Agenda - Executive Policy Committee - September 21, 2005

Report - Standing Policy Committee on Downtown Development - September 9, 2005

Item No. 2 Pantages Playhouse Theatre - Management Review
File F-6

STANDING COMMITTEE RECOMMENDATION:

On September 9, 2005, the Standing Policy Committee on Downtown Development concurred in the administrative recommendation, as amended, and submits the following to Council:

1. That the Management Agreement for the Pantages Theatre between The City of Winnipeg and the Performing Arts Consortium of Winnipeg Inc., be extended for two years (to January 31, 2008) and include an annual management fee of $110,000.00, subject to the following conditions:

   A. Funding is contingent upon receipt of a valid business plan; and
   B. The City Administration to have the ability to monitor the Theatre's finances over the two-year agreement; and
   C. Include a caveat that if the Theatre is not on its way to achieving sustainability by the end of 2006, the City can revisit the two-year agreement.

2. That the Proper Officers of the City of Winnipeg be authorized to do all things necessary to effect the intent of the foregoing.

Agenda - Executive Policy Committee - September 21, 2005

Report - Standing Policy Committee on Downtown Development - September 9, 2005

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On September 9, 2005, the Standing Policy Committee on Downtown Development concurred in administrative recommendation No. 1, as amended, namely:

- That the request for an additional appropriation be referred to the Standing Committee on Fiscal Issues for favourable consideration at its meeting on September 13, 2005.

On September 9, 2005, the Standing Policy Committee on Downtown Development concurred in administrative recommendation No. 2, as amended, and submitted the following to the Executive Policy Committee and Council.

- That the Management Agreement for the Pantages Theatre between The City of Winnipeg and the Performing Arts Consortium of Winnipeg Inc., be extended for two years (to January 31, 2008) and include an annual management fee of $110,000.00, subject to the following conditions:

    A. Funding is contingent upon receipt of a valid business plan; and
    B. The City Administration to have the ability to monitor the Theatre's finances over the two-year agreement; and
    C. Include a caveat that if the Theatre is not on its way to achieving sustainability by the end of 2006, the City can revisit the two-year agreement.

- That the Proper Officers of the City of Winnipeg be authorized to do all things necessary to effect the intent of the foregoing.

Re: **PANTAGES PLAYHOUSE THEATRE: MANAGEMENT REVIEW**

For submission to: **Standing Policy Committee on Downtown Development**

Original report signed by: **Director of Planning, Property and Development**

Report date: August 23, 2005

Recommendation(s):

1. That an additional appropriation of $80,000 be approved for the Planning, Property, and Development Department to fund the Performing Arts Consortium of Winnipeg Inc.'s (PAC) continued service as theatre manager of the Pantages Playhouse Theatre to the end of the current management agreement term (January 31, 2006).
2. That the management agreement with PAC be extended for two years for an annual management fee of $110,000.
3. That the proper officers of the City of Winnipeg be authorized to do all things necessary to effect the intent of the foregoing.

REPORT SUMMARY

Key Issues:

- The existing Pantages Playhouse Theatre manager, the Performing Arts Consortium of Winnipeg Inc. (PAC), has communicated to the City that without other sources of funding PAC will have to close the Theatre.
- In order to continue Theatre operations until the end of the existing management agreement (January 31, 2006), PAC has requested an increase of $80,000 to the current $100,000 annual management fee, for 2005, and Capital funding of $30,000 to perform repairs to Theatre lighting and sound equipment.
- PAC has indicated it is committed to an extension of the existing management agreement of the Theatre for 2 years for an annual management fee of $110,000 (an increase of $10,000 from the existing agreement). The agreement will also require financial planning and reporting obligations.

Implications of the Recommendation(s):

General implications:

X	**None**
	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Comment(s):

-

Policy implications:

X	**No**
	Yes

Comment(s):

-

Environmental implications:

X	**No**
	Yes

Comment(s):

-

Human resources implications:

X	**No**
	Yes

Comment(s):

-

Financial implications:

	Within approved current and/or capital budget
X	**Current and/or capital budget adjustment required**

Comment(s):

- Identification of additional current funds is required.

REASON FOR THE REPORT:

The Standing Policy Committee on Downtown Development has jurisdiction for matters related to asset management, development control, land acquisition, land development and planning and land use matters in the area defined as Downtown.

HISTORY:

The Pantages Playhouse Theatre was originally constructed in 1913-1914. It originally presented live theatrical, musical, and vaudeville performances. The City acquired the Theatre in July 1944 in tax sale. In 1981, the Theatre was designated a Grade II historic building on the Building Conservation List. In 1985, it was designated a National Historic Site and is part of the Exchange District National Historic Site.

At its meeting held May 8, 1985, Council approved the purchase of additional adjoining land and the restoration and addition to the Pantages Playhouse Theatre. The cost of this project was estimated at $6.3 million.

At its meeting held November 19, 1997, Council approved a Management Agreement with the PAC, a non-profit organization, for the operation of the Pantages Playhouse Theatre located at 180 Market Avenue.

At its meeting held September 6, 2001, the Standing Policy Committee on Property and Development adopted the following amendments to the Pantages Playhouse Theatre Management Agreement between the City and the Theatre manager, the Performing Arts Consortium of Winnipeg Inc.:

1. Undertake a Capital Campaign to restore the Theatre with a value of approximately $3.5 million.
2. Establish an Endowment Fund of approximately $2 million to offset annual operating costs for the Theatre.
3. For a term of five years, the City agreed to pay the Theatre manager a management fee of up to $100,000 annually, payable quarterly in advance, subject to approval (Approved by the Standing Committee on Fiscal Issues, September 11, 2001).
4. Appoint to the Board of the PAC a City representative.

On April 20, 2005, the Planning, Property and Development Department (PP&D) received a letter and comparative financial statements for the years ending January 31, 2004 and 2005 from the PAC. In the letter, the PAC Board of Directors indicate that based on current operating losses and without other sources of funding, PAC will have to close the Theatre.

DISCUSSION:

Review of the Financial Statements and discussion with PAC's Treasurer indicated that, based on current operating losses and without other sources of funding, PAC will have to stop the operation of the Theatre. Further, in the letter received on April 20, 2005, the Board of Directors of PAC also indicates that capital expenditure requirements are increasing. Specifically, many capital items are reportedly passed their useful lives and beyond repair. Lighting and sound equipment requiring replacement may represent a safety concern and may result in PAC being unable to honour its commitments. Approximately $30,000 is required to fix or replace these items.

The City of Winnipeg in conjunction with the Province of Manitoba, met with the management groups of several downtown operating theatres to explore the possibility of an "umbrella" group being established to handle the administration and operation of a number of non-profit performing arts facilities (Pantages Theatre, Burton Cummings Theatre and Manitoba Centennial Centre). The management groups of these facilities showed very little interest in this strategy and indicated that because of the different user groups they serve and the minimal staff available in their operations, group synergies were unlikely.

The theatres indicated that, in their opinion, their operations needed to be subsidized to continue to remain open, which is not uncommon, as there are only a few theatres in North America that are totally self-supporting through their own operations. The groups also indicated all the facilities are required because if one or more of the facilities were to close the others could not absorb the other's events.

PAC has been effective at utilizing the Theatre over the length of the agreement. Last year they had 229 rented days out of a realistic maximum of 245 days per year. Pantages is an operational theatre for the citizens of Winnipeg and is an important utilization of one of Winnipeg's important heritage assets, which is congruent with the objectives of Plan Winnipeg 20/20 Vision.

Finally, the costs incurred by PAC to operate the Theatre in the past appear reasonable. As such, an alternate manager would likely incur similar operating costs. Current revenues have not exceeded costs and PAC's support of amateur productions has contributed to the current financial concerns. The major challenge faced by the City respecting Theatre operations is the long-term stability of current management under the existing funding and operating system.

Next Steps/Alternatives:

PP&D has identified two short-term alternatives with respect to Theatre operations:

1. Investigate alternatives for Pantages Theatre Management.
2. Provide Additional Funding Until Management Agreement Expiration (January 31, 06)

1. Investigate Alternatives for Pantages Theatre Management.

PAC has communicated to the City indicating that it can only operate the Theatre with further financial assistance.

This alternative would require the City to identify an alternative method for delivery of Theatre management. An expression of interest could be developed to determine if there is any qualified interest in operating the Theatre.

As Theatre operations by PAC would stop, the Theatre would remain closed until an agreement with a suitable alternate manager could be reached. Note that tendering of Theatre management would consume approximately six months to a year before any alternate manager could begin operations. PAC also presently has leased office space within the Theatre building. PP&D would attempt to establish contractual agreements with the third party leases within the Theatre.

Although the existing management agreement expires on January 31, 2006, the City would not save any of the contracted management fee of $100,000 as the full amount has already been paid. In addition, review of the financial statements and discussions with the PAC Treasurer and General Manager indicate additional funding of $80,000 for operations and $30,000 for capital requirements would be required to fund operations until January 31, 2006. Therefore, total costs associated with PAC continuing management and operation of the Theatre until January 31, 2006, is $110,000.

Closing the Theatre would result in an annual vacant operating cost of approximately $50,000/year. If an alternate manager cannot be found, PP&D will review and re-assess strategic planning alternatives for the Theatre and report such alternatives and recommendations to the Standing Policy Committee on Downtown Development.

The major disadvantage of this alternative is that, at a minimum, the Theatre will be closed in the short-term. In addition, getting the Theatre running at its present rate of usage could take years.

2. Provide Additional Funding Until Management Agreement Expiration (January 31/06)

PAC has requested $110,000 to continue Theatre operations until the end of the current management agreement, which expires on January 31, 2006 (the additional $110,000 is over and above the existing contract value of $100,000). The following factors support funding continued operation of the Theatre by PAC:

1. The Theatre remains operational for the citizens of Winnipeg
2. Provides PAC an opportunity to undertake fundraising activities to provide financial support to the Theatre.
3. The Planning, Property and Development Department are not aware of any economic alternate use for the Theatre.
4. There has been no significant interest expressed in the management or purchase of the Theatre from the private sector or other organizations.

Potential funding sources for this option include the possibility that a capital grant could be investigated via the Gail Parvin Hammerquist Heritage Fund for the $30,000 one-time capital improvements for the theatre. This could be justified in that the funds are required to allow this heritage theatre to continue to operate, consistent with its intended use.

The additional funding of $80,000 would be required and an appropriation to the Planning, Property, and Development Department to fund PAC for continued Theatre management would be required.

PAC has indicated it is committed to an extension of the existing management agreement of the Theatre for 2 years for an annual management fee of $110,000 (an increase of $10,000 from the existing agreement). The agreement will also require PAC to submit an acceptable business plan for the 2-year extension and agree to a financial review methodology for their ongoing operations.

Financial Impact Statement

Date: August 23, 2005

Project Name:

PANTAGES PLAYHOUSE THEATRE: MANAGEMENT REVIEW

First Year of Program 2005

	2005	2006	2007	2008	2009
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
External	-	-	-	-	-
Grants (Identify)	-	-	-	-	-
Reserves, Equity, Surplus, Other	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 110,000	$ 110,000	$ 110,000	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 110,000	$ 110,000	$ 110,000	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ 110,000	$ 110,000	$ 110,000	$ -	$ -

Additional Comments:

PAC has requested an additional $110,000 for capital improvements ($30,000) and operating funds ($80,000) to continue operating until January 31 ,2006. This request is incremental to the $100,000 already paid by the City to PAC under the existing management agreement and if approved would, in the absence of an alternate source of funding, result in a reduction of $110,000 in the year-end transfer from the Civic Accommodations Fund to the General Revenue Fund. A potential funding source for the $30,000 is the Gail Parvin Hammerquist Fund.

"Original signed by"
Mike McGinn, CA
Manager of Finance

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

N/A

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Division: Civic Accommodations Division
Prepared by: Jerry Comeau, Manager, Civic Accommodations Division
Brad Erickson, Investment Strategies Coordinator
PPD File #: CAD2005-0023

cc: Giles Bugailiskis, Senior Planner (Heritage), Planning, Property and Development Department
Kenny Boyce, Film and Cultural Affairs Coordinator, CAO Secretariat

Document name: o:\reports directive\civic accommodations\pantages theatre management revised aug 23, 2005.doc