



MINUTES

President and Board of Trustees
Village of Arlington Heights
Committee-of-the-Whole
Board Room
Arlington Heights Village Hall
33 S. Arlington Heights Road
Arlington Heights, IL 60005
February 9, 2015
7:30 PM

VIDEO I. CALL TO ORDER

President Hayes called the meeting to order at 7:30 PM.

VIDEO II. PLEDGE OF ALLEGIANCE

VIDEO III. ROLL CALL

BOARD MEMBERS PRESENT:

Mayor Hayes, Trustees Blackwood, Farwell, Glasgow, Farwell, LaBedz,
Rosenberg, Scaletta, Sidor & Tinaglia

STAFF MEMBERS PRESENT:

R. Recklaus, D. Mikula, T. Kuehne, R. Ward, M. Juarez, N. Kluz, P. Wilkiel

OTHERS PRESENT:

Charles Johnson, Ryan Johnson, C.H. Johnson, Dori Bonder, PAM Board Member

VIDEO IV. NEW BUSINESS

VIDEO A. Johnson Consulting Report on Metropolis

Mayor Hayes said that tonight is another step in the process of revitalizing an important community asset. He said that a lot of progress has been made over the past 4-6 months with the Village providing the proper oversight that the Metropolis deserves, and that the Village should provide as it provides a substantial amount of funding to the Theater. He stated that he appreciates the work of the Metropolis Oversight Committee (MOC), especially Trustees Scaletta and Rosenberg, and said that he was confident that tonight's discussions will be beneficial, and that things will keep

moving in the right direction towards a facility and center that will continue to be vital to this community.

Mayor Hayes noted a statistic from the consultant's study which stated that 75% of all 2013/14 Metropolis ticket sales came from outside the Village, saying that it was a good thing, but added that the Village has a lot of work to do in their efforts to make Village residents and businesses aware of what Metropolis can provide them in terms of their cultural education.

Mr. Recklaus explained that the Village Board commissioned the study of the Metropolis Performing Arts Center (MPAC) under the direction of MOC that is made of up two Village trustees, two members of the Metropolis Board, and three Village Staff members. He went on to say that the purpose of the study was to:

1. Identify the impact of the Metropolis Theater on both the local business community and on the Village's budget in terms of new revenues derived from the economic activity created by the Theater.
2. Update the 2002 Johnson study including an update on how other theaters in our area are constituted and how they are faring today.
3. Develop and analyze options for alternative management structures for the Theater which could include: closing the Theater, entering into a partnership with private or public entities, or recasting the Village's role in the operations of the Theatre.

Mr. Recklaus explained that this study is just one part of an overall discussion by the Village to determine under what conditions the Metropolis Theater can succeed and/or whether the Village should attempt to create those conditions. He went on to say that the goals of tonight's meeting are to let the Johnson group present their findings, allow the Village Board and members of the public ask questions and have the Village Board indicate what other information or action it needs before decisions can be made.

Mr. Recklaus finished by saying that in addition to this study, the Village will consider further input from various stakeholders, the public, and will look at its own constraints before making any final decisions. He then introduced C. H. Johnson.

Mr. Charlie Johnson, President of C. H. Johnson, gave an overview of the findings of his study (attached). He stated that a survey of the local market showed that the MPAC was an important asset of the community that needs to be better managed and that better programming is needed in order to increase attendance. He felt that there is no reason why the Metropolis cannot do more business and better business and continued to list some of the key findings from a public input survey he had done.

Mr. Johnson noted that there were 55 events and 263 performances in 2013/2014 with 43,853 attendees, 75% of them being from outside of Arlington Heights. He also stated that the economic and fiscal impact of the Metropolis on an annual basis includes \$3 million of direct spending, \$1.8 million of indirect and induced spending, \$1.7 million of increased earnings, 30 jobs, \$297,000 in sales, food & beverage, and hotel/motel tax revenue (\$84,000 of direct tax revenues to the Village).

Mr. Johnson continued by talking about the various options for Metropolis as well as the costs to the Village associated with each of them. The alternatives include:

- Close the Venue
- Recently Retooled Management Structure
- Expand the Venue
- Private Management
- Village Operation of the Theater

The recommendation made by C. H. Johnson was to place the current Metropolis operation on a one-year probationary period in order for them to put their house in order. Mr. Johnson said, as with any business, expectations should include monthly reports, fiduciary responsibility, and plans of attack for marketing and for achieving financial transparency. He thought that the PAM Board should be responsible to the Village and that the Executive Director be responsible to the PAM Board. He also recommends that in order to be more focused and to be able to do a better job, the size of the PAM Board should be reduced and said that most members should be appointed by the Village Trustees. Mr. Johnson believes that current operations suffer and recommended that a full-time controller be hired who would be responsible for better policies and procedures, more rigorous analysis on return on investments, and clearer and more comprehensive financial reports. He said that the PAM Board can support the Executive Director but cannot compensate for poor performance, saying that an Executive Director needs to be both strong administratively and be knowledgeable with programming.

Mr. Johnson went on to say that if the first recommendation does not appeal to the Board or if significant improvement is not made within a one-year probationary period, he would suggest considering the Private Management option.

Mr. Johnson said that Metropolis should be able to operate with a \$300,000 or less annual subsidy, excluding capital improvements, saying that it has potential to be a better service to the community. He finished his presentation by saying that he hopes changes to the PAM Board are made soon in order to illustrate to the community some change in direction and allow Metropolis to start with a clean slate.

Mayor Hayes thanked Mr. Johnson for all the work his firm has done, saying that his detailed and comprehensive report provides the Board with a great deal of information that will allow the Board to make well informed and well-reasoned decisions for the benefit of the community. He also thanked all the members of the PAM Board, including former Acting Executive Director Neil Scheufler and new Executive Director Joe Keefe for their cooperation and hard work saying that maximizing the potential of Metropolis is a team effort.

Trustee Scaletta, stated that there has been a lot of progress made by MOC, the PAM Board, the Metropolis' new Executive Director and staff, and wanted to thank Tom O'Rourke for stepping up and leading the PAM Board. He went on to say that he has a better appreciation for the work the Pam Board is doing, saying that much better financial reporting is being received and that there is no financial surprise of additional revenue being needed. He added that the PAM Board is doing a good job of monitoring

their revenues and controlling expenses and have been cooperative in answering questions and accepting recommendations by the MOC on improving the Metropolis. Trustee Scaletta explained the importance of the information obtained by C. H. Johnson in order for them to provide their recommendation and for the Board to decide the best direction to keep the Metropolis going. He finished by saying how important fundraising and new money is and said that the key to ticket sales comes down to programming.

Trustee Rosenberg agreed with Trustee Scaletta and said being on the MOC gave an insight on how Metropolis operates and on the issues that it has. He went on to say that as a CPA and looking at the Metropolis' financials, things were a mess because proper time and effort was not put in. He stated that as part of this process one of the first things that was tackled was righting the financial ship so that you would know how you are performing. Trustee Rosenberg wanted it clarified that funding for the Metropolis is provided by a percentage of Food & Beverage taxes, not by real estate taxes or general revenue.

Trustee Rosenberg said this is an ongoing process and that the study gives good direction in going forward, but said more time is needed to review the study and meet with the PAM Board and Executive Director on their thoughts of the report and on what the next steps could be.

Trustee Sidor thought Mr. Johnson's recommendation on a revised, revamped and restructured PAM Board is viable. He then questioned the large expenses shown in Table 4-1 of the study of Metropolis compared to other theaters. Mr. Johnson stated that the school is part of the equation, but said that costs were not managed properly and that self-productions cost more. He noted that a private management company would probably not self-produce. Trustee Sidor asked if it would be beneficial to have the school be a separate business unit in order to see how it does financially. Mr. Johnson didn't think so but said that management should provide separate accounting for both units and have a rollup to explain the numbers. Trustee Sidor then asked if a private management company would manage both the school and the theater. Mr. Johnson thought that they may be open-minded and willing to do both, but said that their core work is administering and booking events. He added that they may figure out an alternative way to run the school, recommend outsourcing it, or have another type of group run it.

Trustee Sidor finished by saying that he is pleased that both the Private Management and restructuring of the Pam Board options mentioned in the presentation were viable options and said that he would like to see two options moving forward.

Trustee Glasgow noted that one of C. H. Johnson's recommendations was that the PAM Board should be reduced from 17 to 9 members, that the Village Board should appoint four members and the chair, and that the remaining members be either appointed by the Village Board or use the current appointment process. Trustee Glasgow wanted clarification on how the remaining four Board members would be appointed. Mr. Johnson responded by saying that the Village Board may want to appoint all members or that the five members appointed by the Trustees may want to have the power to balance their board with skill sets. Trustee Glasgow also asked if the remaining

members (non-Village appointed) would be split into dual boards with different clearly defined roles saying that PAM Board members are excellent liaisons for fundraising efforts. Mr. Johnson explained that the PAM Board would be the working board that has fiduciary responsibilities (fundraising, financial administration, programming, capital improvements) to the Village and said that they can have standing sub-committees outside of the Board that would support and assist them. Trustee Glasgow felt that more focus should be on fundraising in the future. Mr. Johnson said three areas of fundraising that should be focused on include:

- Developing a prudent reserve for operations and emergencies
- Develop a facility sustaining fund (improvements/expansion)
- Programming

Trustee Glasgow asked about the market for productions. Mr. Johnson said that the productions over the last couple of years did not meet the appetite of what people wanted to see. Mr. Ryan Johnson suggested a broader mix of productions as well as live entertainment, comedy and music events to attract a younger crowd, as well as having community events. Discussion took place regarding the economic impact the Metropolis has on the community and with the strain to the A E & E Fund if the annual operating subsidy to Metropolis is increased. The A E & E Fund is funded by .25% of the 1.25% Food & Beverage taxes collected by the Village and is used not only for the Metropolis' annual operating subsidy but for over 15 other Village events as well. Trustee Glasgow said he would like to hear from the other Trustees and said that he likes the one-year probationary period option.

Trustee LaBedz said it is unfortunate that it took a crisis to see oversight of the Metropolis that she felt the Village should have had for some time, and asked if a year probationary period would be sufficient for a turnaround. Mr. Johnson said that it is management's responsibility to illustrate a budget, targets for events and the school, and all attributes of operation to the Village that they would have a chance to accept. He went on to say you need to use judgment for some events happening outside of their control and added that a fiduciary house is in order and if its moving in the right direction, and when the Village is confident in the management team then he would take them off of probation. He added that Metropolis should give the Village monthly or quarterly updates on their performance. Mr. Johnson added that if the issues are still there then it would be time to switch direction. A concern of Trustee Sidor's regarding the one-year probation was with programming that has already been done for this upcoming year. Mr. Johnson said that the probationary period has to be based on common sense, saying that the biggest problem is the policies and procedures and financial reporting. He also said that he would expect the venue to be cleaner, the school space to be used more, the marketing teams between the Ballroom and the Theater working closer together, and to see short-term bookings.

Trustee LaBedz asked how a private management company would work. Mr. Johnson stated that a private management company would not absolve the Village from all the problems but said that you should expect clear revenue and expense reports, skills at filling the building up with events, and a sensitivity to making as much money for the project as possible. He went on to say what you could lose would be the role that the PAM Board could play. He went on to explain the process for finding a management

company saying they would be the same companies that manage larger theaters. Trustee LaBedz finished by saying the value that the PAM Board brings is its community connections.

Trustee Blackwood questioned the number of stakeholder interviews, number of outreach surveys and the response rates and thought there would have been a particular emphasis for outreach to the residential community. Mr. Johnson responded by saying that there are different levels of outreach and said that the work that he did was not intended to be a statistically balanced survey but an attempt to get the pulse of what the community thinks.

Trustee Blackwood stated that she also agrees to a one-year probation with key performance objectives in place. She asked what the differences were between a Board and an Advisory Council. Mr. Johnson stated that a Board is responsible for the bottom line and have culpability for non-performance, whereas the Advisory Council guides and does everything they are responsible for but has no culpability. Discussion took place regarding outreach and networking with District 214 and Harper College to penetrate the population.

Trustee Farwell asked about the costs of the various options listed in the study (Table 6-1) compared to what was prepared by the Finance Department. Mr. Kuehne stated that he provided the maximum dollar amounts outlined in the Johnson Study for budgetary purposes. Trustee Farwell also asked if the numbers provided included fundraising numbers, which they did not. Mr. Johnson said that if Metropolis was able to obtain fundraising dollars then it is their job to convince the Village why they need to be at a certain subsidy level. He also explained that some donations are dedicated to a direct item, while other donations may be unrestricted.

Trustee Farwell questioned the attendance numbers (Table 4-1) received from other area theaters and thought they may include more than just theatre attendance and asked if they can be verified. He also asked if the Metropolis attendance number included the school portion. Mr. Johnson stated that the attendance number is just for the Metropolis Theater, but that the revenues do include the school. He went on to say that the management of the Theater should be able to tell you what the volume of the school is. Trustee Scaletta clarified that the total revenues shown for Metropolis includes everything: tickets sold, sponsorships, fundraising, and the bar sales. He went on to say that one of MOC changes is what will be seen on the financial statements for the Theater and will include: total attendance, average cost of ticket sold, and how many people walked through the door, saying that it will be used for month-to-month and year-to-year comparisons.

Mr. Johnson noted that there is a ballroom operation in the building next door saying that other buildings with social spaces are counted in the volume of the business of the theatre. He thought that management should work closer with the Ballroom with the corporate and social markets. Trustee Farwell agreed that there could be improved symmetry between the various business entities in the performing arts center. Trustee Farwell thought that if Metropolis offered accredited classes it may create more of a true performing arts center. Ryan Johnson thought that having accreditation could be a good thing, but said that question is something that would have to be looked into.

Trustee Farwell went on to say that because it was referred to in the Study and for purposes of full disclosure and transparency he wanted it known that his firm represents the Metropolis Ballroom. He went on to say that the public seems to confuse the Metropolis Theater with the Ballroom or think of them as one entity.

Trustee Farwell liked the idea of a probationary period but said that he did not know if one year would be realistic. He thought that it may take the next 60-90 days just to get things in place and then have a dialogue with the PAM Board to come up with a plan and attainable goals for 12 months, 24 months, and 36 months, with the understanding that if any of those milestones are missed, the Village Board can look at other options during that probationary period.

Trustee Tinaglia agreed with Trustee Farwell and would be in favor of a longer probationary period, saying the first year can be tough to achieve much. He asked Mr. Johnson if there was any one thing he would change about the Metropolis facility itself. Mr. Johnson stated that the entrance into the Theatre is not warm and appealing, is unattractive and should be refreshed. Mr. R. Johnson also recommended that something should be done to enhance the beverage operation, saying that it could be a key revenue driver. Trustee Tinaglia asked Mr. Johnson what he thought of making the Theater seats removable so that the Theater can be used in different ways. Mr. R. Johnson said that although he understood that the Ballroom was not owned by the Village, they have space like that and did not recommend removable seats in the Theatre. Trustee Tinaglia clarified for reasons of disclosure and transparency that he is involved with the Ballroom as a private entity and an architect.

Trustee Rosenberg stated that one of the things that was asked of the PAM Board and the Executive Director is to provide a budget by mid-February that would segregate the school from the Theater and also to provide a business plan by mid-March.

Mayor Hayes introduced Dori Bonder of the PAM Board saying that the Board is interested their reaction to the study. Ms. Bonder said that the PAM Board has put in an insurmountable amount of time trying to make sure that the Metropolis stays alive. She gave an overview of some of what was happening over the last couple of months as they were meeting with MOC and include:

- Hiring the Executive Director, Joe Keefe
- Hiring a new accountant
- Collaboration with MOC and Joe Keefe on producing 2015 budget (Due 2/16)
- Budget projections for 2016 (Due 3/2)
- Business Plan (Due 3/18)
- Updated ticketing system (will provide detailed analysis)
- Next year's programming to fit community tastes
- Promotion of current season
- School enrollment/summer camp
- Retooling of marque and sponsorship packages (aggressively seeking more donors)
- Successful wine-tasting event

Ms. Bonder said that the PAM Board appreciated the guidance from MOC and said that the PAM Board was poised and ready to accept the challenges that are ahead of them and urged the Board to accept the recommendation that the Metropolis remain a center of the arts in Downtown Arlington Heights. She said that the engaged and excited PAM Board is ready to continue to manage the Center.

Trustee Scaletta clarified that although the Metropolis budget is due to the Village before their business plan, the PAM Board will be working on them at the same time. He stated that the budget will be submitted to the Village for review and that when it comes before the Village Board for consideration, the business plan will be presented to the Village Board.

All the Trustees thanked Mr. Johnson for the informative study he provided the Board which will help guide them in decisions related to the Metropolis. They also thanked and showed their appreciation to the Metropolis Oversight Committee, the PAM Board, and staff for all their hard work in getting to this point.

Citizens to be Heard

Tim O'Neil said that he has been involved in the meetings regarding the Metropolis since the Village was talking about taking it over and said he understands what the Village Board is trying to do. He said that he went from being against the Metropolis to wishing them the best because it sounds like things were happening the right way. He thanked the volunteers for believing in what they are doing and felt that transparency of all Metropolis operations is critical for the trust and support of the residents. He hoped that Metropolis can become profitable or at the very worst a break even operation. He thought it was important that all candidates running for office make their intentions clear on their position of Metropolis prior the election. He finished by saying that residents are aware of the Metropolis and thinks that younger people should get involved.

Anthony Priola, owner of Circa 57 restaurant, said that from a business owner's standpoint when the Theatre is filled there is an economic impact, saying that people are dining and shopping throughout the Village. He said that the Theatre and the other businesses in the building are a one-stop shop for people to come and enjoy the facility. He commended the new Executive Director Joe Keefe for coming in to brainstorm on how to capture the corporate market, saying that the Metropolis is not only a theater but a facility that can be used other than for shows in the evening. He thought it was important that the businesses in the facility partner together to benefit the facility as a whole and said the members of the building welcome the conversation and working together.

Chip Brooks thanked the Board for their attention to the Metropolis agreeing that it was a unique and valuable facility in the Village. He said that the Johnson report has a lot of good qualities: affirming the value of Metropolis in showing that it is a significant draw for people outside of Arlington Heights, pointing to the value of partnerships and the need for additional resources, and endorsing the 5013c not-for-profit status of the organization. Mr. Brooks went on to say that although the reporting process, activities of the PAM Board, and the quality of the Executive Director are important, he is not

sure if they identify Metropolis' problem. He said what was lacking is contributed revenue and that his concern is that the reason the contributed revenue is low is because the Metropolis is viewed as a Village project. He was also concerned that if the Village follows through with the recommendation to have the Village step further into Metropolis and take control of and reduce the size of the Board, it would impair the ability of the organization to generate contributed revenue outside of the Village. He thought that expanding the Board in order to have a fundraising function in addition to its oversight function would enhance that contributed revenue segment of the Metropolis so the Village doesn't have to be the primary source of contributions.

Tom Mannetti, Owner of the Metropolis Ballroom thanked the Johnson Study for pointing out some of the contributing factors in enhancing the capabilities of the Metropolis and said that although he is a separate entity of the Theatre, that the public sometimes views them as the same entity. Mr. Mannetti thought that the Metropolis has not been run as business, as it should, saying outside resources are needed and that there is a lot of things that could be done to create more income and interest in the Downtown area. He went on to say that he has met with Mr. Keefe where he expressed past concerns and stated that he is very interested in working with him and his staff on trying to come up with ideas where a lot of energy can be created. Mr. Mannetti stated that the Ballroom will be going through an expansion soon where opportunities are going to grow and said he is proud of the Theater's efforts in what they are trying to achieve.

Keith Moens started by saying that we have to remember how we got this Theater and that when it was purchased it was inadequate and not built in a way where someone who had experience in building theaters would have done it. He said that in the Johnson study of 2002 it was mentioned that there had to be an improvements program where ten or eleven improvements were listed in order to make the Metropolis viable and asked if those improvements need to be done now. He thought that in order to make the Metropolis a theater that is competitive, those capital improvements mentioned in the 2002 study need to be done and will cost money and asked how shuffling management would get them done. Mayor Hayes stated that it was a lot more than shuffling management and said that the Village Board will rely on help from Mr. Keefe and the PAM Board after hearing what the new business model should be. He also said that there is always potential for new improvements to the facility. Mr. Johnson stated that things have to be done incrementally and said the Theatre is viable in its current seating count but would like to see it expanded and improved in the future and said that everything on that list should be done incrementally over time.

Trustee Glasgow said that a lot of new ideas and suggestions were heard tonight and asked if a motion was needed to approve the suggestions. Mr. Recklaus said that this study provided a framework, but not a detailed operational plan on how the concepts identified would be implemented. He went on to say that the Village does not want to commit to a particular course of action without understanding how it all will work. He said there are a lot of questions and said if the Board is interested in pursuing or exploring the recommendations that have been identified they can direct Staff and the MOC to vet some of the issues out and work with the PAM Board and Mr. Keefe on further refinement of the thresholds identified in terms of the initial budget projection

and business plan, and then come up with a timeline and some options and/or alternatives within that framework for the Board to consider.

Trustee Glasgow said that he would like to have something more clear and to the point, and have some recommendations from the MOC. He thought that the consensus of the Board seems to go with a one-year probation. Trustee Glasgow moved that Staff further refine and review the information provided as well as the suggestions and recommendations made by the Board this evening and bring it back to the Board in order for them to make some decisions. Mayor Hayes agreed but said the public wants to see a new business plan and said that before he is completely comfortable with moving forward he needs to hear what the new business plan is going to be. Mr. Recklaus wanted to clarify that the motion made was not to grant the probation now but to work towards a framework and a plan that would include a year probation period. Trustee Glasgow stated yes.

Trustee Sidor asked that if the Board moved in the direction of a probationary period, could they concurrently explore in more detail what a private management company can offer and what their costs are? Mr. Johnson said the most prudent way is to attend some of the conferences where theater matters are discussed, saying some private management companies are there. He also added that there can be a formalized process where you would send out requests for proposals (RFP). Mr. Recklaus said that if private management is something the Board wants to pursue, Staff can talk to some of the entities in the area that are managed by private firms in order to get a better understanding of how that agreement works and what the structure is.

Trustee Scaletta stated that he is supportive of the Metropolis but is not ready to say yes to continue with a one-year probation period until the Board sees the business plan and the budget. He went on to say that he is in favor of looking at what services private management companies provide and how they bill for their services, but is not in favor of doing an RFP unless we are sincere in wanting to hire somebody. Trustee Glasgow didn't think funds spent on a Private Management RFP would be prudent at this time.

Trustee Rosenberg agreed that there needs to be a probationary period but said that performance should be looked at over a shorter period of time, and that goals should be set with the budget and planning process. He went on to say that based on Mr. Johnson's recommendations, funding needs to be considered since there is not sufficient funds in the A E & E Fund to cover what the projected need is. Mayor Hayes felt that the direction is clear in terms of what the Board is looking for. He said part of that includes the budget process and what the Metropolis projected budget is going to be and how it would fit within a potential subsidy.

Trustee Glasgow moved, seconded by Trustee Tinaglia to direct Staff to refine the recommendations of the consultant and to work with the Metropolis Oversight Committee (MOC) to develop those recommendations.

Ayes : 9

Nayes: 0

The motion passed unanimously.

V. OTHER BUSINESS

There was no other business.

VIDEO VI. ADJOURNMENT

There being no further business to discuss,

Trustee Scaletta moved, seconded by Trustee LaBedz to adjourn the meeting at 10:22 p.m. The motion carried unanimously.