the Village could take in regards to MPAC that included:

Option A

- Facilitate the transfer of the MPAC to a newly formed 501(c)3 organization. This would mean that the Village could provide policy direction without taking on ownership of the project.
- Create a Board of Directors for the 501(c)3, charged with the continuation of the theater's operation, improvements to programming, and the aggressive pursuit of financial contributions and other forms of non-operating support.
- Condition any participation in the project on covenants that keep the theater use preserved on a going-forward basis.
- Provide an earn out opportunity for the developer, whereby the Village could purchase the venue based upon valuation ranges prescribed by market conditions and development costs, less the previous financial investments that the Village had made in the property.
- Become a sustaining benefactor to the 501(c)3, providing an annual grant to the theater to support operations, fund capital improvements, and/ or provide for repayment on the purchase costs. We proposed an annual amount of +/- \$150,000 and/or specific mechanisms, such as a surcharge on tickets to help yield these funds.

Option B

- If Option A can not be achieved, put discussions on hold for six months to a year to see if Option A can be implemented.

Option C

- If neither Option A or B can be achieved, we recommend not pursuing the MPAC and waiting until the developer takes it off the market and proceed with targeting development of another theater in the CBD. However, this theater should be carefully planned to ensure an efficient, functional design and configuration, and a better ownership and operating model.

Option D

- The Village could purchase the theater and, in turn, lease it to the 501(c)3 or another private entity. It was indicated that an annual subsidy of \$300,000 would be needed to support this option. We did not recommend this option.

Ultimately the Village elected to pursue Option D. In addition, our study recommended several revisions to the building program that could help position the MPAC as a more competitive facility, including:

- Expanding the seating capacity to 500 seats through the development of balcony space, at some point in time.
- Constructing four private/ corporate suites as part of the development of the balcony.
- Improving the rigging.
- Adding an orchestra pit lift.
- Updating and improving the general appearance of the lobby and theater box to make the facility more inviting to theater goers, more appealing for special events, and to create a more dramatic space that feels less like an office building lobby and more like a theater.
- Enhancing the HVAC system in response to additional seating capacity and enlargement of the theater.
- Providing for general enhancements to the theater, including equipment upgrades, improvement and enlargement of dressing room, and the development of a backstage passage that would allow performers to move around during performances without interruption.
- Creating a fly space to allow for more advanced and technically demanding productions that a larger capacity theater will have the ability to stage.

- Equipping the theater and classrooms with audio/visual equipment, internet connections, and other furniture and fixtures that will allow for the marketing of the MPAC for conference and meeting uses.

OUTCOMES

Since our prior study was completed, a number of events have transpired:

- The Village has purchased the theater.
- A 501(c)3 management entity – the Performing Arts at Metropolis (PAM) – has been formed to operate the theater.
- The School of Performing Arts opened in 2005.
- Several theater directors have come and gone.
- The Village continues to subsidize the venue annually and has done so since the purchase, at levels below our expectations.
- Very little private fundraising has been obtained, and amounts earned have been declining, except for Village support.

OVERVIEW OF EXISTING OPERATIONS

STAKE HOLDER INTERVIEWS

As part of our efforts to evaluate how matters have transpired since our 2002 recommendations were made, Johnson Consulting worked with the Village to arrange a number of interviews with key stakeholders to provide insight into current operations and oversight. The groups interviewed include:

- | | |
|--|--|
| ▪ Village of Arlington Heights Trustee and Staff | ▪ The MPAC Task Force |
| ▪ Village appointees to the PAM Board | ▪ Current and former employees of MPAC |
| ▪ Former PAM Board members | ▪ Executive Committee of the current PAM board |
| ▪ Sponsors and supporters of MPAC | ▪ Businesses in close proximity to MPAC |

The summarization below provides key points made during the interviews. There was an overall sense that MPAC was an important asset for the community that needs to be both better managed and utilized.

- **Operations**
 - More detail is needed in the financial reporting to the Village.

- There needs to be more focus on revenue generation and fundraising.
- The PAM Board & the general situation started down the wrong path when the Executive Director, and not the PAM Board, started asking the Village directly for funding. This was a result of MPAC management de facto running the PAM Board, not the other way around.
- The repeated asks for funds by MPAC served to create mistrust in management and oversight.
- The Executive Director is making too many decisions independently and all confidence has been lost in the PAM board.
- Bookkeeping, administrative, and hiring processes at MPAC are broken.
- Strong consensus on need and viability of a professional theater in Arlington Heights. Mismanagement and programming have been key issues.
- The District 214 proposal could provide a lot of synergies and would cause oversight of operations and programming decisions to have more focus. Only concern is maintaining the original mission of MPAC as being a professional theater.
- Past ED's have not applied enough of a business strategy to operations at MPAC.
- An oversight committee was appointed by the Village. Now financial liabilities are coming back under control.
- Current PAM Board believes that it has improved the oversight of MPAC recently. Challenges that the PAM Board still encounters are understanding its role and oversight expectations, as well as having better oversight of finance and personnel issues.
- Until recently, PAM Board members did not have any theater management experience.
- There needs to be more dialogue between the PAM Board and the Village.
- Potential new board model could have the Village appoint the PAM Board, making it more accountable. The current PAM Board could then be a foundation board focused on fundraising.
- Staff is young, leaderless, and most often ascended to their current position when their particular manager left the position. Not sure if full time staff is needed at each position.

- There are no staff evaluation metrics applied to either the Executive Director or general staff.
- **Programming**
 - Employees at MPAC during the start were good but have declined over time. There is a need for better support to make programming choices relevant to residents of Arlington Heights.
 - Programming needs to improve along with marketing efforts.
 - The most recent run of the Christmas Carol has been the best to date, showing that good programming can come from MPAC.
 - There needs to be more emphasis on targeting the corporate market and fundraising.
 - MPAC hasn't really caught on because no one really knows what its programming focus is.
 - The School of Performing Arts is a good thing for the community as long as it has a vision.
- **Community**
 - There is a perception that the support provided by the Village to MPAC is from property tax. This is not the case; funds come from a Food & Beverage Tax.
 - The theater is an important access point to the arts for the community and for students. Wishes that more schools would take advantage of what it offers.
 - The community is frustrated with the performance and management of MPAC and until the theater's mission is better defined and is operated better, this will continue.
 - Community sponsors are declining. Remaining sponsors are concerned about the direction MPAC is heading and being associated with a poorly run operation.
 - Businesses have opened around the MPAC with the theater being a key foundation of their business model. Closing the theater would have a negative impact on these businesses and could result in layoffs or closing.

EXISTING FACILITIES AND OPERATIONS

This section provides an overview of existing operations at the MPAC, including existing facilities, oversight and management structure, utilization and financial performance.

The MPAC comprises a 309-seat Main stage, with specifications and features including:

- **Stage:** 21' deep (plaster line to upstage crossover). Gridiron height is 20.9' over stage from deck. The stage opening is 46.4' wide by 19.6' high.
- **Stage Rigging.**
- **Dressing Rooms:** 2 rooms accommodating 6-10 people each.
- **Rehearsal Rooms.**
- **Green Room.**
- **Wardrobe Room.**
- **Loading Dock:** Single bay.

Additional facilities at the MPAC include 4 classrooms, studios and office space totaling 10,000 square feet. In the adjacent building there is also a privately-owned 3,000 square foot ballroom that can accommodate up to 250 people. The broader development includes retail uses and a restaurant, as well as condos.

MANAGEMENT STRUCTURE

The Village of Arlington Heights purchased the theater space, as well as a portion of the lobby, classrooms and office space for \$2.1 million in December 2004. The venue is leased and managed by Performing Arts at the Metropolis (PAM), a 501(c)3 nonprofit organization. A 17-member Board of Directors, including the venue's Executive Director as an ex-officio member, oversees PAM. Board members are elected by majority vote of existing board directors and serve 3-year terms, renewable once.

The MPAC employs an approximate full-time equivalent staff of 12 employees, recently lead by an interim Executive Director, who has now been replaced by a new hire.

SCHOOL OF THE PERFORMING ARTS

MPAC's School of the Performing Arts (SOPA) serves as the educational arm of the MPAC, offering a variety of classes in acting, singing, dancing, playwriting, creative drama, and vocal and instrumental music to persons of all ages. The mission of SOPA, which enrolls around 2,000-2,500 students annually, is to provide "extra-curricular arts classes and performance opportunities, a community of friends with similar interests, an accepting environment, and the opportunity to progress to an elite level within the performing arts." SOPA employs a staff of 4 full-time employees, supported by around 50 part-time on call instructors who come in to teach classes on an as needed or scheduled basis

DEMAND SUMMARY

The following table shows the demand schedule for the MPAC during its past 4 seasons.

Table 3 - 1

Metropolis PAC Demand Schedule (2010-2014)							
Season	Performances (#)	Ticket Sales (#)			Ticket Sales (\$)		
		Sales (#)	Available Tickets (#)*	Sales as % of Available Tickets	Total Value (\$)	Total Value of Available Tickets**	Value of Unsold Tickets (\$)
2010-11	309	66,742	95,481	69.9%	\$1,337,148	\$1,912,922	\$575,774
2011-12	299	64,195	92,391	69.5%	\$1,377,843	\$1,983,025	\$605,182
2012-13	380	62,627	117,420	53.3%	\$1,220,092	\$2,287,563	\$1,067,471
2013-14	263	43,853	81,267	54.0%	\$862,320	\$1,598,024	\$735,704
CAGR***	-3.9%	-10.0%	-3.9%	-4.0%	-10.4%	-4.4%	6.3%

* Assumes 309 seats are sold at all performances held during relevant year.

** Based on average ticket price of sold tickets, and assuming that 309 seats are sold per performance.

*** Compounded Annual Growth Rate

Source: Metropolis PAC, Johnson Consulting

During the 2013-14 season, the MPAC hosted 263 performances, representing a substantial decrease from the 2012-13 season (380 performances). The origin of attendees in the 2013-2014 year indicated that 75 percent of ticket buyers are from outside of Arlington Heights's 3 zip codes. Since 2010-11, the number of performances held at the MPAC has decreased at an average annual rate of (3.9) percent per annum. During the same period, ticket sales have steadily declined, at an average annual rate of (10.0) percent per annum, with the value of ticket sales contracting at a similar rate of (10.4) percent per annum. This decline is largely attributed to management decisions on programming and a decrease in staff acumen. Other regional theaters have maintained or expanded their demand levels. It is important to note that in the 2012-2013 season management took the approach to significantly increase the number of shows with the intention that this increase in events would help improve the financial picture. The opposite occurred and the quality of programming also declined, further driving down attendance in the 2013-2014 season.

In 2013-14, the MPAC achieved 53.8 percent occupancy, as measured by ticket sales and assuming that all 309 seats were available for purchase at all 263 performances held. This figure is generally consistent with the preceding season (53.3 percent) but substantially lower than occupancies achieved in 2011-12 (69.5 percent) and 2010-11 (69.9 percent). Based upon the average price of tickets sold in 2013-14, unsold tickets equated to a lost potential revenue of \$741,780, which is substantially lower than the lost potential revenue recorded in the preceding season (\$1.0 million). Notwithstanding this, potential lost revenue from unsold tickets has steadily increased by 6.5 percent per annum since 2010-11.

REVENUE AND EXPENSES

The following table shows the MPAC's financial statements for 2010-2014. It is noted that data for 2014 is non-audited.

Table 3 - 2

Metropolis PAC					
Revenue & Expense Statement (FY2006-2014)					
	2010	2011	2012	2013	2014 (Unaudited)
Operating Revenue					
Ticket Sales	\$1,391,592	\$1,346,444	\$1,404,984	\$1,276,700	\$1,076,115
Educational class income	863,522	792,322	698,838	716,468	656,320
Bar Sales	**	**	55,627	47,595	31,047
Rental Income	18,989	24,149	32,765	4,305	15,235
Handling fees	32,774	26,674	**	**	**
Interest income	1,319	614	799	218	753
Total Operating Revenue	\$2,308,196	\$2,190,203	\$2,193,013	\$2,045,286	\$1,779,470
Operating Expenses					
Production costs:					
Theater	\$1,354,350	\$1,609,190	\$1,544,682	\$1,483,982	*
Front of House	**	**	147,542	416,021	*
Education	747,569	855,375	795,920	923,389	*
Supporting services:					
General and administrative	811,262	518,607	434,052	291,254	*
Total Operating Expenses	\$2,913,181	\$2,983,172	\$2,922,196	\$3,114,646	\$2,344,731
Net Operating Income (Deficit)	(\$604,985)	(\$792,969)	(\$729,183)	(\$1,069,360)	(\$565,261)

* 2014 expenses have not been audited and only a total was available for operating expenses

** Included elsewhere due to change in bookkeeping procedures

Source: PAM, Johnson Consulting

As shown, the MPAC operated at a net deficit of (\$565,261) in 2014, compared to a net loss of (\$1,069,360) in 2013. Between 2010 and 2014, total operating revenues have contracted at an average annual rate of (6.3) percent, slightly outpacing the rate of contraction in operating expenses (5.3 percent per annum).

Key observations relating to the venue's main revenues include:

- **Ticket Sales:** Since 2010, revenue from ticket sales has generally declined at an average annual rate of (6.2) percent. Ticket sales revenue amounted to \$1,076,115 in 2014, down from \$1,276,700 in 2013,

but remaining the largest generator of operating revenue for the venue (accounting for 60.5 percent of total operating revenues).

- **Educational Class Income:** Income from educational activities has steadily declined since 2010 at an average annual rate of (6.6) percent.
- **Bar Sales:** Bar sales were introduced in 2005, but since 2012 have steadily declined at an average annual rate of (25.3) percent. In 2014, bar sales amounted to \$31,047 in revenues, down from \$47,595 in 2013.
- **Rental Income:** Accounted for \$15,235 in revenues in 2014, having declined at an average rate of (5.4) percent per annum since 2010.

Besides ticket sales, most performing arts venues typically derive a significant share of earned revenue from bar sales and rental income. The level of revenue generated in these categories by MPAC has significant capacity to increase.

Key observations relating to the venue's main expenses include (it is noted that detailed expense data is not available for 2014):

- **Production Costs:** Theater-related production costs amounted to \$1,483,982 in 2013, accounting for 47.6 percent of total expenses, with education-related production costs (\$923,389) accounting for a further 29.6 percent of total expenses. Front of house costs were first reclassified in 2012 and increased almost three-fold by 2013 to \$416,021.

The MPAC receives annual support for operations, including a grant from the Village, along with other support generated through fundraising, special events, sponsorships, donations and other contributions. The following table shows the MPAC's statement of operating support for 2010-2014. What is most surprising is that the gross revenues have exceeded most of the comparables, substantially. This illustrates that revenue potential and demand exists for the venue, but administrative management skills, and poor management information is being used to administer the facility.

Table 3 - 3

Metropolis PAC Support Statement (FY2006-2014)					
	2010	2011	2012	2013	2014 (Unaudited)
Net Operating Income (Deficit)	(\$604,985)	(\$792,969)	(\$729,183)	(\$1,069,360)	(\$565,261)
Supporting Revenues					
Fundraising revenues	\$85,725	\$101,803	*	*	*
Fundraising expenses	38,526	58,475	*	*	*
Net support from fundraising	47,199	43,328	*	*	*
Special event revenues	*	*	184,720	131,194	212,354
Direct cost of special events	*	*	(68,022)	(44,003)	(34,206)
Net support from special events	*	*	116,698	87,191	178,148
Contributions	359,477	402,073	196,325	212,437	59,670
Village Subsidy	150,000	150,000	450,000	164,000	160,000
Sponsorships	*	*	56,789	163,750	97,240
In-Kind Donations	*	*	106,000	24,465	2,861
Miscellaneous Income	*	*	553	*	9,183
Total Supporting Revenue	\$556,676	\$595,401	\$926,365	\$651,843	\$507,102
Supporting Expenses					
Less Development Expenses	*	*	(\$200,830)	(\$131,834)	*
Gain (Loss) from Supporting Activities	\$556,676	\$595,401	\$725,535	\$520,009	\$507,102
Income (Deficit) After Support	(\$48,309)	(\$197,568)	(\$3,648)	(\$549,351)	(\$58,159)

*Included elsewhere due to change in bookkeeping procedures

Source: PAM, Johnson Consulting

As shown, the MPAC received \$507,102 in supporting revenues in 2014. The largest contributors to this revenue were net support from special events (\$178,148), the annual contribution from the Village (\$160,000) and sponsorships (\$97,240). The net gain from supporting activities has remained relatively stable since 2010, with a peak in 2012 when the venue received an additional \$300,000 subsidy from the Village. When supporting activities are accounted for, the MPAC operated at a deficit of (\$58,159) in 2014.

SECTION 4
COMPARABLE FACILITIES

REGIONAL AND COMPARABLE FACILITIES ANALYSIS

In order to understand the market opportunity for the MPAC, and to understand how its operations compare to other venues, this section presents case study profiles of a set of regional and national comparable facilities. The key operating characteristics of these facilities are provided in the following profiles, and include:

- Size and character of facility program spaces.
- Recent and/ or planned expansions.
- A demand and financial profile, including the number and types of events and operating revenues and expenses, where available.

Information about event demand and the financial performance of comparable facilities provides insight into the general parameters within which the MPAC should reasonably expect to operate. The school operation is a unique feature, and is a locally driven project component. While not analyzed specifically in these case studies, it is our judgment that it's a positive attribute for the facility and resources for the community.

The following table summarizes the key attributes of the comparable facilities identified as part of this analysis.

Table 4 - 1

Key Characteristics of Regional Comparable Facilities and Markets							
	Metropolis Performing Arts Centre	North Shore Center for the Performing Arts	Prairie Center for the Arts	Ames Center	The Center for Visual and Performing Arts	Buckhead Theatre	SPACE Evanston
Location							
Location	Arlington Heights, IL	Skokie, IL	Schaumburg, IL	Burnsville, MN	Munster, IN	Atlanta, GA	Evanston, IL
Demographics Characteristics (2014)							
Population	76,246	65,546	75,479	61,720	23,479	464,643	75,796
Median Age (Years)	43.2	43.1	38.1	36.0	45.4	33.3	34.4
Median Household Income	\$75,828	\$66,992	\$70,159	\$65,335	\$70,824	\$41,364	\$66,174
Employed Persons (16+ Years)	95.5%	94.3%	94.7%	94.2%	94.1%	90.7%	91.7%
Educational Attainment (% Bachelor's Degree or Higher)	50.7%	48.9%	41.6%	38.5%	40.3%	46.4%	68.5%
Facility Attributes							
Year Built (Renovated)	2000	1996	1986 (1997)	2009	1989	1930 (2010)	2008
Theater(s) Seating Capacity	309	867-seat Center Theatre; 318-seat Northlight Theatre (7,400 SF multi-use venue)	442-seat proscenium stage	1,014-seat proscenium stage; 150-black box theater	450-seat theater	700 to 1600	225
Anchor Tenant(s)	School of the Performing Arts	4	-	3	5	None	None
Ownership/ Management							
Owner	Village of Arlington Heights	Centre East Metropolitan Exposition, Auditorium and Office Building Authority	Village of Schaumburg	City of Burnsville	CVPA Holdings Corporation	Private	Private
Manager	Performing Arts at the Metropolis	Professional Facilities Management	Village's Cultural Services Department	VenuWorks	Community Resources Inc.	Novare Events	Private
Demand (Most Recent Year)							
# Events (per annum)	264	431	936	624	*	*	*
Total Attendance (per annum)	43,853	165,000	75,000	123,028	50,000+	*	*
Revenue & Expenses (Most Recent Year)							
Total Revenues	\$1,779,470	\$1,030,436	\$416,450	\$1,172,363	\$390,724	*	*
Total Expenses	\$2,344,731	\$1,302,208	\$1,178,960	\$1,332,476	\$860,533	*	*
Net Operating Income (Deficit)	(\$565,261)	(\$271,772)	(\$416,450)	(\$1,172,363)	(\$390,724)	*	\$100,000

*Numbers not available or not released by facility management

Source: Relevant Facilities, DemographicsNow, JohnsonConsulting

PRIOR CASE STUDIES

Our prior study profiled three facilities that were illustrative of the commitment of communities to ensuring the ongoing presence and success of their performing arts venues. A brief summary and update on these facilities is provided below.

NORTH SHORE CENTER FOR THE PERFORMING ARTS SKOKIE, IL

OVERVIEW: The North Shore Center for the Performing Arts (NSCPA), which is located in a predominantly commercial area of Skokie, opened in 1996. NSCPA comprises the 867-seat Center Theatre, the 318-seat Northlight Theatre, which can be converted into a 7,400 square foot multi-purpose venue with capacity for 550 people, an 8,000 square foot grand lobby, 2 conference rooms of 250 and 450 square feet, and the Rice Rehearsal Room, with capacity for 100 people. Anchor tenants at the NSCPA include Northlight Theatre, Skokie Valley Symphony Orchestra, Ars Viva Symphony Orchestra, and Music of the Baroque.



The venue, which is connected to the Doubletree Hotel North Shore via a service corridor, is owned by the Centre East Metropolitan Exposition, Auditorium and Office Building Authority, which was created by the Village of Skokie to develop and own the NSCPA. The Authority consists of 9 directors, of which 6 are appointed by the Mayor of Skokie and 3 are appointed by Niles Township, with each member serving a three-year term. NSCPA is operated by Professional Facilities Management (PFM). The North Shore Center for the Performing Arts Foundation was established as a 501(c)3 organization to support programming and capital improvements at the NSCPA.

OBSERVATIONS: Attendance at the NSCPA totaled 114,400 patrons in 2013, which is generally in line with figures recorded in our prior study (115,000 patrons in 2001). In 2014, the venue's management contract with PFM was extended and base fees increased to \$184,974 (from \$175,000 in 2013 and \$136,000 in 2001). When the NSCPA opened, the Village agreed to a \$250,000 annual subsidy, generated through Municipal Sales and Hotel Motel tax revenues. It was envisaged that the venue would become self-sufficient within 5-7 years, however this subsidy has been maintained, and in fact increased to around \$800,000 during the recession. The Village's 2014 budget indicates that the NSCPA "is stable and operating on a balanced budget", reflecting an understanding of the need for ongoing financial support for the facility, which includes a substantial annual subsidy from the Village of Skokie.

PRAIRIE CENTER FOR THE ARTS SCHAUMBURG, IL

OVERVIEW: The Prairie Center for the Arts, which opened in 1986 and was renovated and expanded in 1997, comprises a 442-seat theater with a proscenium-style stage, a 96-seat lecture hall, meeting rooms, dressing rooms and a production studio. In addition to various shows and productions, the Center also hosts youth programs across a range of medias including dance, music, film, theater and singing.



The venue is owned by the Village of Schaumburg and operated by the Village's Cultural Services Department. The Prairie Center Foundation is a not-for-profit membership organization that provides additional capital and operating support through charitable contributions and fundraising efforts.

OBSERVATIONS: In 2013 the Prairie Center hosted a total of 936 events, with attendance of 75,000. Figures for 2014 are estimated at 950 events and 79,000 attendees. At the time of our prior study, in 2001, the venue hosted 705 events and attracted close to 70,000 attendees, demonstrating the continued growth in popularity of the Prairie Center. Performances at the venue generates the most demand, although a substantial number of meetings and other events, such as rehearsals, auditions and lectures, also account for a significant number of event days. During the same period, ticket sales revenues grew from \$169,000 in 2001 to \$219,000 in 2013, while programming expenses also grew from \$766,000 to \$822,000, reflecting increased utilization of the venue and required financial support from the Village.

ADDITIONAL CASE STUDIES

The following case studies have been selected as they represent performing arts venues that have employed unique strategies, primarily related to programming and funding, to ensure their continued success within their respective communities.

AMES CENTER BURNSVILLE, MINNESOTA

LOCATION: Located in downtown Burnsville, the Ames Center (formerly the Burnsville Performing Arts Center) opened in January 2009 at a cost of \$20 million. The Center, which anchors the Heart of the City redevelopment area, is adjacent to Nicollet Commons Park, which incorporates a 250-seat outdoor amphitheater.



OWNERSHIP/ MANAGEMENT: The Ames Center is owned by the City of Burnsville and managed by VenuWorks, a private management company. The venue is integral to the City’s 2030 Comprehensive Plan, which states “arts and culture are increasingly recognized as integral and necessary components of our social fabric, contributing to the economy and quality of life in cities and communities. In our increasingly mobile and diverse society, investments in culture and creativity are essential to building vibrant, competitive and sustainable communities for the twenty-first century.”

FACILITIES: The Center comprises two theaters – a 1,014-seat proscenium stage (759 seats on the main floor and 255 balcony seats) and a 150-seat black box theater. Features and specifications of the proscenium stage include:

- **Stage:** 45’ deep (plaster line to upstage column) by 48’ from the center line to stage left wall and 48’ from the center line to stage right wall. Gridiron height is 68.9’. The stage opening is 47.8’ wide by 28’ high.
- **Stage Rigging:** Space on the rail for 60 line sets but only 48 line sets are installed (8” typical spacing).
- **Orchestra Pit:** 38’ cross stage width, with the floor of the pit being 9’ below stage level.
- **Dressing Rooms:** 1 star dressing room (capacity for 2 people), with private bathroom, 2 dressing rooms for principals (capacity for 4 people each), with private bathrooms, 1 chorus dressing room (capacity for 8 people), and a touring production office.
- **Green Room:** 750 square feet, located stage right.
- **Loading Dock:** Single bay accommodating a 53’ semi truck.

The venue also includes a 2,000 square foot art gallery, a 1,800 square foot rehearsal room, two meeting rooms with capacity for 100 people, and two VIP suites accommodating between 30 and 50 people. On the second floor, the Center features an open lobby space with capacity for up to 300 people and is commonly used for receptions, banquets, tradeshow, and special events.

Parking facilities include a 350-space parking deck on the north side of the venue, and a multi-deck garage half a block south of the venue. Parking is available at these parking facilities at no charge to Ames Center users and guests.

ANCHOR TENANTS: The Ames Center is home to three local non-profit organizations – Dakota Valley Symphony, Twin Cities Ballet, and The Chameleon Circle Theater.

DEMAND SCHEDULE: In 2013, which is the most current data available, the Ames Center hosted 624 events, down slightly (-3.7 percent) from 2012 figures (648 events), although the number of ticketed events actually increased to 139 events in 2013 from 137 events in 2012. The venue hosted 123,028 attendees in 2013,

representing an increase of 11.4 percent over 2012 figures (110,423 attendees). The following table provides a summary of key demand indicators for 2012 and 2013.

Table 4 - 2

Ames Center Demand Schedule (2012-2013)			
	2012	2013	CAGR*
Events	648	624	-3.7%
Attendance	110,423	123,028	11.4%

* Compounded Annual Growth Rate
Source: Ames Center, Johnson Consulting

RENTAL RATES: The following table summarizes rental rates at the Ames Center.

Table 4 - 3

Ames Center Rental Rates (2014)		
	Proscenium Stage	Black Box
Facility Rental		
Theater Rental (per day)	\$2,000	\$750
Load In Day	\$750	-
Rehearsal Day (per day)	\$1,500	-
Utilities (per day)		\$200
Custodial Services (per performance)	\$400	\$250
Ticketing Services (per event)		\$150
Credit Card Fees (% of ticket sales)		4%
Sales Tax (% of ticket sales)		7.125%
Facility Fee		\$3
Event Coordinator (per day)		\$125
Building Engineer (per day)		\$100
Usher Staff (per performance)		\$300
Box Office Staffing (per performance)		\$150
Staffing		
Stagehands (per hour)*		\$25.50
Stagehands - Technical Director (per hour)*		\$27.50
Security**		\$15.00
House Manager		\$20.00
Insurance Requirements		
Comprehensive General Liability		\$2,000,000
Comprehensive Automobile Liability		\$1,000,000
Workers Compensation		\$1,000,000

* Minimum of 3 technicians per performance.
** Minimum of 2 security staffers per performance.
Source: Ames Center, Johnson Consulting

REVENUE & EXPENSES: The following table provides the Ames Center's revenue and expense statement for 2012 and 2013.

Table 4 - 4

Ames Center Revenue & Expense Statement (2012-2013)		
	2012	2013
Revenues		
Building Rent	\$243,396	\$256,883
Box Office Fees	64,401	79,167
Preservation Fee Income	60,959	79,224
Equipment Rental	55,224	60,802
Net Catering Revenue	13,459	21,210
Insurance Revenue	4,798	5,585
Other Event Revenues	0	44,131
Concession Sales	148,737	210,400
Net Merchandise Revenue	13,312	15,020
Advertising Revenue	34,311	39,827
Reimbursed Wages	316,944	337,067
Production Revenue	17,261	4,414
Sponsorship Revenue	2,585	18,633
Total Revenues	\$975,387	\$1,172,363
Expenses		
Advertising/ Marketing	\$69,436	\$81,543
Bank Service Charges	1,065	1,043
Concession Expense	81,396	67,023
Credit Card Fees	15,126	17,255
Dues and Subscriptions	2,585	2,371
Equipment Leasing	3,366	2,348
Other Event Expense	0	43,351
Employee Development/ Training	5,573	9,195
Insurance	30,168	17,568
Licenses and Fees	8,553	11,203
Miscellaneous Expense	42	0
Office Supplies	5,086	4,769
Postage/ Freight	1,020	1,254
Professional Services	131,016	134,947
Repairs/ Maintenance House	35,265	29,410
Repairs/ Maintenance Stage	3,054	4,235
Repairs/ Maintenance HVAC	7,831	5,967
Sponsorship Development	335	0
Supplies	25,036	31,160
Telephone	1,636	1,842
Travel	8,691	8,857
Uniforms	1,203	0
Utilities	76,751	80,010
Wages and Salaries - Full Time	412,097	407,497
Wages - Part Time Event Labor	174,020	206,313
Wages - Part Time Non-Event Labor	26,655	31,161
Taxes and Benefits	101,839	132,154
Total Expenses	\$1,228,845	\$1,332,476
Net Operating Income (Deficit)	(\$253,458)	(\$160,113)

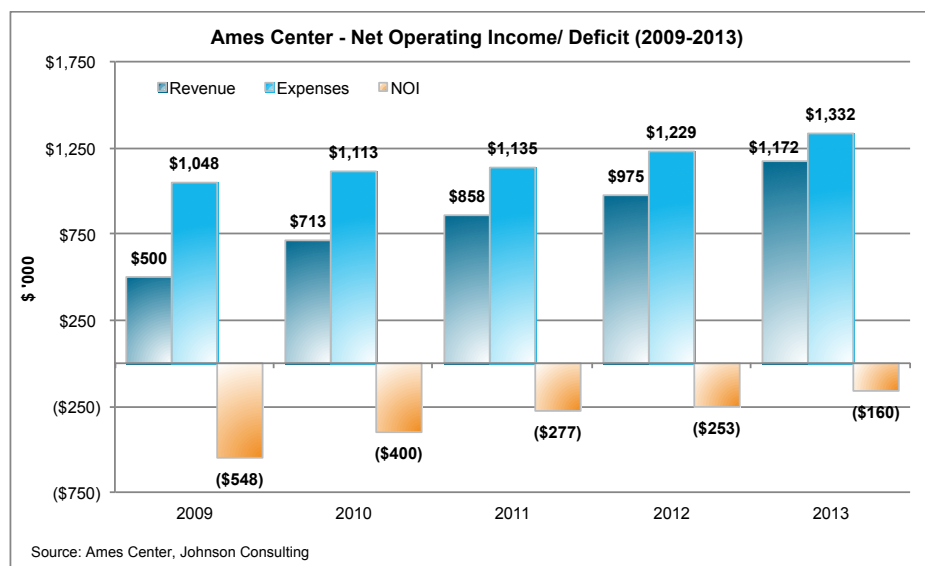
Source: Ames Center, Johnson Consulting

As shown, the Ames Center operated at net operating deficit of (\$160,113) in 2013, which represents a substantial improvement over 2012 when the venue operated at a net deficit of (\$253,458). It also represents a substantial improvement over the budgeted deficit of (\$275,994).

In 2013, the largest revenue line items were reimbursed wages (\$337,067), rental fees (\$256,883), and concessions (\$210,400), representing 10 percent of gross sales. In 2013, the food and beverage department expanded their menu offerings, resulting in an additional \$16,400 in revenues, with the venue achieving a total net profit on concessions of \$96,816, compared to \$61,976 in 2012 and \$73,602 in 2011. This equates to a profit margin of 48.1 percent in 2013, up from 42.9 percent in 2012.

The following figure shows total revenues and expenses at the Ames Center between 2009, when the venue opened, and 2013.

Figure 4 - 1



As shown, total revenues and total expenses have steadily increased at the Ames Center since 2009, however the rate of growth in revenues (23.7 percent per annum) has far exceeded the rate of growth in expenses (6.2 percent), resulting in the steady contraction of the venue's net operating deficit. The net operating deficit incurred in 2013 (\$160,113) is less than one-third of the size of the deficit incurred in 2009 (\$547,854).

FUNDING STRATEGIES: Operations at the Ames Center are subsidized by the City of Burnsville, in an amount equal to the annual deficit. Other funding strategies utilized by the venue include:

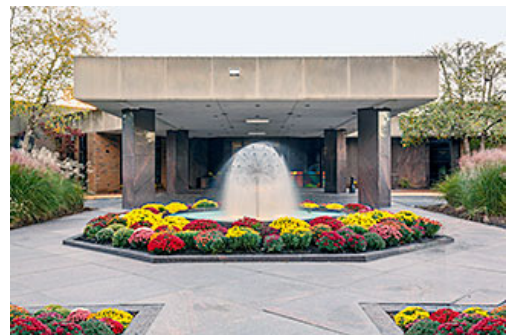
- **Naming Rights:** In August 2013 the City signed a 10-year naming rights contract with Ames Construction, worth \$100,000 per annum.

- **Angel Fund:** The venue is supported by the Angel Fund, which consists of private donations from VenuWorks, The Rixmann Family, Pepsi, The Friends of Burnsville Performing Arts Center, MGM Liquor, and Bolten & Menk. The Fund programs events at the Center, with the total balance of the Angel Fund being \$120,327 in 2013, less \$47,868 in commitments for upcoming shows. The Fund allows the venue to host one-off events that it otherwise would not be able to attract.

OBSERVATIONS: The Ames Center is an example of a successful performing arts venue that served as a catalyst for the redevelopment of downtown Burnsville. It also served to provide an entertainment offering to area residents that was lacking. The award winning 54-acre Heart of the City has exceeded the City's expectations in the redevelopment of its downtown with the Ames Center being a primary anchor of the redevelopment effort. The demand mix for the facility is oriented to symphonic and ballet performances, which are a subset of a broader demand calendar that includes, live entertainment, Broadway shows and musicals. A naming rights agreement and private sponsorships help to reduce the level of subsidy required from the City to support the venue and also help in funding programming with non-city at risk dollars.

THE CENTER FOR VISUAL AND PERFORMING ARTS MUNSTER, INDIANA

LOCATION: Located in Muster, Indiana, on the Illinois-Indiana border, The Center for Visual and Performing Arts (CVPA) is a multi-purpose event venue that opened in 1989. The CVPA was built by the Community Foundation of Northwest Indiana (CFNI), a not-for-profit 501(c)3 organization, which operates the Community Healthcare System, comprised of three hospitals, along with a number of other community facilities and amenities.



OWNERSHIP/ MANAGEMENT: The CVPA is owned by CVPA Holding Corporation, a not-for-profit 501(c)3 company, and operated by Community Resources, Inc. (CRI). CRI is a for-profit development company that manages the day-to-day operations of the CVPA. CRI also provides catering services at the CVPA under an agreement with the CFNI.

FACILITIES: The 72,660 square foot multi-purpose facility comprises a 450-seat theater, along with a number of classrooms and studios, a 5,300 square foot gallery, a Dining Room (with capacity for 500 people), a Board Room (80 people), The Lounge (50 people), Brass Tavern (40 people), and Green Room (30 people), complimented by a full service kitchen.

ANCHOR TENANTS: Tenants of the CVPA include:

- **Theatre at the Center (TATC):** A professional theatre company providing year-round shows, including Broadway musicals and Chicago-area premieres.

- **South Shore Arts:** Provides over 400 classes annually across all media and age groups, and presents 20 exhibitions each year, including regional, national and international artists. South Shore Arts also operates an on-site Gift Shop.
- **Northwest Indiana Symphony Orchestra:** Presents a full season of classical and popular music concerts, and sponsors a 100-member Youth Orchestra and chorus.
- **Munster Chamber of Commerce (MCC):** Housed in offices on the lower floor of the CVPA. The MCC is “a united group of local business and civic leaders who volunteer their time and resources to advance the wealth and stability of the business community through active networking, mentorship and entrepreneurial education”.
- **Munster Television:** Operates a government television studio on the top floor of the CVPA.

DEMAND SCHEDULE: Utilization of the CVPA is summarized as follows:

- **Theatre at the Center (TATC):** The TATC is responsible for the majority of programming at the CVPA’s theatre. Over the past several years, the TATC has produced 5 shows on the main stage annually, averaging 30 performances per show, and attracting around 50,000 patrons. In addition, the TATC produces 4 Theatre for Young Audience Shows annually, averaging 10 performances each, along with classes for young people, and special events, including music, comedy and other theatrical works.
- **South Shore Arts:** As noted above, South Shore Arts provides over 400 classes annually across all media and age groups. In 1998, South Shore Arts opened two additional branches – in Hammond and Crown Point – although it is understood that a significant portion of their classes occur at the CVPA. South Shore Arts also presents 20 exhibitions annual at the CVPA.
- **Northwest Indiana Symphony Orchestra:** The Youth Orchestra utilizes a room at the CVPA for rehearsals every Sunday afternoon between September and May.
- **Other Events:** The CVPA hosts an Annual Gala Fundraiser for the CFNI, and in 2015 will host a Comedy Series, including 4 performances. The venue also hosts Sunday Brunch throughout the year, along with a multitude of private banquets, meetings, weddings, and social events.

RENTAL RATES: The following table summarizes rental rates at CVPA.

Table 4 - 6

The Center for Visual and Performing Arts Rental Rates (2014)	
Facilities	Rate per Hour (3 Hour Minimum)
Dining Room	\$150
East Dining Room	\$75
West Dining Room	\$75
Brass Tavern	\$40
The Lounge	\$40
Theatre	\$750 per Day
Art Gallery	\$650 per Day
Board Room	\$40
Green Room	\$40
Equipment	Rate per Day
Basic Set Up Fee	\$50
Dry Erase Board or Flipchart on Easel	\$20
Front Projection Screen - 70"	\$20
Front or Rear Projection Screen - 10' x 10'	40%
Overhead or Slide Projector	\$20
Laser Pointer	\$25
TV/ VCR/ DVD Player	\$60
Microphone	\$25
Followspot (excludes personnel)	\$50
Piano (excludes tuning)	\$50
Platform - 3' x 8', 16" or 24" H	15%

Source: The Center for Visual and Performing Arts, Johnson Consulting

REVENUE & EXPENSES: The following table provides the CVPA's revenue and expense statement for a typical year.

Table 4 - 7

The Center for Visual and Performing Arts Revenue & Expense Statement (2012-2013)		
	2012	2013
Operating Revenues		
Building Rent	\$354,146	\$388,449
Internet Fee	3,445	2,275
Total Operating Revenues	\$357,591	\$390,724
Operating Expenses		
Salaries, Wages and Employee Benefits	\$285,430	\$256,973
Management	256	-
Legal	726	-
Accounting	9,678	50
Other Fees	76,054	145,169
Advertising and Promotion	5,498	5,419
Office Expenses	87,706	55,204
Occupancy	171,670	184,132
Travel	(20)	200
Repairs and Maintenance	118,370	202,438
Other	4,033	10,948
Total Operating Expenses	\$759,401	\$860,533
Net Income (Deficit)	(\$401,810)	(\$469,809)

Source: The Center for Visual and Performing Arts, Guidestar, Johnson Consulting

As shown, the CVPA operated at net operating deficit of (\$469,809) in 2013, which is generally consistent with 2012 with the when the venue operated at a net deficit of (\$401,810). Building Rent is the largest revenue generator for the facility (\$388,449 in 2013), while the largest expenses relate to salaries, wages, and employee benefits (\$256,973) and repairs and maintenance (\$202,438), reflecting the age of the building.

The financial statement for South Shore Arts indicates that the organization paid \$85,000 in rent in 2013, of which \$39,600 related to their education programs (primarily at CVPA but also occurring at its other 2 campuses), \$18,000 related to exhibition space and \$5,700 related to rent for the gift shop at CVPA.

FUNDING STRATEGIES: Although the CVPA does not receive any direct subsidization, its parent company CFNI receives around \$1.6 million in donations, grants and funding annually.

OBSERVATIONS: The CVPA actively pursues business outside of performing arts, including banquets, meetings, and other social and special events. It has successfully established itself as a destination for local and regional events, as well as receptions and other business functions, and runs a popular weekly brunch. As

a multi-purpose facility, it has become a true community asset, providing a valuable resource for education, the arts, and social and business events.

BUCKHEAD THEATRE ATLANTA, GEORGIA

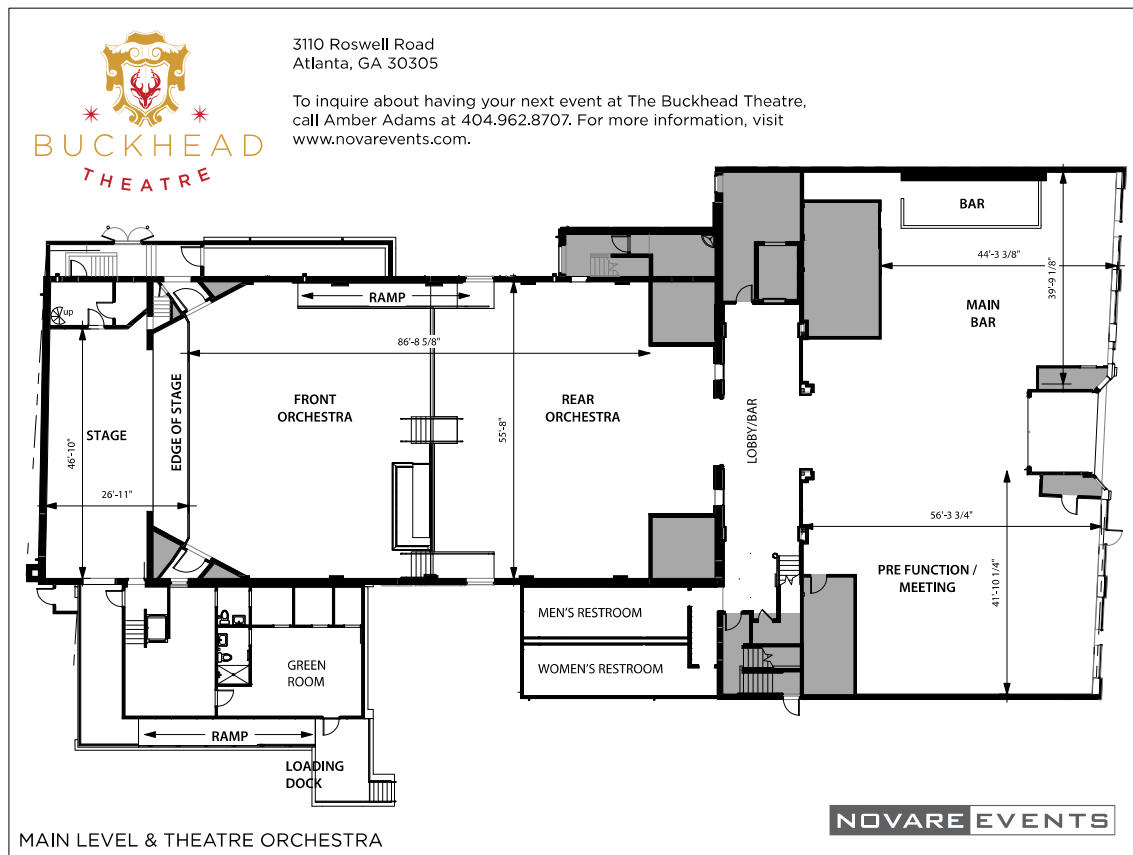
LOCATION: Located in the heart of Buckhead in uptown Atlanta, the Buckhead Theatre originally opened in 1930 as a movie house and was later converted to a music and entertainment venue, known as the Roxy. In 2008, the venue underwent a \$6 million renovation and reopened as the Buckhead Theatre in 2010.



OWNERSHIP/ MANAGEMENT: The Buckhead Theatre is privately owned and managed by Novare Events.

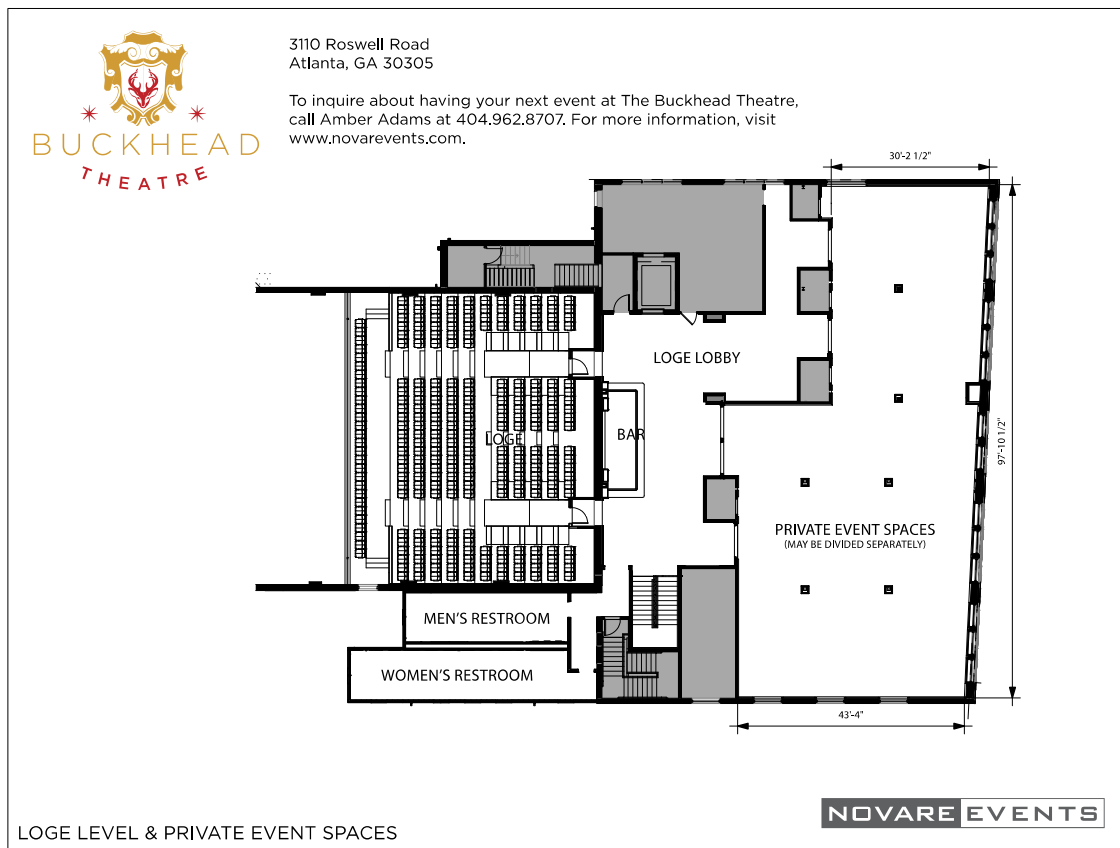
FACILITIES: The 790-seat Spanish-Baroque style theater comprises 580 seats on the main floor and 210 balcony seats. Removable seating and a level floor on the orchestra level allows for flexible use of the space, accommodating up to 1,600 people in reception style. The ground floor also features a greenroom and dressing rooms, along with lobby and pre-function space, and a bar area. The following figure provides a pictorial overview of the ground floor.

Figure 4 - 2



The upper level features a 5,500 square foot ballroom, divisible into four sections, along with lobby space and a bar area. The following figure provides a pictorial overview of the upper floor of the Buckhead Theatre.

Figure 4 - 3



ANCHOR TENANTS: No anchor tenants.

RENTAL RATES: The following table summarizes current rental rates at the Buckhead Theatre.

Table 4 - 8

Buckhead Theatre Special Event and Corporate Rental Rates (2014)	
Facilities	Rate
Full Theater Buy Out	
Sunday - Friday	\$7,500 Rental/No Beverage Minimum
Saturday	\$8,500 Rental/\$6,000 Beverage Minimum
Theater Only (Lower Level)	
Sunday - Friday	\$6,000 Rental/No Beverage Minimum
Saturday	\$6,500 Rental/\$5,000 Beverage Minimum
Upper Floor Meeting Space/Gallery Space	
Sunday - Friday	\$4,000 Rental/No Beverage Minimum
Saturday	\$4,000 Rental/\$4,000 Beverage Minimum
Addition of Wedding Ceremony	\$1,000
Extra Rental time over 8 hours	\$400 per hour

Source: Buckhead Theatre, Johnson Consulting

DEMAND SCHEDULE / REVENUE AND EXPENSES: While no specific demand or financial information was made available by facility management, it is understood that the venue attracts a variety of events including concerts, corporate events, fund raising dinners, off-Broadway shows, seminars, and weddings. Anecdotal information from sales staff at the Buckhead Theatre indicates that they have a number of multiple holds for the same date for live entertainment events and turned away corporate event demand, indicating that there is more demand than the venue can accommodate. They also stated that rental fees and live entertainment box office revenues are a breakeven proposition and that the liquor sales are how the theater is able to make a profit.

OBSERVATIONS: The Buckhead Theatre is a well-operated entertainment venue that is highly popular and ideally located to capture higher disposable incomes in the Buckhead area of Atlanta. The key to the venue's success is that the sales and booking team programs the venue with entertainment that reflects the demand base, while also having a strong understanding of the corporate market and their particular event needs. The corporate and social market is able to fill the venue during off-peak periods (i.e. on weekdays) and is a significant profit center for the venue, especially because the marketing of the theater and ballroom are integrated.

SPACE EVANTSON EVANSTON, IL

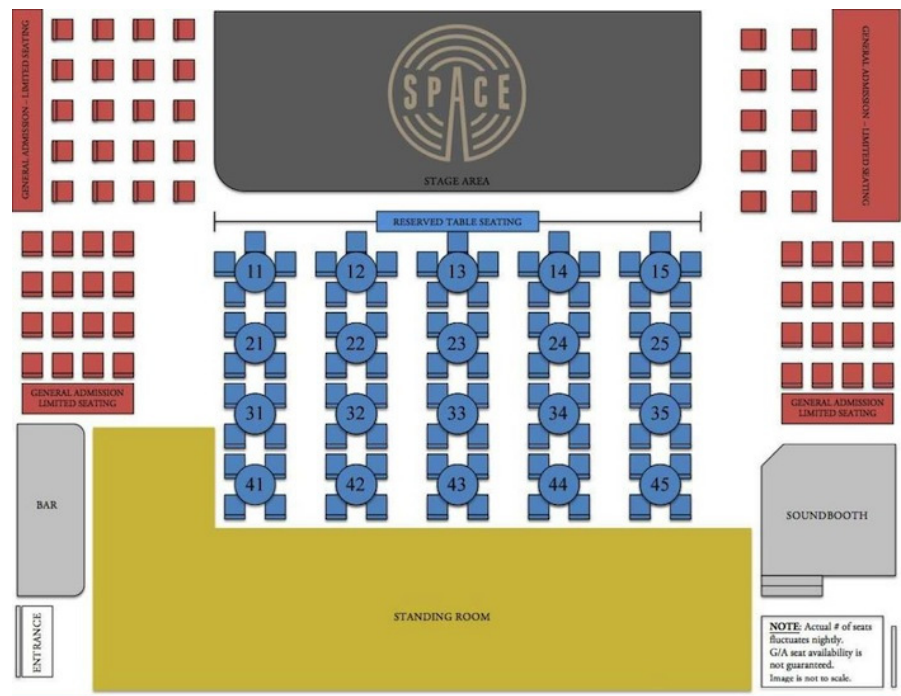
LOCATION: Opened in 2008, SPACE Evanston is an entertainment venue named as an acronym for "The Society for the Preservation of Arts and Culture". Located in Evanston, the venue is accessible via the Metra and "El" from downtown Chicago.



OWNERSHIP/ MANAGEMENT: SPACE is privately owned and operated. It is understood that the venue employs 3 full-time staff, supported by additional staff during events.

FACILITIES: SPACE comprise 3,000 square feet of multi-purpose event space, with capacity for 225 patrons for concerts, 100-200 in a banquet setting and 180-200 people for receptions. The following figure shows the typical set-up for events at SPACE.

Figure 4 - 4



The main event space is supported by a small number of breakout rooms that accommodate between 5 and 40 persons. The venue also includes The Studios at SPACE, designed as a recording studio available to artists to utilize during their tours. The Studios were opened to the public in 2013 and are now also used for intimate concerts and private events.

Union Pizzeria is located along the main street frontage of the venue, offering catering for events at SPACE and also operating as a restaurant that is open to the public.

ANCHOR TENANTS: No anchor tenants.

RENTAL RATES: The following table summarizes current rental rates at SPACE.

Table 4 - 8

SPACE Evanston Rental Rates (2014)		
Daily Rental Rate	Peak Season (April-November)	Low Season (December-March)
Monday-Wednesday	\$2,000	\$2,000
Thursday or Sunday	\$3,500	\$3,000
Friday or Saturday	\$6,500	\$5,500
Addition of Union Restaurant to Event Space (Daytime Only)		\$1,500

Source: SPACE Evanston, Johnson Consulting

DEMAND SCHEDULE / REVENUE AND EXPENSES: While no specific demand or financial information was made available by facility management, it is understood that the venue attracts a variety of events including concerts, children’s’ shows corporate events, weddings, and social events. Anecdotal information suggests that the venue achieves a net operating income in the order of \$100,000 annually.

OBSERVATIONS: SPACE Evanston is a popular entertainment venue, with flexible design effectively allowing it to offer a “blank canvas” for a multitude of event types. The Studios add an additional revenue stream to overall operations. The privately managed venue is considered to play an important role in restoring the supportive arts community in Evanston.

INDICATIONS FOR ARLINGTON HEIGHTS

Smaller venues of 250 to 5,000 seats are an important component of the entertainment industry. As Live Nation has gained dominance in the thinner large-venue market, the regional or smaller promoter has changed format. In order to adapt and survive, many of the local promoters are turning to smaller venues (250 to 5,000 seats) as baby boomers and other attendee categories are finding entertainment events and smaller facilities more enjoyable and intimate. Many of these promoters, both for profit and not for profit, are returning to subscription based pricing strategies such as, buy one get one free or one mega ticket, which may even include parking costs in the ticket price and access to a multi day event for one price. Other growing categories of demand include music performances, comedy, and storytelling. These event types are important to the longevity of theater venues since they attract a younger demographic base and if programmed correctly can draw fans from a wide geographic area.

It is obvious that there is market demand for the MPAC. Attendance at the MPAC exceeds that of most of these larger facilities. Further, the scale of revenue at the MPAC is on par or better than at many of the other venues, including school revenue. The public support for the MPAC is on the high side. What this analysis tells is two fold:

- The perception of the operation is affected by the criticisms earned by management and the PAM Board and their exposure by the Village Trustees. The actual role of the MPAC is worthy, if it is administered and programmed properly.
- Operational and oversight acumen deficiencies are evident by the size of the deficit incurred over the last several years.

These aspects will be addressed in the balance of this report.

SECTION 5

PUBLIC INPUT & ECONOMIC IMPACT



PUBLIC INPUT AND ECONOMIC AND FISCAL IMPACT ANALYSIS

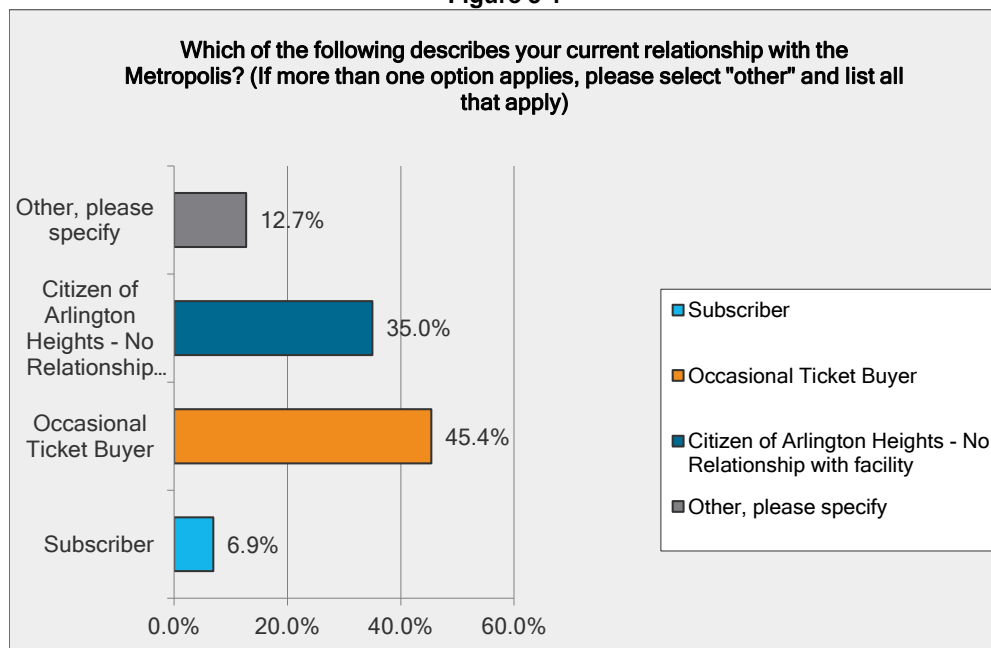
Why are performing arts centers built? Are they places for the masses? Are they catalysts for economic development? Are they to cause people to come into a sub area of a community so they can be entertained and enjoy each other's company? If done right, all of these benefits should and do occur. The reputation of the MPAC brand is tarnished and residents are frustrated with the poor management of the venue. Despite this, the findings from our public outreach efforts indicate there is still overwhelming support for a performing arts facility in the community. This section is intended to highlight both the importance of the venue to the community as well as the important role it plays as an economic generator of activity and vibrancy in the heart of downtown Arlington Heights.

PUBLIC INPUT

Johnson Consulting developed a public input questionnaire that was announced on the Village's website and through community email blasts. The questionnaire remained open from 12/8/14 to 12/21/14 and received 1,328 total responses. The questionnaire was designed to solicit community input about perceptions and satisfaction with MPAC and its role in the community.

- According to Figure 5-1, of the nearly 1,400 responses, over 45 percent of the respondents identified himself/herself as an Occasional Ticket Buyer, while 35 percent do not have a relationship with the PAC but are citizens of Arlington Heights.
- In the 2013-2014 season approximately 75 percent of ticket buyers were from outside of Arlington Heights. Given the focus of the questionnaire was on residents of the Arlington Heights community, a large portion of ticket buyers most likely did not participate in the Questionnaire.
- Of the twelve percent of respondents who selected, "Other – please specify," most indicated that they had a prior relationship with the PAC, or perform/work at the PAC in some capacity, or their child attends SOPA classes.
- Nearly seven percent of respondents were identified as a subscriber.

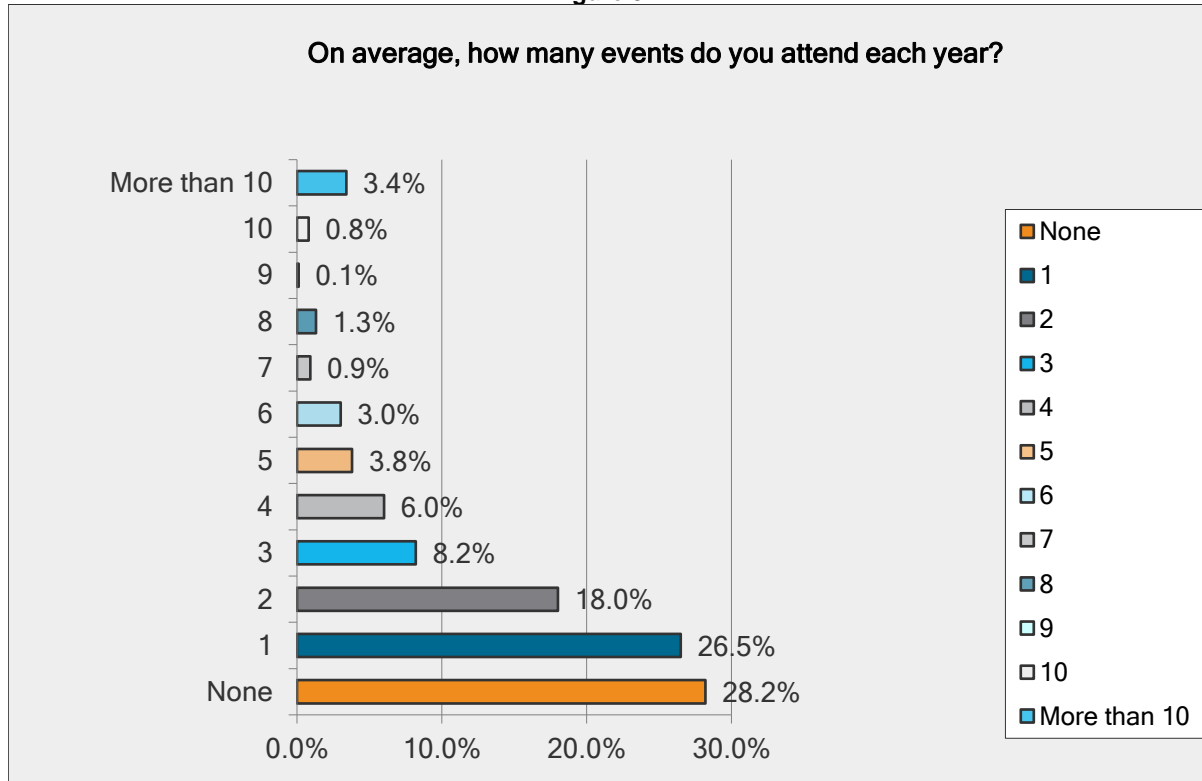
Figure 5-1





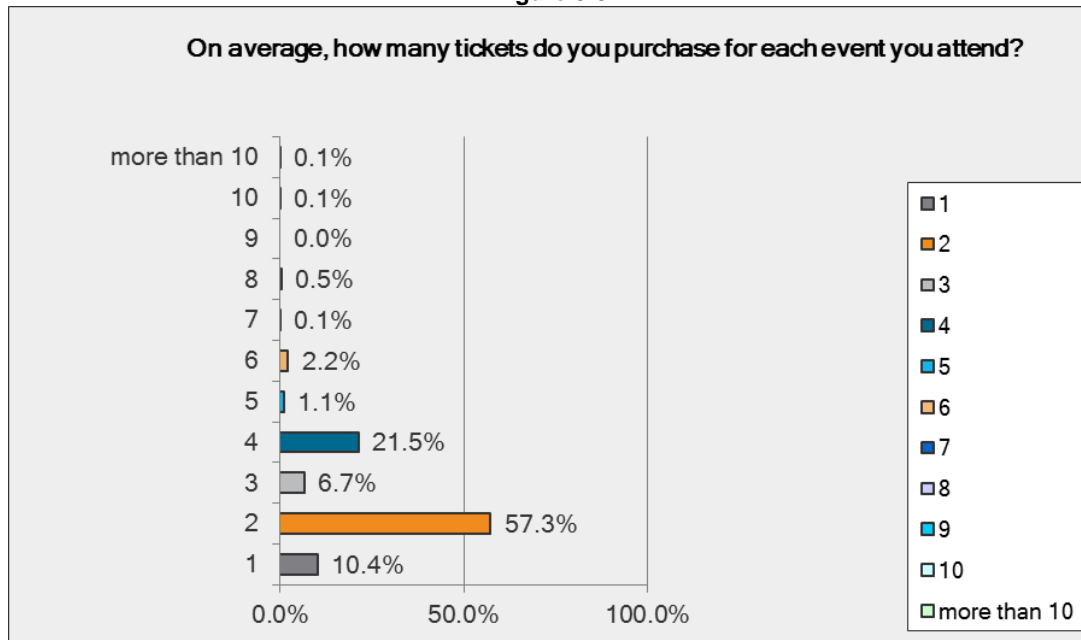
To further understand who was responding to the survey we wanted to know how often each respondent attends events at the PAC, how many tickets they purchase and the types of events they attend. The results are shown in Figures 5-2, 5-3 and 5-4.

Figure 5-2



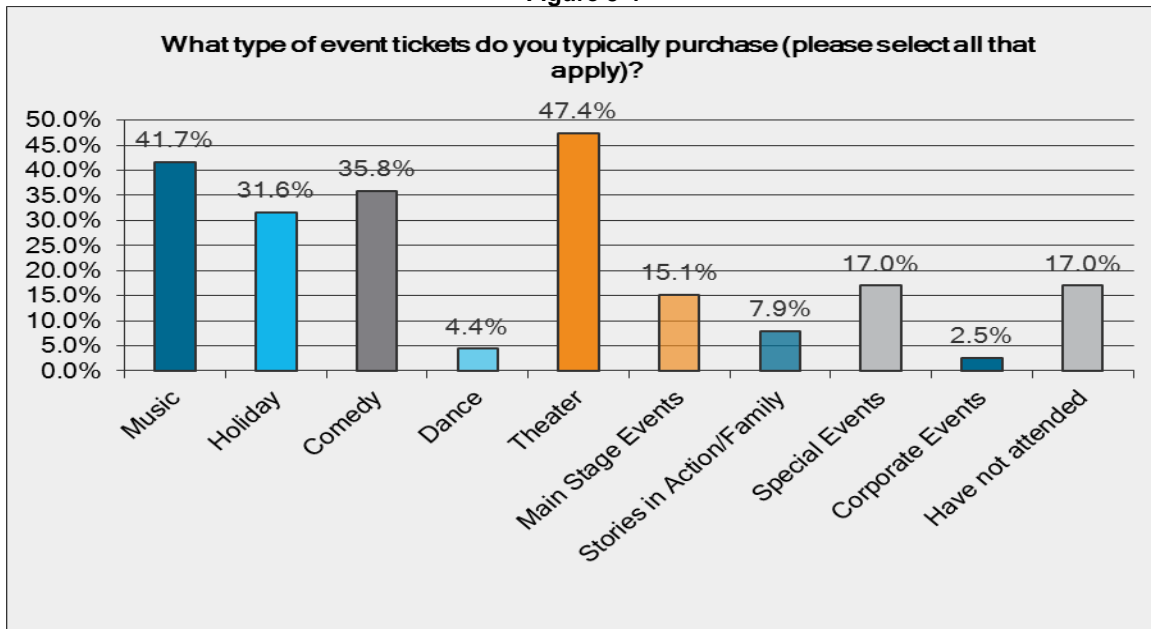
- 28.2 percent of responses attended zero events in a given year – the largest group of respondents.
- The second largest group of respondents, or 26.5 percent, attend one event per year.
- A total of 32.3 percent attend between two and four events in a year, while 3.4 percent represent attendees of more than 10 events per year.

Figure 5-3



- The majority of respondents, or 57.3 percent, purchase two tickets for each event.
- The second largest percentage of tickets purchased per event is four, representing 21.5 percent of responses.

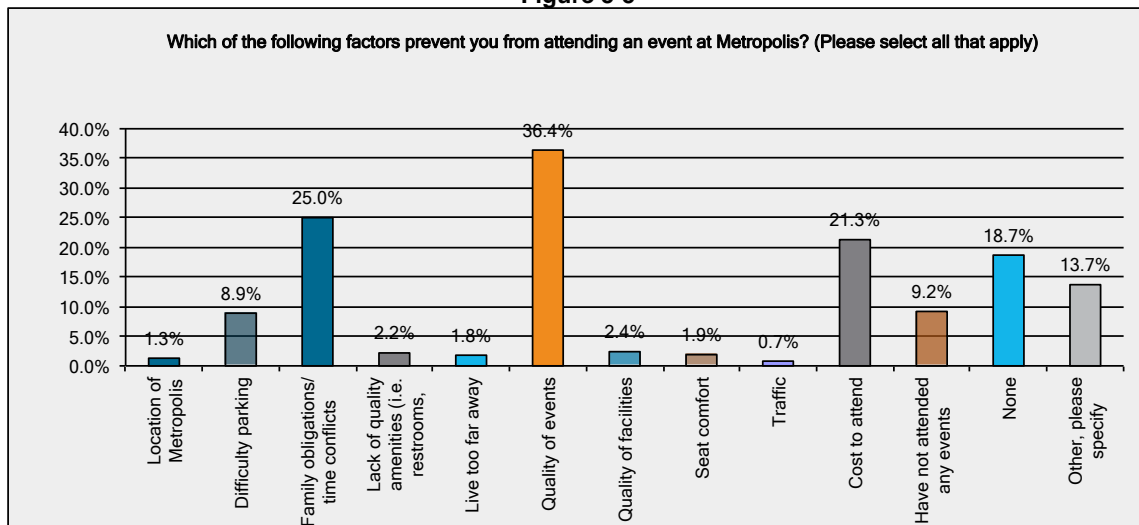
Figure 5-4



- The largest events that respondents attend are theatre (47.7 percent), music (41.7 percent), comedy (35.8 percent) and holiday (31.6 percent).

In Figure 5-5, we asked the respondents to identify factors that prevent them from attending events at MPAC.

Figure 5-5

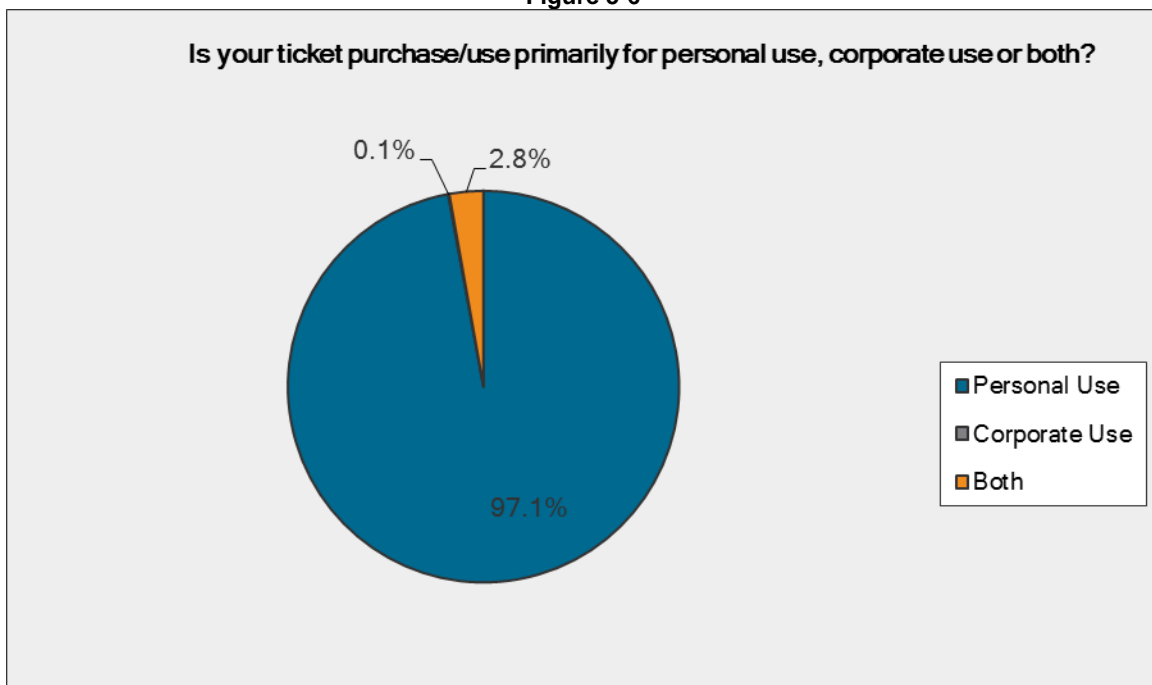


- 36.4 percent of the respondents stated that the Quality of Events keeps them from attending events at MPAC.

- 25 percent indicated that Family Obligations/Time keeps them from attending events, while 21.3 percent stated that it was the cost of attending an event that prevented them from attending an event.
- Of the 13.7 percent of respondents who selected 'Other', reasons included a lack of notification of events and quality of management and staff.

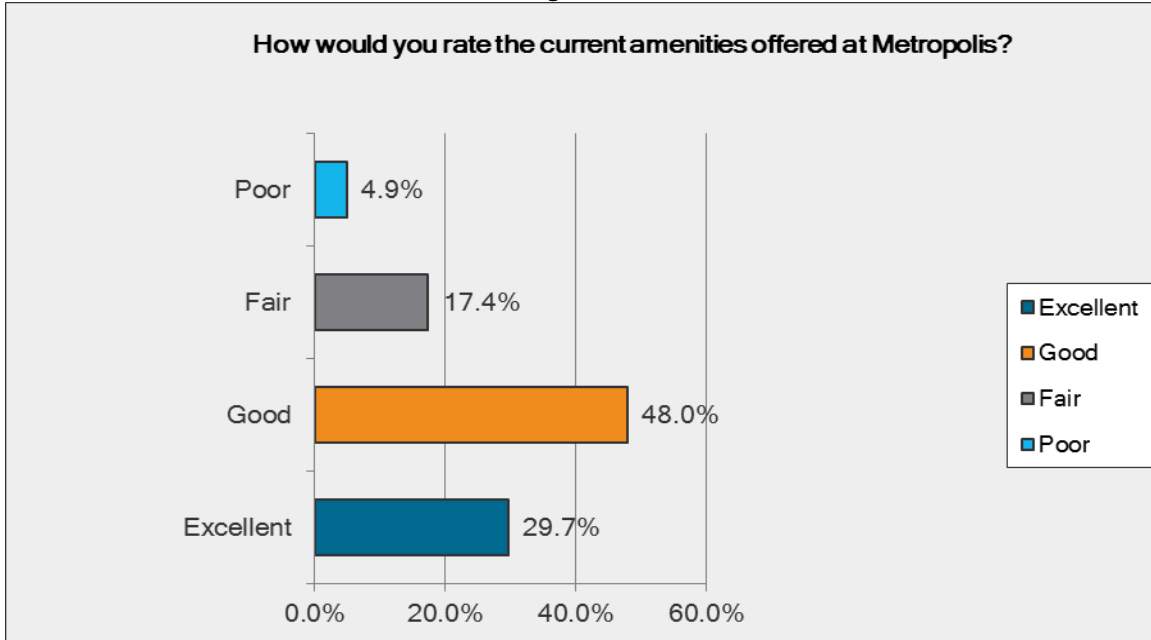
We also wanted to understand the reason for purchasing tickets, whether it is for personal use, corporate use or both. An overwhelming majority, 97.1 percent, uses their tickets for personal use as shown in Figure 5-6.

Figure 5-6



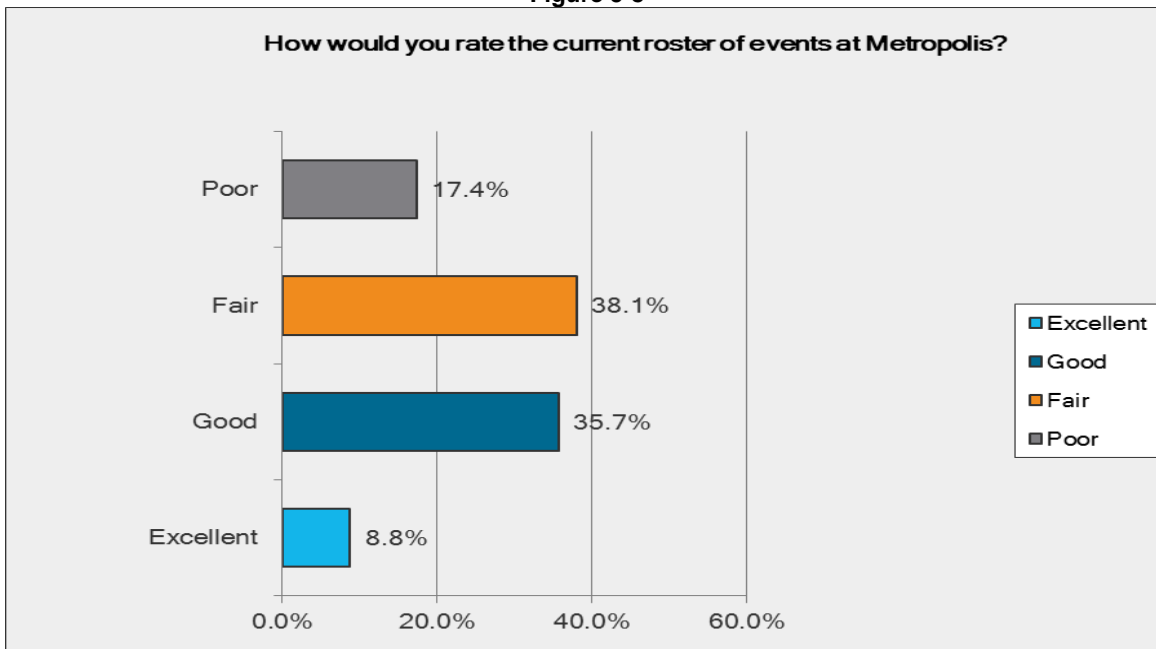
Figures 5-7 and 5-8 include information about the quality of events and amenities at the MPAC.

Figure 5-7



Of those who responded, 77.7 percent feel that the current amenities at the MPAC are 'Good' or 'Excellent' (48 percent and 29.7 percent, respectively).

Figure 5-8



In terms of the roster of events at MPAC, 38.1 percent responded that the events are ‘Fair’, while 35.7 percent responded that events are ‘Good’. 17 percent believe that events are ‘Poor’, while just fewer than 4 percent believe the events are ‘Excellent’.

Figure 5-9 shows a text analysis of special events that respondents have attended at MPAC. The larger the text, the more times it was included as a response.

Figure 5-9



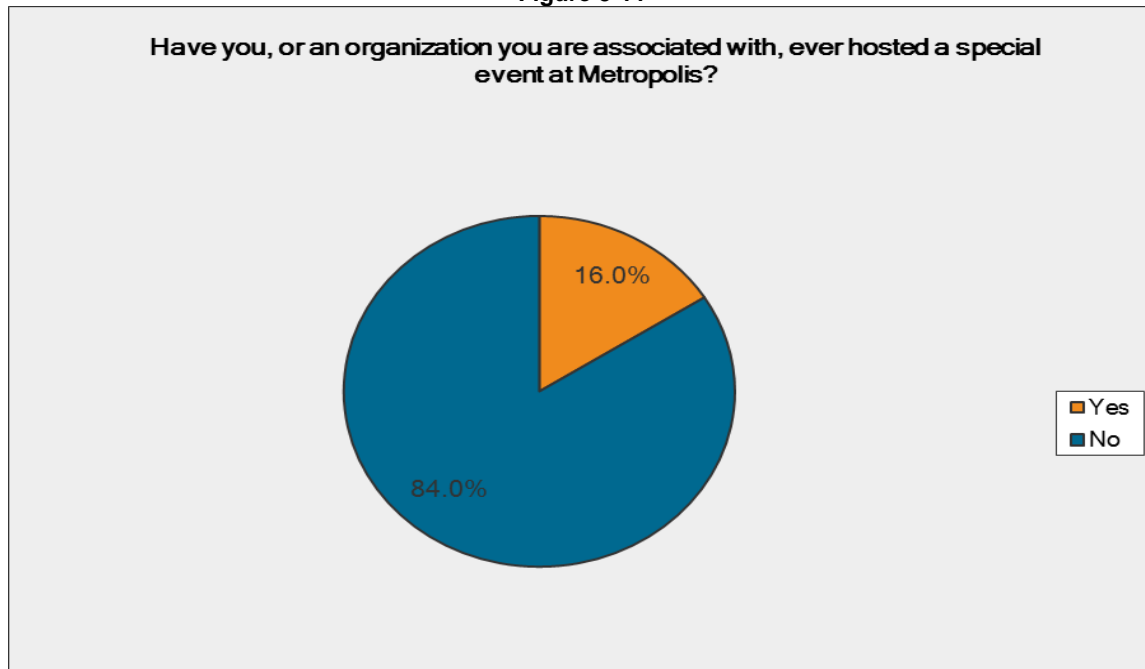
Figure 5-10 also shows a text analysis for types of events respondents would like to see held at MPAC.

Figure 5-10



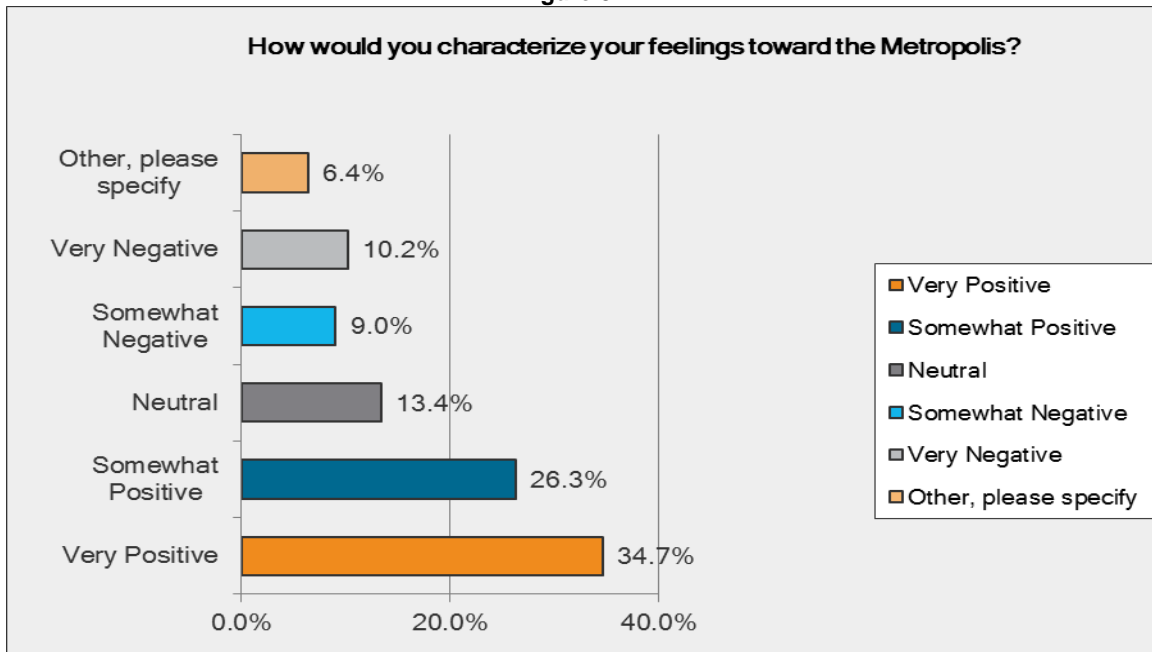
Also regarding special events, we wanted to know if any respondents have ever hosted a special event at MPAC. 16 percent of respondents replied 'Yes', while 84 percent of respondents have not hosted a special event at MPAC.

Figure 5-11



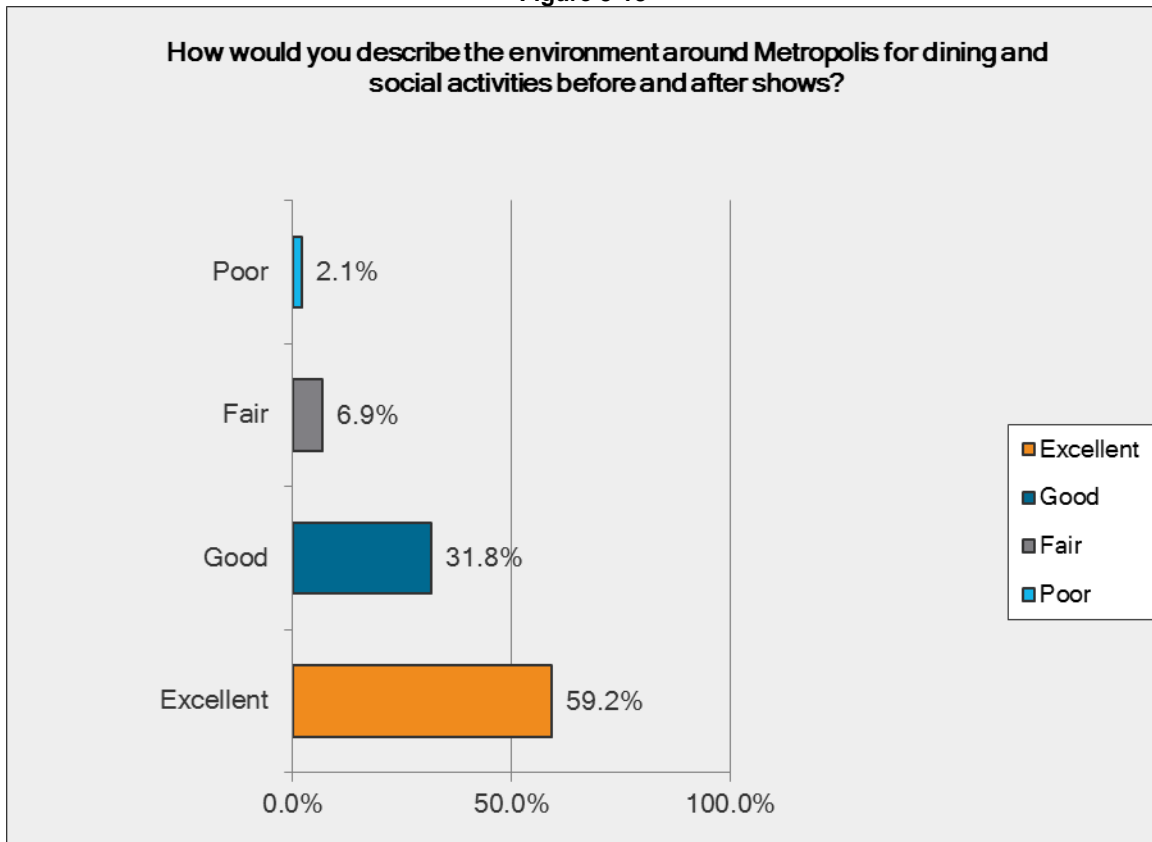
When asked to share their feelings towards MPAC, responses were generally favorable with 34.7 percent replying ‘Very Positive’, and 26.3 percent replying ‘Somewhat Positive’, while 13.4 percent were ‘Neutral’, and 19.2 percent have negative feelings towards MPAC. Also included below Figure 5-12 is the text analysis for ‘Other’ responses.

Figure 5-12



Disappointed Poor Programming Cost
 Tax Dollars Town Money Great Potential
 Metropolis Place Village Offered
 Theater Private Enterprise Positive Original
 Love Shut Downtown Improve Needs

Figure 5-13



There is also a favorable view regarding the dining and social environment around the MPAC, with 59.2 percent responding ‘Excellent’ and 31.8 percent responding ‘Good.’ Just nine percent believe the surrounding environment is ‘Fair’ or ‘Poor.’

The business establishments that respondents visit before or after an event at MPAC are listed in a text analysis in Figure 5-14.

Figure 5-14

Place Food Big Shots Downtown AH Armands Restaurants
 Tasca Bangkok Cafe Salsa 17 Arlington
 Restaurants California Pizza Kitchen
 Peggy Metropolis Mago Eat
 Carlos Carlos Dunton House Bar Yogurt
 Tuscan Market Dining Event Eddies Dinner

Figure 5-15 asked respondents if they believe the MPAC is playing an important role in exposing residents to the arts and cultural community, and a majority of respondents (79 percent) believe that it is.

Figure 5-15

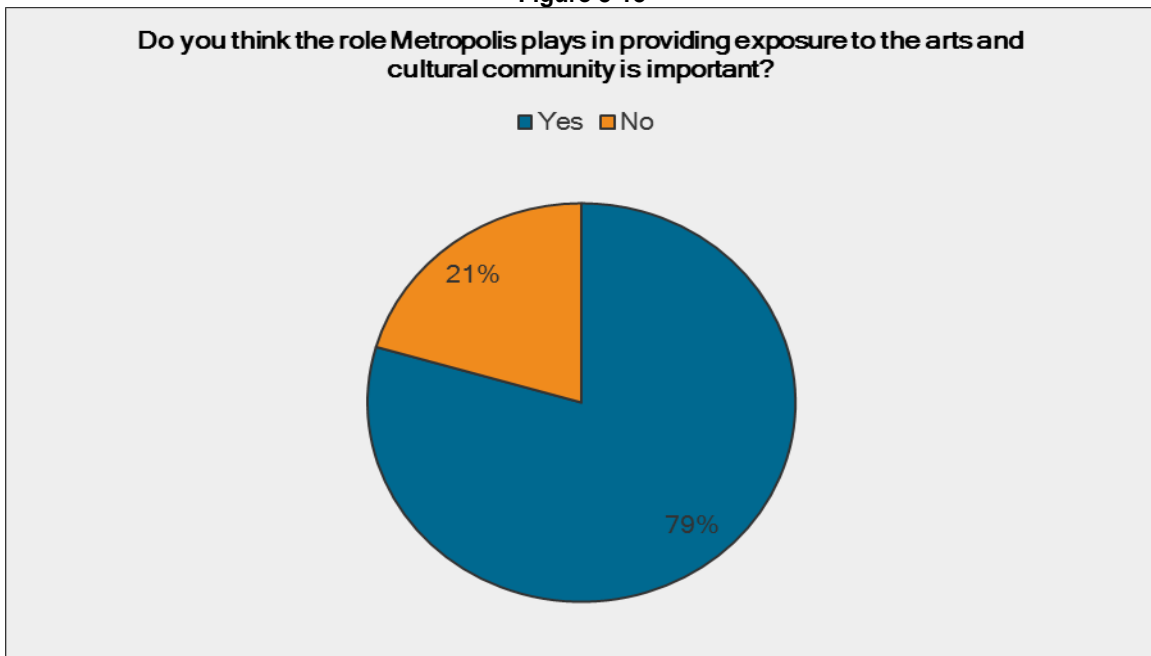


Figure 5-16 asked respondents if an expanded MPAC with more programming variety would increase attendance at events. 54 percent responded ‘Yes’ while 13 percent responded ‘No’ with 33 percent ‘Unsure.’

Figure 5-16

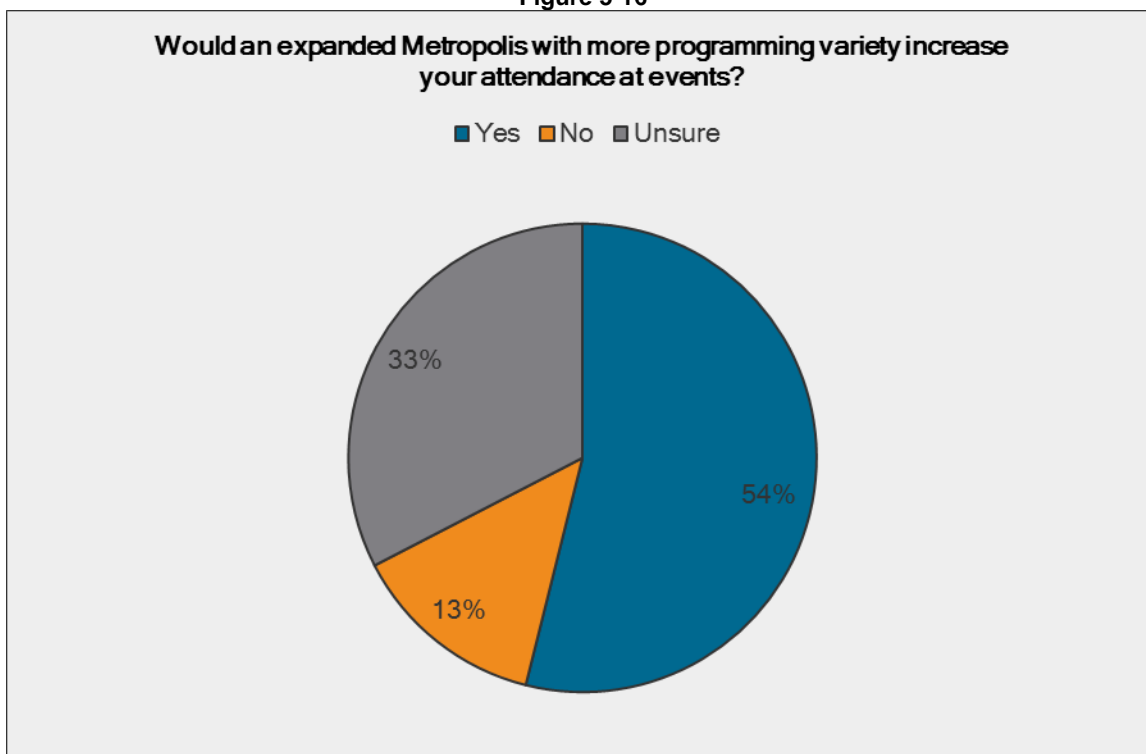
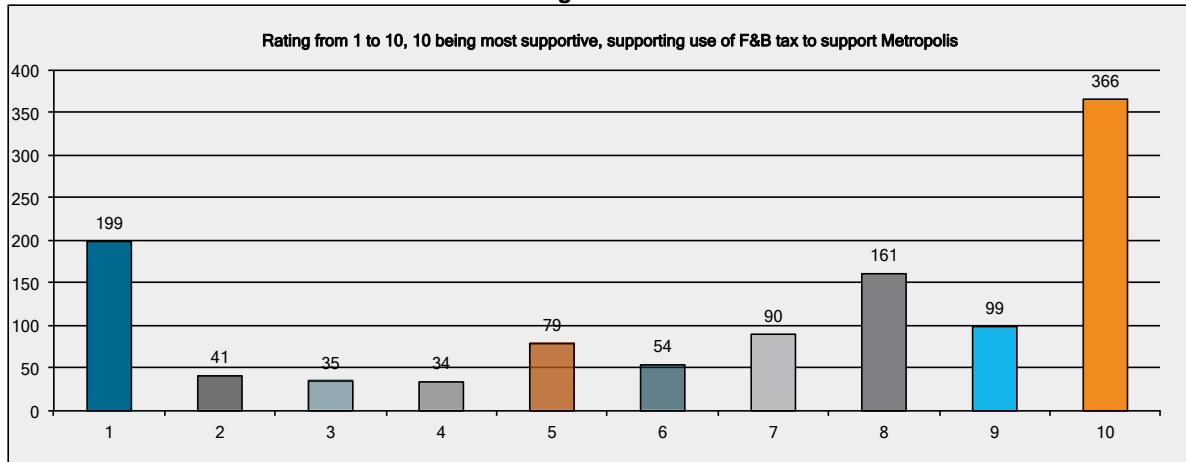


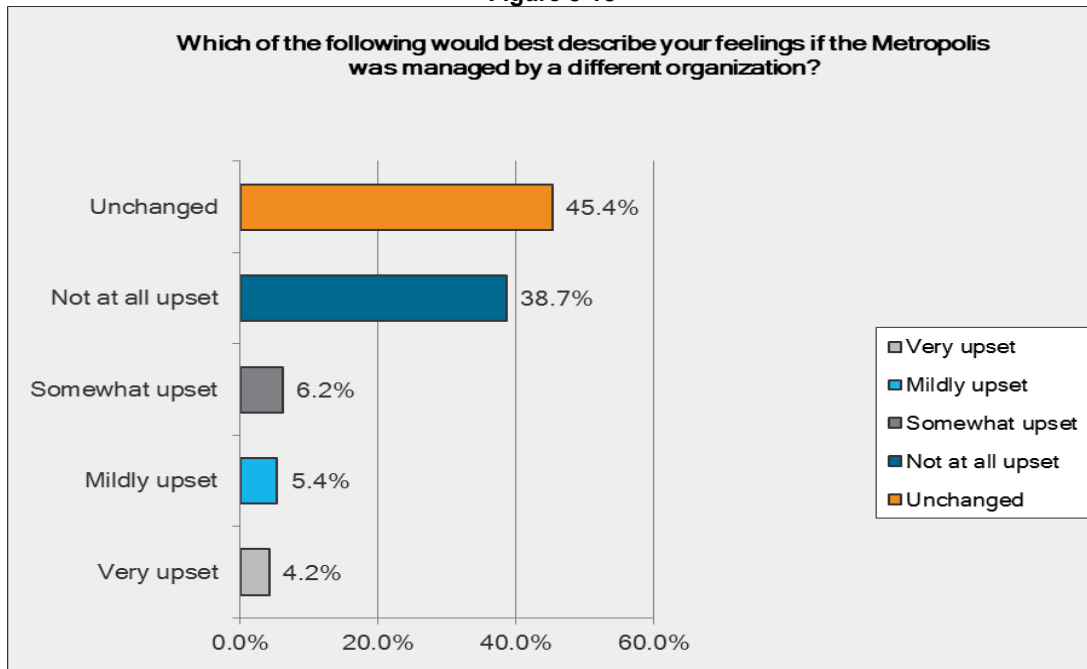
Figure 5-17 asks respondents how they would react to a Food and Beverage Tax being used to support MPAC (Scale from 1-10 with 10 being most supportive). The average rating was a 6.6, with the largest response group (366 responses) at level 10.

Figure 5-17



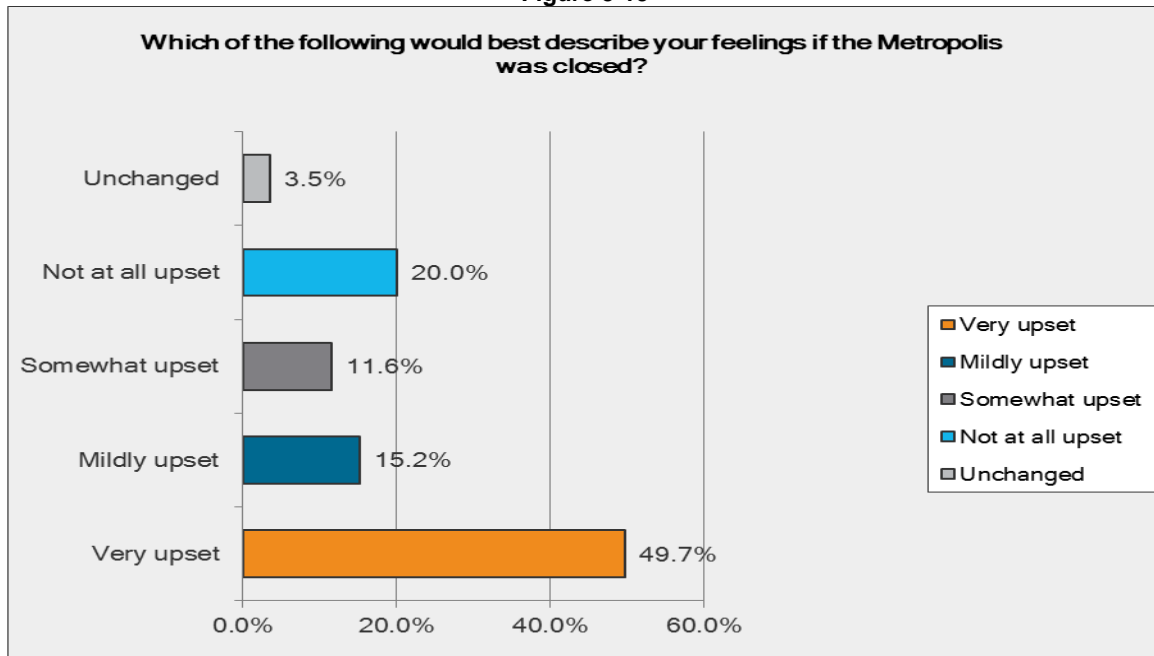
Figures 5-18 and 5-19 ask respondents for their feelings towards two specific scenarios regarding the MPAC.

Figure 5-18



45.4 percent of respondents would be 'Unchanged' and 38.7 percent would be 'Not upset at all' if MPAC were run by a different organization.

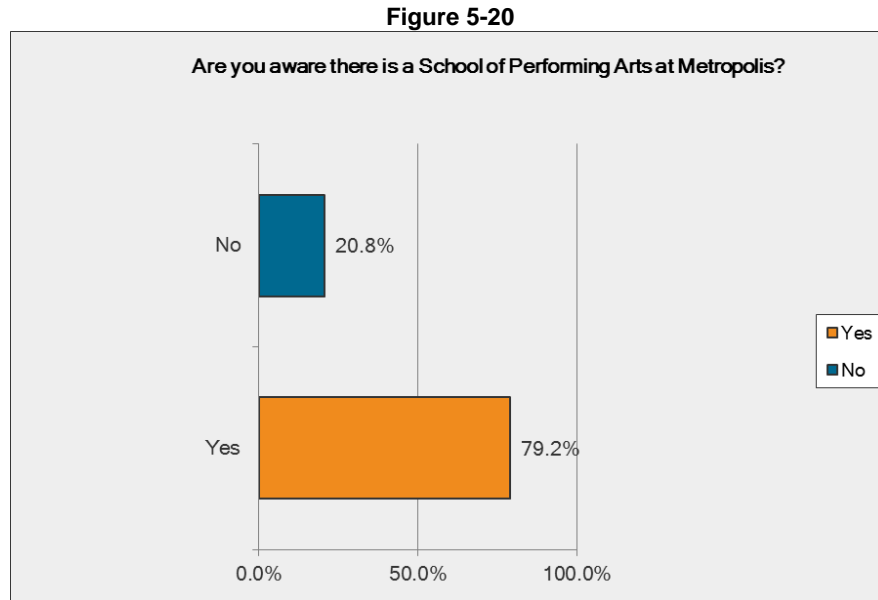
Figure 5-19



49 percent of respondents would be ‘Very Upset’ if MPAC were closed. Below is the text analysis for responses to the question of closing MPAC.

Lost Arlington Hts Place Great Resource Local Cultural Events
 Money Good Riddance Theater HAPPY
 Business Marketing Community Miss
 Metropolis Plays Downtown Church
 Needs Better Productions Village Good Idea
 Venue Live Performances Lose Loss for Arlington Heights Upset

Figures 5-20 through 5-23 involve questions regarding the School of Performing Arts at MPAC.



79.2 percent of respondents are aware of the School of Performing Arts at MPAC, however only 10.2 percent of respondents have used it, as shown in Figure 5-21.

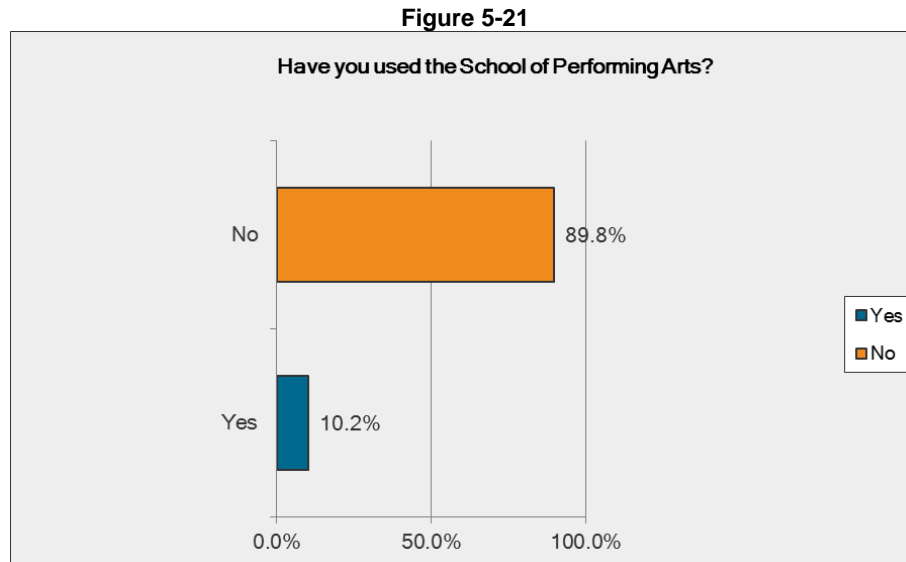


Figure 5-22 displays the text analysis for responses to the question: “What is your perception of the current school operations?”

Figure 5-22

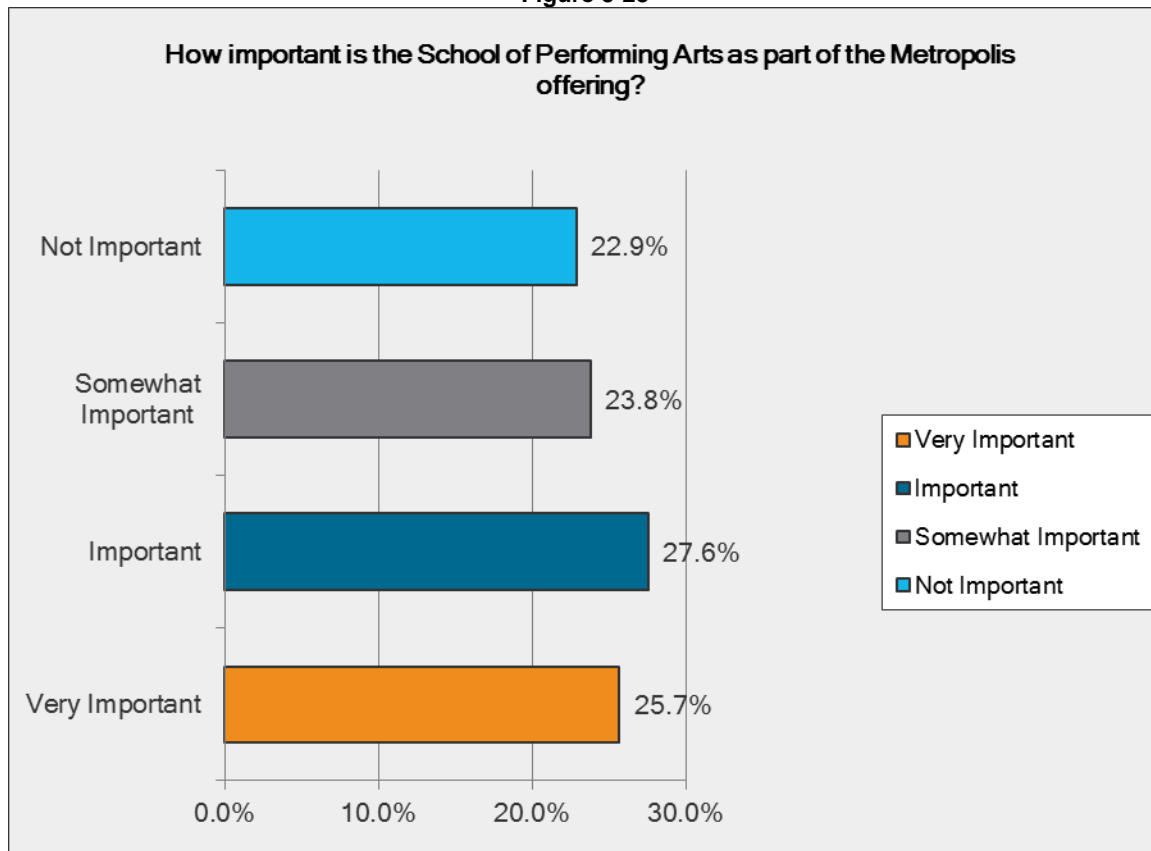


Community Friendly Knowledge Expensive Idea Little
Positive Familiar Unknown Tax Dollars
Children Theatre Students District
School Aware Excellent LOVE
Program House Perception Aren't Opinion
Facility Getting Guess Experience

When asked about the importance of the School of Performing Arts as part of MPAC, responses were fairly evenly distributed with 22.9 percent responding 'Not Important,' 23.8 percent responding 'Somewhat Important,' 27.6 percent responding 'Important,' and 25.7 responding 'Very Important.'

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Figure 5-23



Figures 5-24 through 5-27 provide the demographic information for the respondents.

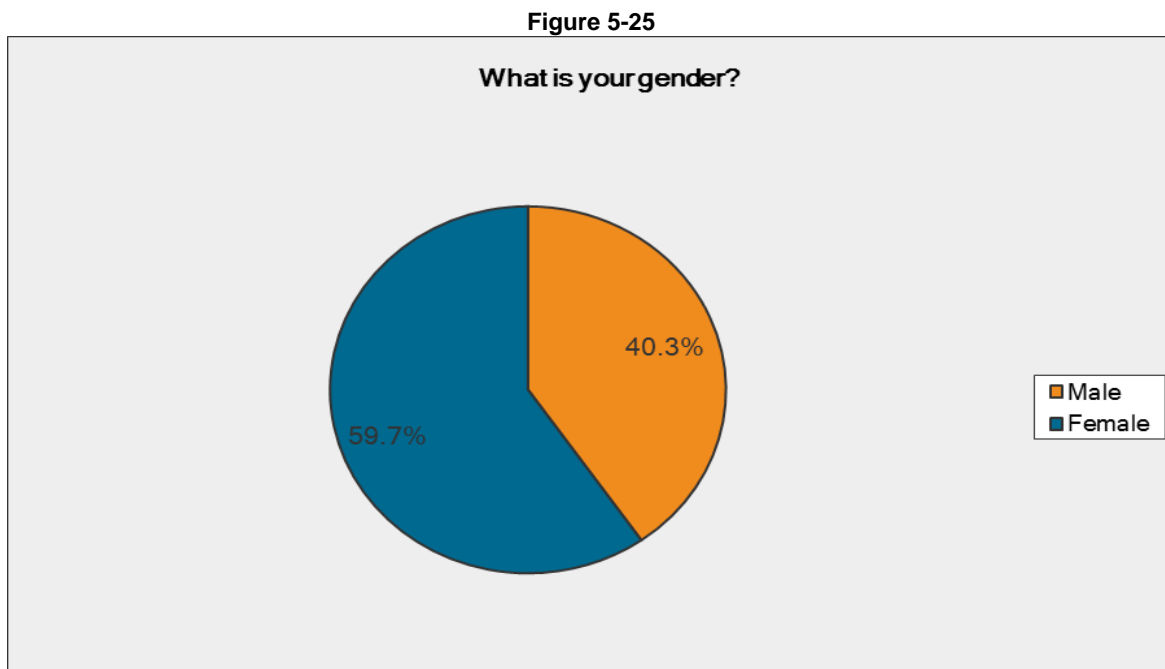
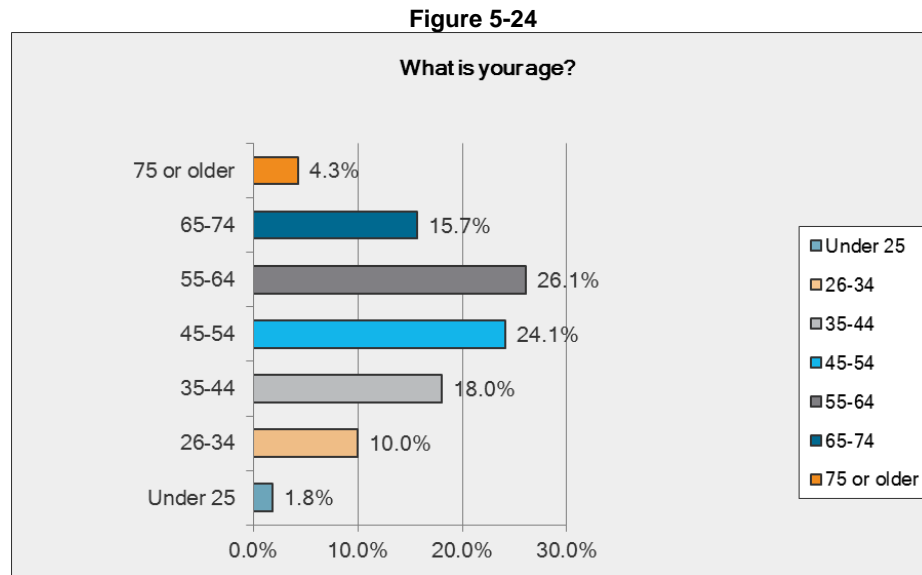


Figure 5-26

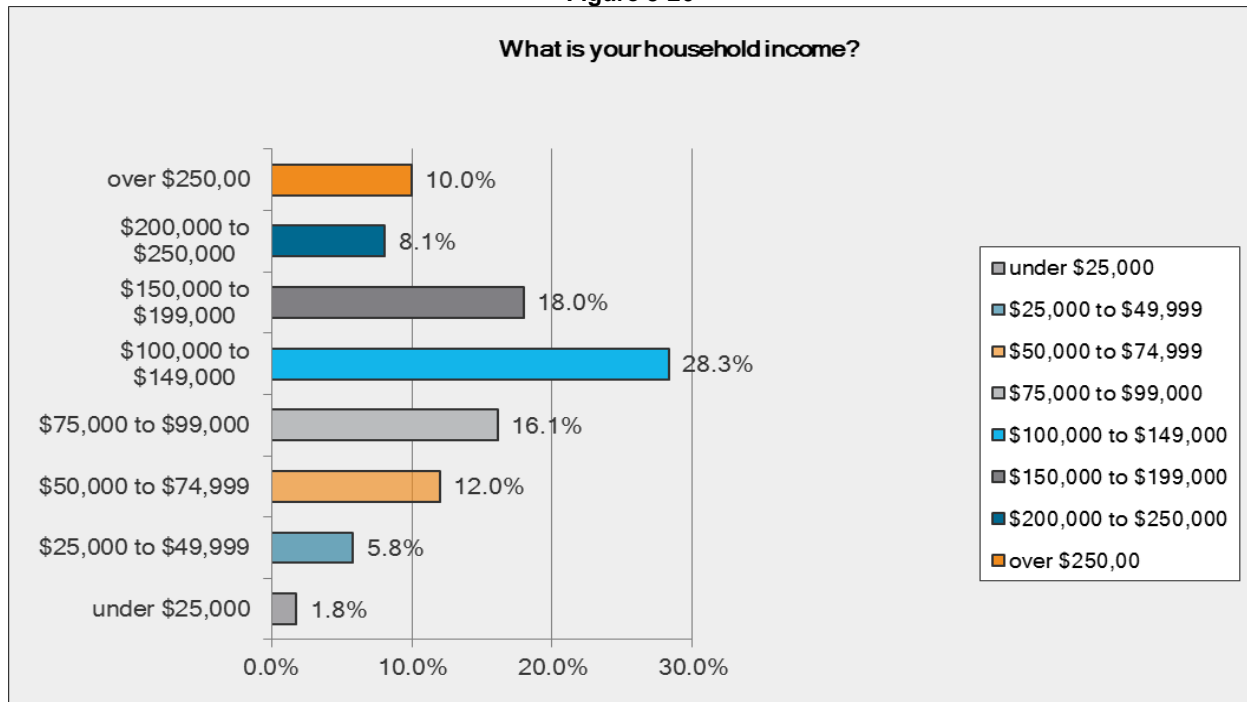
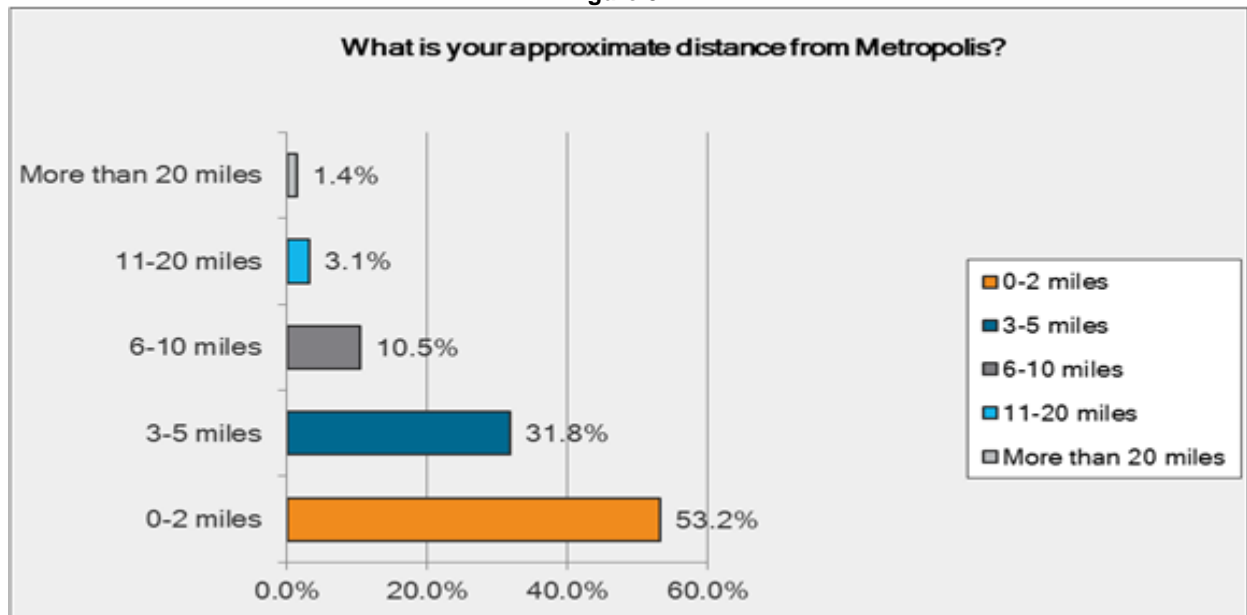


Figure 5-27





SUMMARY OF IMPACT FINDINGS

MPAC is the leading entertainment venue in the Village of Arlington Heights. The MPAC is very important to the residents and people are very proud of the role this facility plays in the community. Beyond providing a venue to hold plays, concerts, family shows, and other entertainment events, the MPAC also brings measurable and quantifiable economic and fiscal benefits to the community and the Village. The following section measures and quantifies these impacts, specifically to the Village of Arlington Heights.

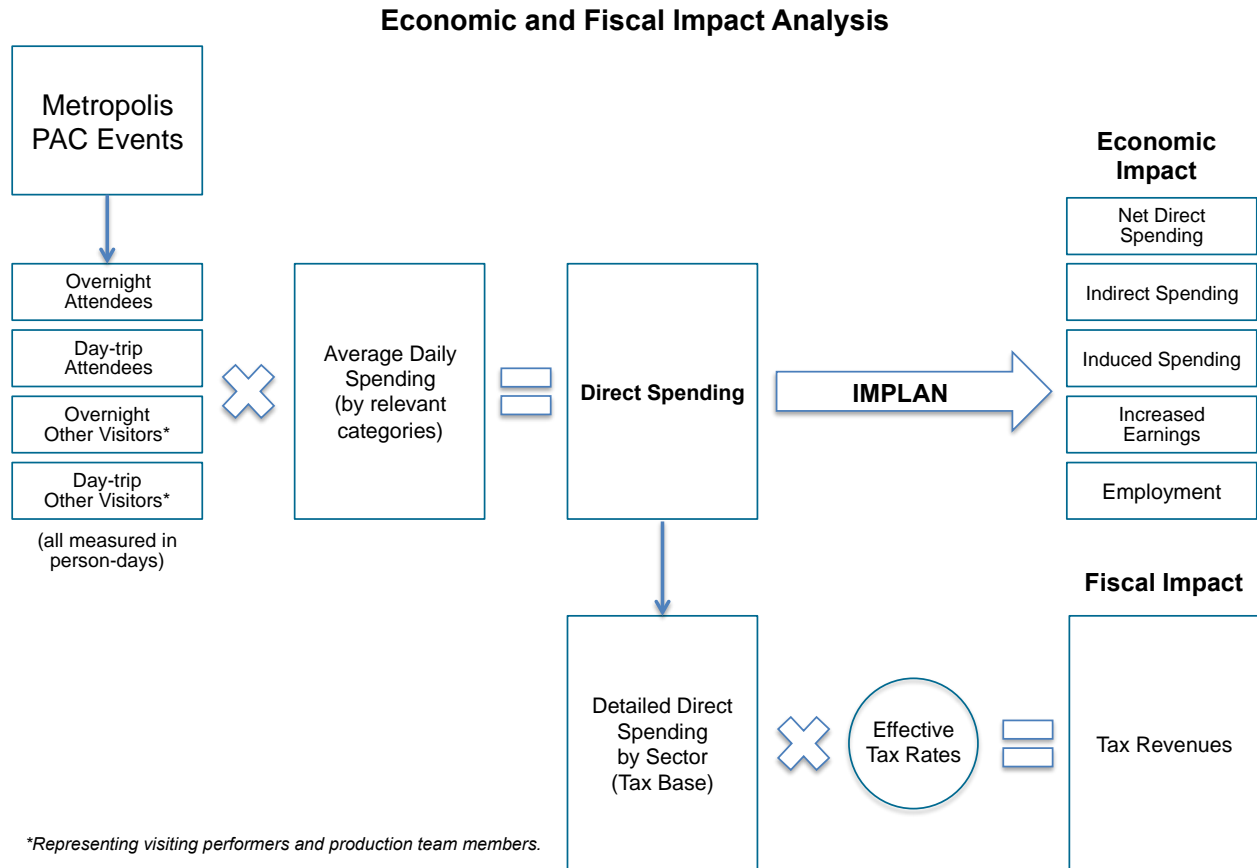
- In 2013-2014 Season, MPAC events are estimated to generate close to 500 hotel room nights.
- Total economic and fiscal impact is estimated to include \$3 million of direct spending, \$1.8 million of indirect and induced spending combined, \$1.7 million of increased earnings, 30 full-time equivalent jobs, and \$297,000 in Village, County and State tax revenues, annually.
- Net new impact to the Village of Arlington Heights, taking into account the effect of spending by out-of-Village visitors only, is estimated to include \$3.6 million of total spending, \$1.3 million of increased earnings, 23 full-time equivalent jobs, and \$225,000 in Village, County and State tax revenues, annually.

Additionally, the most important thing to visualize is what MPAC is contributing to the Village of Arlington Heights as a community. MPAC increases the identity of the Village by promoting to visitors from outside the community to come and see performance events, and by developing a continuing menu of events. As summarized in section 3, the MPAC has been playing host to tens of thousands of residents and visitors in the region annually.

METHODOLOGY AND DEFINITIONS

To estimate the fiscal impacts of the expansion, Johnson Consulting followed the methodology outlined in the figure below.

Figure 5-28



Basically, MPAC generates attendees as well as performers and production staff. Some of these visitors make day-trips and a few may stay overnight. The volume of those visitations, measured in number of person-days (e.g., one visitor staying for three days is equal to three person-days) serves as the basis of analysis. Multiplying it by average daily spending (by relevant categories) will result in direct spending.

ECONOMIC IMPACT ANALYSIS

Economic impact analysis measures the “ripple effects” from direct spending to the resulting indirect spending and induced spending, as well as the increase in personal income (or increased earnings), and the number of jobs supported, using the IMPLAN Model. Terms are defined as follows:



- **Direct Impacts** – are an expression of the spending that occurs as a direct result of the events and activities that occur at the MPAC. For example, a concert attendee’s expenditures on meals are a direct economic impact.
- **Indirect Impacts** – consist of re-spending of the initial or direct expenditures, or, the supply of goods and services resulting from the initial direct spending at the MPAC. For example, a concert attendee’s direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that are within the local, regional, or state economies is counted as an indirect economic impact.
- **Induced Impacts** – represent changes in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending. For example, a waiter at the restaurant may have more personal income as a result of the concert attendee’s visit. The amount of the increased income the waiter spends in the local economy is considered an induced impact.
- **Personal Income** – measures increased employee and worker compensation related to the events being analyzed. This figure represents increased payroll expenditures, including benefits paid to workers locally. It also expressed how the employees of local businesses share in the increased outputs.
- **Employment Impact** – measures the number of jobs supported in the study area related to the spending generated as a result of the events occurring in the MPAC. Employment impact is stated in a number of full-time equivalent jobs.

As previously stated, these ripple effects are estimated using multipliers rates from an IMPLAN Model, which is a nationally recognized impact model commonly used to estimate economic impacts and it is used extensively by municipal, state and federal government entities, as well as the private sector. An input-output model analyzes the commodities and income that normally flow through the various sectors of the economy. The indirect and induced spending, personal income, and employment effects represent the estimated changes in the flow of income and goods caused by the direct spending associated with the subject study.



For this economic impact analysis, the IMPLAN-based multipliers rates specifically correspond to the Arlington Heights area represented by zip codes 60004, 60005 and 60006. They are shown in Table 5-1 below.

Table 5-1

Metropolis Performing Arts Center, Arlington Heights, Illinois Economic Impact Multipliers		
Impact	Multiplier	Base
Indirect Spending	0.216	of direct spending
Induced Spending	0.367	of direct spending
Increased Earnings	0.573	of direct spending
Increased Employment	9.906	per \$1 million of direct spending

Source: Implan, Johnson Consulting

The multipliers mean that for every \$1 million of direct spending, there will be \$216,000 of indirect spending, \$367,000 of induced spending, \$573,000 of increased earnings, and 9.9 supported full-time equivalent jobs.

FISCAL IMPACT ANALYSIS

Fiscal impact analysis is measuring tax revenues from various sectors of spending. Based on the determined spending amount, Johnson Consulting developed estimates of the fiscal impacts of the PAC as expressed through taxes that are most applicable to visitor spending: general sales tax, additional sales tax on prepared food and beverage, and hotel/ motel tax, as shown on Table 5-2, below.

Table 5-2

Metropolis Performing Arts Center, Arlington Heights, Illinois Applicable Tax Rates	
	Rate
Sales Tax	9.00%
Additional Sales Tax on Prepared F&B	1.25%
Hotel/ Motel Tax*	5.00%

**Applied on accommodations only.*
Source: Village of Arlington Heights



ORIGIN OF SPENDING: NET NEW VS. TRANSFER

The analysis differentiates impacts from spending by local residents and by people coming from out-of-town, and defines the MPAC event's overall impact in terms of both new spending (from the Village's perspectives) and transfer spending, defined as follows:

- **Net New Spending** – is spending by out-of-town attendees, exhibitors, and other visitors who come from outside the subject area, (i.e., the Village of Arlington Heights), which represents the amount of “new dollars” that flow into the subject economy.
- **Transfer Spending** – is spending by those who live in Arlington Heights and represents “transfer” spending. For example, an Arlington Heights resident who attends an event at the MPAC would transfer income from one sector of the Village's economy to another, and therefore, is not bringing new dollars into the Village economy. Nevertheless, they are part of the economic activities generated by the MPAC.

The analysis will present total impacts of the MPAC, as expressed through net new spending (to Arlington Heights) and transfer spending.

IMPACT ANALYSIS

The bases for the impact estimates are the 2013-2014 Season's event statistics, as a representative typical year's activities at the MPAC. As previously described in Section 3 of this report, in the 2013-2014 Season there were 263 performances, generating 43,853 attendees.

Upon a closer look at the event and attendance records provided by the MPAC, making up the 263 performances were 55 events, ranging from a single show to bigger productions staging up to 25 performances in a single run.

Table 5-3 lists those 55 shows, along with the number of performances, show days, attendees, performers and accompanying production staff. Largely, these shows are medium to small productions with simple staging, as opposed to elaborate, Broadway-style productions, ballets, plays, and similar others with a lot of scene-changing and stage-decorating requirements. For analytical purposes, the productions of 55 shows are assumed to involve, on average, 20 performers and accompanying production staff combined. Performers include, e.g., singers, musicians, dancers, and other performing artists; while production staff includes, e.g., show directors, costume and makeup crews, et cetera. Based on these assumptions, Table 5-3 shows the resulting estimates of person-days of attendees as well as performers and production teams.



Table 5-3

Metropolis Performing Arts Center, Arlington Heights, Illinois 2013-2014 Season Summary of Event Statistics				
	# of Performances	# of Show-Days (1)	# of Attendees = # of Attendee-Days (2)	# of Performer-Days (3)
	A	B	C	D
1 Charlotte's Web	5	3	1,274	80
2 Evening with Groucho	1	1	170	40
3 LAWpocalypse Now	1	1	250	40
4 Harbor Lights	1	1	183	40
5 Five Course Love	22	21	2,765	440
6 Memorial Day Salute	1	1	91	40
7 I Can Laugh About It	1	1	288	40
8 Michael Ingersoll	2	1	633	40
9 The Complete Shakes	3	3	1,673	80
10 101 Dalmatians Kids	1	1	477	40
11 Guys & Dolls Jr	4	2	613	60
12 Chicken Little	10	7	1,431	160
13 T.S.5	4	3	52	80
14 Laramie Project	1	1	180	40
15 Excalibur	6	4	452	100
16 Aristocats Kids	7	5	381	120
17 Peter Oprisko	2	2	165	60
18 Seussical Jr	1	1	538	40
19 GayCo	1	1	72	40
20 Happily Ever Laugh	10	10	1,365	220
21 Route 66	22	21	2,891	440
22 Shining Star	1	1	284	40
23 TV & Me	2	1	246	40
24 Liz Callaway	1	1	220	40
25 Broken Arrow	1	1	166	40
26 The Wizard of Oz	5	3	1,389	80
27 Defending the Caveman	3	3	774	80
28 Heartless	1	1	153	40
29 Shawn Mullins	1	1	330	40
30 A Christmas Carol	5	4	4,853	100
31 Holidays in Heights	8	4	3,616	100
32 The Lakeside Singers	1	1	222	40
33 Corky Siegel	12	7	171	160
34 A White Christmas	1	1	329	40
35 Glenn Miller	21	13	663	280
36 Abba Salute	1	1	340	40
37 Steve Cochran	1	1	328	40
38 Robbie Fulks	1	1	169	40
39 Bubble Wonders	1	1	329	40
40 Greater Tuna	22	21	2,005	440
41 Frindle	1	1	138	40
42 Piano Man	1	1	326	40
43 Taylor Mason	1	1	239	40
44 Hollywood & Broadway	1	1	162	40
45 Heartache Tonight	1	1	328	40
46 Arranmore	1	1	125	40
47 Creole Stomp	1	1	180	40
48 Baby Wants Candy	1	1	81	40
49 Long Live the Queen	1	1	278	40
50 Half & Half	14	13	1,993	280
51 Diary of Anne Frank	25	14	3,331	300
52 Sleeping Beauty	16	9	3,480	200
53 Kevin Moore Presents Score-by-Sc	1	1	328	40
54 Close to You: The Music of The Car	2	1	323	40
55 Side Effects May Include	1	1	10	40
Total	263	206	43,853	5,220

Notes:

- 1) Show-days may be less than # of performances, because at times there may be multiple performances in a single day.
 2) Because typically an attendee sees a performance only once.

3) It is assumed that performers and accompanying production staff stay for an extra day during event.

Source: MPAC, Johnson Consulting



As shown in the table, in addition to the 43,853 attendees coming into 2013-2014 Season performances, an estimated 1,100 performers and production staff came to the PAC to work on the performances, generating a total of additional 5,220 person-days.

In addition to the number of person-days, their place of origin represents the primary indicators of event impacts. Using these variables in relation to the attendance figures shown in Table 5-3 above, we can estimate the number of person-days that originate from within Arlington Heights or outside, and the resulting room nights generated by overnight visitors. While the majority of attendees and productions teams were from outside of Arlington Heights, most of them originated within Greater Chicago and therefore did not generate a significant volume of room nights. The estimates are shown in Table 5-4.

Table 5-4

Metropolis Performing Arts Center, Arlington Heights, Illinois 2013-2014 Seasons Summary of Visitation and Room Night Volume							
	# of Events	# of Performances	# of Show-Days (1)	# of Attendees = # of Attendee-Days (2)	# of Performers (3)	# of Performer-Days (4)	Total Person-Days
	A	B	C	D	E	F	G = D + F
2013-2014 Season	55	263	206	43,853	1,100	5,220	49,073
% Originating from within Arlington Heights				25% (5)		20%	
# of Person-Days from within Arlington Heights				11,129		1,044	12,173
# of Person-Days from outside Arlington Heights				32,724		4,176	36,900
% Overnight Visitors (6)				1%		5%	<u># of Room Nights</u>
# of Room Nights				327		170	497

Notes:

- 1) Show-days may be less than # of performances, because at times there may be multiple performances in a single day.
- 2) Because typically an attendee sees a performance only once.
- 3) Including performers (artists, actors, musicians, etc) and accompanying production staff.
- 4) It is assumed that performers and accompanying production staff stay for an extra day during event.
- 5) Based on MPAC 2013-14 Season attendance record.
- 6) Indicating out-of-town visitors who stay overnight in hotels.

Source: MPAC, Johnson Consulting

As shown on the table, when the visitor origin assumptions are applied, the combined 49,073 person-days break down to 12,173 local person-days (originating from within the Village) and 36,900 non-local person-days (originating from outside the Village), and 500 room nights. These are the primary attributes of economic and fiscal impact.

AVERAGE DAILY SPENDING

Next, multiplying the number of person-days and room nights by the corresponding daily spending amounts will result in a Direct Spending amount, whether it is Transfer Spending or Net New Spending to the Village.



In absence of actual data of how much an event attendee spends in Arlington Heights, selected published statistics are used as proxies: Arlington Heights' hotel/ motel inventory and their published rates, and per diem spending in Illinois.

Table 5-5 lists nine hotels and motels located in Arlington Heights as listed in the Village's Convention and Visitors Bureau, Discover Arlington Heights. The table also shows the number of rooms and the lodging properties' published rates. Based on those statistics, weighted average of published rates in Arlington Heights' hotels/ motels is estimated to be \$102.68.

Table 5-5

Hotels and Motels in Arlington Heights As Listed by Discover Arlington Heights		
	Published Rate	# of Rooms
DoubleTree by Hilton Chicago AH	\$149	241
Holiday Inn Express	\$115	125
Jameson Suites	\$72	90*
La Quinta Inn Chicago	\$69	121
Courtyard by Marriott North	\$109	153
Courtyard by Marriott South	\$129	147
Motel 6	\$52	143
Red Roof Inn	\$50	136
Wingate Inn by Wyndham	\$149	80
Total		1,236
Weighted Average of Published Rates		\$102.68

**Currently, a portion of hotel is undergoing renovation,
but during 2013-2014 Season all 90 rooms were available.
Source: Discover Arlington Heights, travel websites, respective properties*



The following table show today's per diem rates for traveling to cities in Illinois, as compiled by the U.S. General Services Administration.

Table 5-6

Per Diem Spending in Illinois 2014-2015

Primary Destination	County	Lodging	Meals and Incidental Expenses	Total
Bolingbrook/ Romeoville /Lemont	Will	\$90	\$51	\$141
Chicago	Cook/ Lake	\$172	\$71	\$243
O'Fallon/ Fairview Heights/ Collinsville	Bond/ Calhoun/ Clinton/ Jersey/ Macoupin/ Madison/ Monroe/ St. Clair	\$115	\$56	\$171
Oak Brook Terrace	DuPage	\$103	\$61	\$164
Springfield	Sangamon	\$89	\$56	\$145
Standard Rate	Applies for all locations without specified rates	\$83	\$46	\$129

Source: U.S. General Services Administration

Arlington Heights is located in Cook County, but the weighted average of the published rates of Arlington Heights hotels and motels is significantly lower than \$172 per diem for lodging, which seems to be driven up by the Chicago market. Using Cook County per diem figure would be aggressive – the highest published rate (\$149 at DoubleTree by Hilton) does not even reach that figure. On the contrary, Arlington Heights' weighted average rate is closer to the \$103 per diem for lodging in the neighboring Du Page County. Therefore, for analytical purposes these per diem figures are adopted for use in Arlington Heights: \$103 on lodging and \$61 on meals and incidental expenses (M&IE).



Table 5-7 shows the assumed daily spending of attendees and visitors to the MPAC in Arlington Heights (derived from Du Page County per diem figures) that serves as the basis in this analysis. Spending on lodging is assumed at \$103. For an attendee, the \$61 M&IE breaks down to \$19.70 on tickets (which correspond exactly to MPAC ticket sales in 2013-2014 Season), \$31 dinner, and \$10.30 for shopping, souvenirs and incidentals. For visiting performers and production teams, the \$61 M&IE breaks down to \$46 on (likely two) meals and \$15 on other incidentals.

Table 5-7

Metropolis Performing Arts Center, Arlington Heights, Illinois		
Average Daily Spending		
	Visitor Spending	Per Diem
Lodging	\$103.00	\$103.00
Meals/ Food	31.00	46.00
Shopping, Souvenirs, Incidentals	10.30	15.00
Tickets	19.70	0.00
Total	\$164.00	\$164.00
	↓	↓
	<i>Basis for Event Attendees</i>	<i>Basis for Other Types of Visitors***</i>
***Including performers and production teams.		
Source: Johnson Consulting		

Multiplying person-days and room nights from Table 5-4 to relevant daily spending figures shown in Table 5-7 will result in the amount of direct spending by all visitors to MPAC.



KEY IMPACT FINDINGS

From Table 5-4 shown previously in this chapter, it is estimated that in 2013-2014 Season, the events at the MPAC generated 12,173 local person-days (originating from within the Village) and 36,900 non-local person-days (originating from outside the Village), and 500 room nights. Applying average daily spending, multipliers, and relevant tax rates to these attributes will result in the overall economic and fiscal impact of the MPAC, as shown in Table 5-8 on the following page.

Table 5-8

Metropolis Performing Arts Center, Arlington Heights, Illinois			
Direct Spending and Impact Calculations			
Direct Spending Estimates (\$000)			
	Origin of Spenders		
	Within Arlington Heights	Outside Arlington Heights	Total
Direct Spending			
Lodging	\$0	\$51	\$51
Eating and Drinking	393	1,207	1,600
Transportation	0	0	0
Shopping, Souvenirs, Incidentals	130	400	530
Tickets	219	645	864
Total	\$743	\$2,302	\$3,045

Source: Johnson Consulting



As shown in the above table, the attendees, performers, and production staff at the MPAC 2013-2014 Season events are estimated to have generated a total of \$3 million of direct spending, annually.

Table 5-9

Economic Impact (\$000)		Impact (\$000)		
		Transfer in Arlington Heights	Net New to Arlington Heights	Total
		(A)	(B)	(C)
Economic Impact	<u>Multipliers</u>			
Direct Spending		\$743	\$2,302	\$3,045
Indirect Spending	0.22	160	497	658
Induced Spending	0.37	272	844	1,117
Total Spending		\$1,175	\$3,644	\$4,819
Increased Earnings	0.57	\$426	\$1,320	\$1,745
Employment (FTE)	9.91	7	23	30

Source: Johnson Consulting

Including indirect and induced spending, gross total spending is estimated to be approximately \$4.8 million, annually. In addition, this spending is estimated to also result in \$1.7 million of increased earnings and 30 full-time equivalent jobs. In Column B of the above table, Net new impact to the Village of Arlington Heights, taking into account the effect of spending by out-of-Village visitors only, is estimated to include \$3.6 million of total spending, \$1.3 million of increased earnings, and 23 full-time equivalent jobs.



Table 5-10

Fiscal Impact (\$000)				
		Impact (\$000)		
		Transfer in Taxes	Net New Taxes	Total
		(A)	(B)	(C)
Economic Impact	<u>Multipliers</u>			
Direct Spending		\$743	\$2,302	\$3,045
Indirect Spending	0.22	160	497	658
Induced Spending	0.37	272	844	1,117
Total Spending		\$1,175	\$3,644	\$4,819
Increased Earnings	0.57	\$426	\$1,320	\$1,745
Employment (FTE)	9.91	7	23	30
Fiscal Impact	<u>Tax Rates</u>			
Sales Tax	9.00%	\$67	\$207	\$274
Additional Sales Tax on Prepared F&B	1.25%	5	15	20
Hotel/ Motel Tax	5.00%	0	3	3
Total		\$72	\$225	\$297

Notes:
Tax rates are applied to appropriate category of spending.
Source: Johnson Consulting

Village, County and State tax benefits are estimated to have amounted to \$297,000 annually. Net new tax benefits to the Village, County and State are estimated to have amounted to \$225,000 annually, with total direct tax revenues to the Village of Arlington Heights attributable to the Metropolis Theater estimated to be approximately \$84,000 per year.

SECTION 6

FINDINGS & RECOMMENDATIONS

FINDINGS AND RECOMMENDATIONS

There is no question that the MPAC is in need of help. There has been a loss of confidence by the Village Board in how the theater has been operated and the citizens believe that an important community asset is not living up to its full potential. This has largely been caused by:

- A weakening of the PAM Board since the departure of several key members of the first PAM Board.
- Poor Executive Director (ED) selection and oversight of the ED.
- Overall lack of performance of duties typical of an ED, including developing:
 - Policies and Procedures
 - Job Descriptions and Qualifications
 - Programming Decisions
 - Marketing and Programming Strategy
 - Financial Acumen and Transparency
- Deterioration of reporting and oversight structure: ED to PAM Board, PAM Board to Village, rather than the ED reporting to the Village, instead of the PAM Board Chair, as is the current practice.
- “Surprise” Financial Support Needed

The most direct cause of operational instability has been the lack of a capable ED. This is a challenging position to fill, as has been experienced by the Village previously. A recent appointment has been made and it is unknown how this will improve the MPAC. If the right leader is not in place then the decline of the operation and reputation of the venue deteriorates quickly. This is a symptom of the current PAM Board structure, and of inadequate oversight by the PAM Board. The current PAM Board should be honored, as it is a volunteer position. However, the PAM Board is not appointed by the Village, and in many ways is not beholden to the Village, but still seeks financial support. While it tries, with the skill set and expertise that it has, which, until only recently, did not include a person with professional theater operations and programming.

The poor performance of past EDs caused the need for the PAM Board to provide much more oversight and guidance than it was prepared to give. These same executive directors, with generalities of stability and success but no concrete performance metrics established for the Village, also put the Village in an untenable situation where they could not continue to justify support due to lack of confidence in the operation. It does appear that the PAM Board has operated with integrity, as there have been no indications of non-compliance with the lease agreement. One ED was unacceptably lax with tracking of operating funds and accounts payable.

A key cause of the overall breakdown has been due to the communication flow and reporting structure that is typical of a business operation. The standard is typically that the lessee (the PAM Board) would report directly to the lessor (the Village). This was often violated as the ED often reported directly to the Village, with poor documentation of results, and without the filter of the PAM Board. This allowed for a lack of transparency as to the true health of the operations resulting in neither the PAM Board nor the Village understanding the condition of MPAC. This resulted in the need for the Village to provide financial support to restore stable operations. The Village recognized this deficiency and rightfully declined further support until the MPAC' house is in order.

There are a number of paths forward for the Village Board to consider. The table below outlines various options and the positives and negatives of each.

Table 6-1

Management & Facility Options	Positives	Negatives	Potential Cost
Close the Venue	Reduces cost to Village	Loss of an important community asset Loss of jobs Negative impacts to area businesses Future of the facility Empty hole in the center of downtown	Costs to wind down operations and sell the theater. Loss of tax revenue and economic impacts.
Recently Retooled Management Structure	Hired new Executive Director School of Performing Arts PAM board seems more engaged	Legacy of past mismanagement Communication process (Board, ED, Village) Administration and financial issues Inconsistent programming Lack of non-box office revenue generation Declining image in the community Insufficient joint marketing with ballroom Increased Village subsidy potentially required	\$150,000 to \$250,000 annual deficit, assuming management and oversight improves. Fundraising and grants must be sought. Target these funds for event sponsorship, Cap Ex, and Deficit Reduction
Expand the Venue	Increase revenue generation Ability to attract larger acts	Can't fill the current theater on a regular basis (management, outreach and programming) Doesn't address current issues Not essential at this time	Close to break even operations, excluding cost of construction
Private Management	Programming capabilities Management and operating controls Familiarity with board and municipal oversight Performance metrics Systems and facility upkeep standards	Very expensive (annual operating loss+MGMT FEE+Performance Bonus) Small size of venue & Return on Investment Contract and contract oversight	Operations close to break even + \$200,000 annual management fee + performance bonuses (can equal management fees). Could be structured to limit deficit. Does not address fundraising issue.
Village Operation of the Theater	Remains a professional theater venue Direct oversight and control of programming and operation Potential use of existing Village staff and resources to create efficiencies and reduce costs Potentially more responsive to the needs of the community	Village is not in the business of running a professional theater venue Ramp up in understanding how the theater operates and industry best practices is a BIG undertaking Potential lack of insulation of politics from a business operation and programming Loss of not-for-profit grant opportunities Cost of payroll and overhead Increased Village subsidy potentially required Need to hire additional staff	\$200,000 to \$250,000 annual deficit, assuming management and oversight improves. Fundraising and grants must be sought. Target these funds for event sponsorship, Cap Ex, and Deficit Reduction

When evaluating the above options we considered what is most important for the mission of the MPAC going forward. In our opinion these factors include:

- Retaining MPAC as a community asset for arts and entertainment
- Proper management and oversight
- Being an engine of activity, driving the greatest impacts to local businesses and the community
- Serving as an arts learning resource for the community
- Leveraging partnerships

Keeping the above points in mind, more specifics of each management scenario are presented below (not listed in any particular order):

- **Close MPAC:** Evaluation of this option did not bring forward any positive observations. There is demand for the venue, and gross revenue is among the top in the operations analyzed for this analysis. Further, the School is an added benefit, the presence of which is consistent with social trends nationally. Closing MPAC is not a viable option given the investment to date and the role it has established in the downtown area and throughout the community. The market is not the challenge confronting MPAC, as is noted in the comparable analysis. It is the programming, management and marketing of the venue that are the primary obstacles. Closing the facility would also have a host of other serious implications including the loss of jobs directly at MPAC, negative impacts to the dining and retail establishments that have grown around MPAC, and the empty hole in the center of downtown that would be created with such a vacancy. Closing the venue would also cost the Village \$84,000 in annual tax revenue as well as the economic impacts outlined in section 5 of this report. It would also remove an important access point for children and teenagers and seniors to experience the arts through the School of Performing Arts.
- **Recently Retooled Management Structure:** There have been some recent changes in management of MPAC that hopefully will have positive implications. This includes the hiring of a new Executive Director and our interviews with the new ED indicated a good skill set for programming and a long history in the theater business. Increased Village oversight of the PAM Board has led to increased engagement by the PAM Board to help find the right solution for successful operations. These changes don't address the PAM Board structure and oversight issues that have led to the current challenges. To highlight a few of these on going concerns:
 - What are defined criteria of success for the Executive Director?
 - What is the monitoring or evaluation system in place to ensure that the new ED is leading MPAC in the right direction and meeting the established criteria's of success? The weakest

element is fiscal and administrative duties, followed by sales and fundraising, then programming.

- What type of reporting is needed to equip the PAM Board to adequately assess the financial health of MPAC?

Simply hiring a new person and hoping that they are better than the last person is not sufficient. Assuming there were improvements to operations and management, and based on operations of well-run theaters, it would be anticipated that the annual operating deficit would decrease to \$150,000 to \$250,000, from the higher level of subsidy that has been paid over the past couple of years.

- **Expand the Venue:** This was an initial recommendation of our 2002 report, and may be viable in the long-term. Until management and oversight of MPAC is firmly reestablished, this is not a recommended consideration due to the instability of current operations and the future of MPAC. Adding more seats would increase the revenue potential of the theater and allow for the theater to operate close to break even. This also assumes better management and programming.
- **Private Management:** This option provides significant positives but, in our assessment, would cost more than it would provide in return. As stated in the table, the key positives of private management include proven administrative skills and help from other buildings in programming popular acts into venues it controls as acts rotate around the country, and familiarity with oversight and reporting requirements. Unless the PAM Board and ED fail to improve operations, this is outweighed by the cost of private management. While no specific quote was requested for this analysis, typical management fees for performing arts venues can range from \$85,000 to in excess of \$250,000. This is only fees for services and does not include performance bonuses, which can be as much as management fees, and payroll of staff to operate the facility. This does not appear to be a viable consideration given the Village's desire to minimize financial outlays for MPAC.
- **Village Operation of MPAC:** The Village does not have experience in running the day-to-day operations of a theater venue at this time. It would be a significant undertaking to get the Village into a position where it could operate the MPAC as a Village department equal to MPAC's current position or better. There is also the potential for business operations and programming to become politicized and increased Village subsidy for two reasons. Adding additional Village employees to run the theater comes with a cost. Each employee adds to Village costs and additional payroll burden. Secondly, while possible, Village staff may be more limited to accessing private sector support as well as establishing adequate programming connections for MPAC. Potential positives for Village management of MPAC include direct oversight and control of programming and operations,

operating efficiencies using existing Village staff, and being more responsive to the needs of the community.

- **School District 214 Vision:** The District approached the Village about exploring the opportunity of a lease arrangement that would allow the District to lease MPAC from the Village, while retaining MPAC's role as a professional theater venue. In January 2015, the District notified the Village that it was not interested in moving forward with this concept at this time. The discussion about the District is included in this report, because many of the objectives they cited, should be integrated into future operations, regardless of approach or operator. The District was interested in increasing its community education courses and filling MPAC during dark days or under utilized time periods with lower cost production events and select District fine and performing arts events. They would have also taken an active role with the school and use the venue for its community outreach programs to seniors and well as students. Programming would have included:
 - Professional theater events
 - Marquee District fine arts and performance events
 - Community education courses
 - Increased summer and after school offerings for children of varying ages.

In addition to the above programming, the District would have honored the contracts for major plays and acts that have been booked for the current year and would have been responsible for booking professional entertainment and arts programming for future years. In the current year, the District would have begun the process of infilling dark nights with new event programming and address administrative deficiencies. The District would have also programmed the second floor with continuing education courses such as crocheting and knitting during the day, and with Zumba and exercise classes during the late afternoon. The District would have also investigated the rebranding of MPAC and the School of the Performing Arts in the attempt to achieve higher utilization of the theater and the second floor space. The District has a Foundation and a mailing list with 250,000 households and these would have been put at the disposal of the theater. The second floor space would also have been renovated to eliminate the large number of practice rooms and create flexible space for a variety of event types.

The District has stated that it would have worked with the PAM Board or other similar advisory groups to ensure MPAC remains a professional theater. The District would have created an "MPAC Advisory Council" that would have assisted in the transition and in the operations of the MPAC going forward. The District has also reviewed the organization of personnel and believed that a revised organizational structure would assist in enhancing the use of spaces and result in cost efficiencies. The District also has significant resources, including several theaters, which would have

addressed classroom needs for the District. The District reported that it would promote events at MPAC given its access to the households in the community and has the infrastructure to absorb some of the day to day administrative items such as payroll, accounting, human resources, security, maintenance, etc. The District believed that it would be able to break even in an 18 to 24 month timeframe and would not seek a financial subsidy from the Village, except for condo Association dues for the first few years.

There were a number of positives associated with the District 214 vision that included:

- MPAC remains a professional theater, which is critical for the community and for energizing the downtown area.
- No financial liability for subsidy and cost of operations
- Greater utilization of the theater and classroom space,
- Increased educational offerings for students and adults,
- Economic synergies between District operations and MPAC operations, and,
- An advisory body that would allow for the community and Village to ensure MPAC remains a community asset and as a professional theater.
- Help attract a younger user group to professional events, which is a current challenge.

Johnson Consulting also wanted to note the meeting held with Harper College staff about their potential interest in the classroom components of the MPAC. Their expressed interest was in taking over the facility for their own use and would not be interested in operating a professional theater. It was concluded that this was not a viable option given that the theater would not be an available asset to the community for arts and entertainment.

RECOMMENDATIONS

There are a number of moving parts that factor into the recommendations for the future of MPAC at this time. The PAM Board recently hired a new ED and it is unclear how the new ED will perform in the turn around of MPAC. Our conversations with the new ED indicate that he has significant experience in the theater and entertainment industry and is working towards implementing the type of management and administrative controls that have been lacking for over a decade. The objectives set forth by District 214 also have significant merits for the Village to consider. It is our opinion that there is an operating model that should remedy the current operating structure, continuing the current operating model, but improving it and reducing the size of the PAM Board and the appointment process. The following outlines our recommendations for MPAC:

- A. **Place the Operation on Probation:** Give the new ED and the PAM Board one calendar year to right the ship and start rebuilding goodwill. The situation should be reevaluated after this period.

- B. **PAM Board and Current Operations:** The PAM Board has been serving with effort and integrity but with the weakness at the ED position, this has not been good enough for ensuring the stewardship of MPAC. The Village needs to have more direct involvement in the oversight of MPAC going forward. The recent Oversight Committee that has been created to monitor and advise the PAM Board is a step in the right direction. The PAM Board needs to continue to have some members that are familiar with theater operations and management. It is recommended that the PAM Board be reduced in size to 9 members with the Village appointing four members plus the Chair. The balance of the board members could be appointed by the Village Board or using the current appointment process. Further, the PAM Board must have a bigger responsibility in social networking and fundraising efforts for the theater. Management at the Theater must reduce the need for the PAM Board to have to compensate for staff weaknesses.

There also needs to be much more oversight of the ED position. The ED must review staff and add new staff with the skills needed, especially for administration. The ED and staff also need to develop PAM Board briefing packages that allow the PAM Board to accurately understand the operations and trends in demand and financial areas. An additional focus for the PAM Board should be to develop an evaluation plan so that the progress of the ED can be tracked over the next 6 months to 1 year, and then on an ongoing basis. Key evaluation metrics would include financial integrity, theater attendance, profitability, improved demand in the School spaces, community perception, corporate and non-event utilization, as well as having the ED develop and implement a management plan that maps out the organizational structure of the different departments and provides goals and objectives for specific departments and positions to meet. These steps will provide concrete metrics that will allow for systematic evaluation of programming changes, financial enhancement, and organizational restructuring.

Objectives for an improved management model at MPAC must include:

- **Industry Investment:** Select members from the PAM Board, as well as the ED should consider attending the International Association of Venue Managers (IAVM) annual Performing Arts Center Conference, and the ED and senior staff should become active in this organization so that trends in the industry and best practices can be incorporated into the operation of the venue going forward.
- **Tightening Financial Controls:** Hire a full time Financial professional that would institute professional fiduciary controls and prepare accurate PAM reports and management information, and direct preparation of policies and procedures.

- Implement the ideas formulated by District 214 and reach out to the District and other educational institutions to develop theater and school programming, and to access their marketing registration lists.
- There is an opportunity to increase food and beverage revenue, particularly through increased beverage service. Consider outsourcing food and beverage to a nearby restaurant/ food service operation, which could use their staff and expertise to improve food and beverage offerings. This and the MPAC's staff should work much closer with the adjacent ballroom operation attract more social and corporate business.
- Devise skills for fund raising and grant writing, either internally or by using a commissioned consultant.

C. **Private Management:** If PAM and the new ED do not remedy the operation, hiring private management should be considered, to provide facility management. This firm could report to a PAM Board if is still operating, or the PAM Board could be dissolved and the management firm could report to the Village. If PAM were to be eliminated, the Village should always seek counsel from outside community interests, via some form of Advisory Council. A new MPAC Advisory Council, similar to what was proposed by District 214, (which could be some members of the current PAM Board) should serve as advisor to the Village and the private management firm helping set policy and demand and financial goals, and help with fundraising and community relations.

It is our considered opinion that, as stated in our 2002 report, the MPAC's operation should not ever need more than \$300,000 in annual support, if that. Further, the venue's contribution to the social fabric of the Village, and its economic impact should steadily improve. This projection does not address any current liabilities, which have been addressed. The Village and the PAM Board should address capital improvements via special allocations and capital campaigns.