Agenda - Executive Policy Committee - March 20, 2008

OPERATING BUDGET REVIEW

Item No. 12 Pantages Playhouse Management Agreement – Additional Funding (Point Douglas Ward)
File F-6

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On March 12, 2008, the Executive Policy Committee referred the request from the Performing Arts Consortium of Winnipeg for an increase to the management fee of $5,000.00 to the 2008 Operating Budget review process.

Agenda - Executive Policy Committee - March 20, 2008

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On March 12, 2008, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Downtown Development and submitted the following to Council:

1. That the existing Management Agreement with the Performing Arts Consortium of Winnipeg be extended for one year to January 31, 2009 subject to:

    A. A management fee increase of $5,000.00 to $115,000.00 per annum;
    B. A 90 day cancellation clause.

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

Further on March 12, 2008, the Executive Policy Committee referred the request from the Performing Arts Consortium of Winnipeg for an increase to the management fee of $5,000.00 to the 2008 Operating Budget review process.

STANDING COMMITTEE RECOMMENDATION:

On March 4, 2008, the Standing Policy Committee on Downtown Development concurred in recommendation 1 of the Winnipeg Public Service, pertaining to Pantages Playhouse Management Agreement Extension, and submitted the matter to the Executive Policy Committee and Council.

Further, on March 4, 2008, the Standing Policy Committee on Downtown Development concurred in second recommendation of the Winnipeg Public Service and referred the request for an increase to the management fee of $5,000.00 to the 2008 – 2010 Operating Budget process and submitted the matter to the Executive Policy Committee.

RE: Proposed Extension - Pantages Playhouse Management Agreement

FOR SUBMISSION TO: The Standing Policy Committee on Downtown Development

ORIGINAL REPORT SIGNED BY: Acting Director, Planning Property and Development Department

REPORT DATE: February 4, 2008

RECOMMENDATION:

1. That the existing Management Agreement with the Performing Arts Consortium of Winnipeg be extended for one year to January 31st, 2009 subject to:
    a) a management fee increase of $5,000 to $115,000 per annum
    b) a 90 day cancellation clause
2. That the request for an increase to the management fee of $5,000 be referred to the 2008 – 2010 current budget process.

Report Summary

Key Issues:
The current management agreement for the operation of the Pantages Playhouse Theatre expires January 31st, 2008.

The Performing Arts Consortium of Winnipeg, Inc. (PAC) submitted formal conditional notice of their intent to terminate the management of the Pantages Theatre without an increase of their fee from $110,000 to $140,000 per year in order to provide for anticipated income shortfalls.

The City has commissioned a feasibility study of the governance of Winnipeg's Live Theatre Venues including the Pantages Theatre, the Burton Cummings Theatre and Rainbow Stage. Said study's recommendations will not be available until early 2008.

With little time to consider alternatives, it is being recommended that the Management Agreement be extended for one year at the negotiated revised fee of $115,000 subject to cancellation upon 90 days notice.

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

( ) Involves a multi-year contract

Comment(s):

Policy Implications
(x) No

( ) Yes

Comment(s):

Regulatory Implications
(x) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

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):
The request for an additional $5,000 in mill rate support will be referred to the 2008 – 2010 current budget process.

Report

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 Standing Policy Committee on Downtown Development, at its meeting held September 9th, 2005 concurred in the administrative recommendation, as amended, namely:

1. *That Recommendation No. 1, pertaining to 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.*

The Standing Policy Committee on Downtown Development concurred in the administrative recommendations, as amended, and recommends to Council:

1. *That Recommendation No. 2, pertaining to the extension of the Management Agreement, be concurred in as follows:*

   A. *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., subject to the following conditions:*
      i. *Funding is contingent upon receipt of a valid business plan; and,*
      ii. *The City Administration to have the ability to monitor the Theatre's finances over the two-year agreement; and,*
      iii. *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.*

DISCUSSION:

The Performing Arts Consortium of Winnipeg, Inc., (PAC) in a communication dated July 11th, 2007, attached as Schedule "A", provided conditional formal notice of termination of their management agreement, effective January 31, 2008.

> *"The Consortium is desirous of continuing to manage the Pantages Playhouse Theatre but believes that the matter of the management fee must be revised upwards."*

PAC provided Planning Property and Development, Civic Accommodations representatives, at their meeting held October 25th, 2007, with financial data, attached as Schedule "B", indicating their financial shortfalls over the past two years as well as an estimate of their anticipated income shortfall in 2008.

The Planning Property and Development Department, Civic Accommodations, in conjunction with the City's Chief Financial Officer has commissioned a feasibility study to examine the governance of Winnipeg's live theatre venues including the Pantages Playhouse Theatre, the Burton Cummings Theatre and Rainbow Stage. The final report is not expected until early 2008.

Whereas consideration and potential approval of the feasibility study's anticipated recommendations will likely not take place until after the natural termination of the current agreement with PAC, it is considered practical to extend said agreement, subject to the negotiated requested fee increase of $5,000 and a termination clause.

The request for an additional $5,000 in mill rate support will be referred to the 2008 – 2010 current budget process.

Financial Impact Statement

Date: February 4, 2008

Project Name:

First Year of Program **2008**

Proposed extension – Pantages Playhouse Management Agreement

	2008	2009	2010	2011	2012
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 115,000	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 115,000	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	110,000	-	-	-	-
Net Budget Adjustment Required	$ 5,000	$ -	$ -	$ -	$ -

Additional Comments: Increasing the management fee to the proposed amount of $115,000 will require an increase of $5,000 to the draft 2008 current budget of Planning, Property and Development.

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

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

Chief Financial Officer

External Consultation With:

N/A

THIS REPORT SUBMITTED BY:

Department Planning Property and Development
Division Civic Accommodations
Prepared by: Jim Galley
PPD File No. cad 2007-0040

O:\Reports Directive\Civic Accommodations\Pantages09.doc

THE PANTAGES PLAY HOUSE

RECEIVED
JUL 16 2007
OFFICE OF THE DIRECTOR

Copy to J. Coma

11 July 2007

Attention: Acting Director

The City of Winnipeg
Property and Development Service Department
510 Main Street
Winnipeg, Manitoba
R3B 1B9

Dear Sir:

With respect to the Pantages Playhouse Theatre, under the terms of the 2006 amendment to the agreement between the City of Winnipeg and the Performing Arts Consortium, should either party wish to terminate the current agreement, six months notice must be given. The Consortium is desirous of continuing to manage the Pantages Playhouse Theater but believes that the matter of the management fee must be revised upward. Although no discussion on future management fees has been initiated by either party to the agreement, the Consortium wishes this addressed now.

Accordingly, the Consortium gives formal notice of termination of the agreement at the next termination date, January 31, 2008. As you will understand from the above, such notice is given only to protect the Consortium from any liability for failing to give proper notice if it finds that the management fee paid by the City is insufficient to sustain the operation.

It is our hope that the issue of the management fee can be addressed expeditiously so that the termination notice can be withdrawn.

Yours truly,

Aubrey Asper
President
Performing Arts Consortium of Winnipeg, Inc.

PERFORMING ARTS CONSORTIUM • 180 Market Avenue • Winnipeg, Manitoba, Canada • R3B 0P7
Tel. 204.989.2889 • Fax 204.989.2881 • Booking 204.989.2883 • E-Mail pantages@pangea.ca

PERFORMING ARTS CONSORTIUM OF WINNIPEG, INC.

Pantages-Playhouse Theatre Operating Financial Requirements
At October 25, 2007

Funding of Almost-Past Two Fiscal Years

For 2006/2007 fiscal year based on recorded balance sheet deficiency at January 31, 2007 of $19,411	$20,000
For 2007/2008 fiscal year (not yet completed) based on 2005/2006 and 2006/2007 fiscal years after eliminate City of Winnipeg $110,000 special funding of prior losses and the normalization of the Rainbow Stage doubtful account of and its later recovery the 2005/2006 unfunded loss of $37,026 2006/2007 unfunded loss of $21,145	
Estimated unfunded loss for still in-process 2007/2008 fiscal year	30,000
Funding of Almost-Past Two Fiscal Years	$50,000

Annual Fee Amount for Future Management Agreement Years

Present annual management fee	$110,000
Required increase	30,000
Management Fee Funding for Future Agreement Years	$140,000



PERFORMING ARTS CONSORTIUM

ANNUAL FINANCIAL REPORT

February 01, 2006 – January 31, 2007

PERFORMING ARTS CONSORTIUM OF WINNIPEG, INC.

Combined Fund Balance Sheets as at January 31, 2007

	January 31 2007	January 31 2006
Assets		
Cash (Overdraft) of Theatre Operations Fund	$ 45,770	$ (10,011)
Cash of Restoration and Capital Improvements Fund	21,296	3,994
Accounts receivable	31,864	58,268
Allowance for bad debts	(27)	(42,544)
Prepaid insurance and costs	-	18,268
Inventory, at cost	6,497	5,941
Furnishings and equipment, at nominal value	1	1
	$ 105,401	$ 33,917
Liabilities		
Accounts payable and accrued liabilities	$ 87,076	$ 93,570
Deferred revenue	16,440	4,380
	$103,516	$97,950
Members' Combined Fund Equity (Cumulative Deficiency)		
Theatre Operations Fund Equity (Cumulative Deficiency)	$ (19,411)	$ (68,027)
Consortium's Restoration & Capital Improvements Fund Equity (Cumulative Deficiency)	21,296	3,994
Members' Combined Fund Equity (Cumulative Deficiency)	$ 1,885	$ (64,033)
Liabilities and Members' Combined Fund Equity	$ 105,401	$ 33,917

Approved on Behalf of the Board

Aubrey Asper, President

Stafford Swain, Treasurer

Unaudited

PERFORMING ARTS CONSORTIUM OF WINNIPEG, INC

Summary of Each Fund's Revenues and Expenditures
for the Year Ended 31 January 2007

	January 31 2007	January 31 2006
Theatre Management Fund		
Theatre operating revenues - Schedule 1	$ 211,926	$ 213,540
City of Winnipeg Annual Management Fee	110,000	100,000
Theatre operating expenditures - Schedule 2	(303,310)	(390,327)
(Excess of Theatre operating Expenditures over Theatre Operating Revenues)	$ 18,616	$ (76,787)
Memo Inter-Year Normalization for now-recovered Bad Debt	$ (21,145)	$ (37,026)
City of Winnipeg payments respecting prior years' management fees	$ 30,000	$ 80,000
Excess of Receipts over Revenues (Excess of Expenditures over Receipts)	$ 48,616	$ 3,213
Consortium's Restoration & Capital Improvements Fund		
Revenues - Schedule 3	$ 39,135	$ 8,214
Expenditures - Schedule 3	(21,833)	(4,220)
Excess of Revenues over Expenditures or (Excess of Expenditures over Revenues)	$ 17,302	$ 3,994

Unaudited

PERFORMING ARTS CONSORTIUM OF WINNIPEG, INC.

Schedule 1

Theatre Mangement Revenues
For the Year Ended January 31, 2007

	2007 Number of Bright Nights	2006 Number of Bright Nights	January 31 2007	January 31 2006
Rentals				
Amateur nights (including rehearsals)	109	72	$ 63,288	$ 48,021
Professional nights (including rehearsals)	65	141	$ 68,835	95,468
	174	213	132,123	143,489
Korol Studio	54	58	5,960	3,910
Theatre lobby and other areas	7	4	1,320	524
	235	275	139,403	147,923
Concessions				
Sales			67,982	67,143
Cost of products			(20,921)	(23,703)
Labour			(18,817)	(16,780)
			28,244	26,660
Other theatre revenue				
Other theatre revenues			14,805	4,538
			14,805	4,538
Other building related revenues				
Office rentals			28,362	33,536
Photocopier recoveries			1,043	761
Other revenue			69	122
			29,474	34,419
Theatre Management Revenues			$ 211,926	$ 213,540

Unaudited

PERFORMING ARTS CONSORTIUM OF WINNIPEG, INC.

Theatre Mangement Expenses
For the Year Ended January 31, 2007

	January 31 2007	January 31 2006
Theatre Event Costs		
House managers and attendents	$ 49,712	$ 50,163
Recoveries - wages	(38,365)	(25,309)
Piano tuning	467	265
Non-recoverable costs	-	417
Equipment rentals	194	301
Miscellaneous	1,285	864
	$ 13,293	26,703
Cleaning		
Cleaning wages and services	37,432	28,912
Cleaning supplies	12,613	8,582
	50,045	37,494
Utilities		
Gas	42,713	42,355
Electricity	40,221	42,105
Water	6,680	5,984
Telephone	5,309	6,320
	94,923	96,764
Maintenance		
Facility manager	30,402	33,319
Facility manager's assistants - casual	10,523	7,687
Stage maintenance	-	-
Snow clearing and grounds	625	1,256
Plumbing	2,914	2,007
Electrical	3,568	4,743
Mechanical (HVAC)	15,831	9,038
Elevator	3,008	2,951
Fire/sprinkler system	3,228	7,080
Waste removal	2,734	2,656
Miscellaneous	4,642	4,877
	77,475	75,614
Carried forward to Schedule 2, Page 2	$ 235,736	$ 236,575

Unaudited

PERFORMING ARTS CONSORTIUM OF WINNIPEG, INC.

Theatre Mangement Expenses
For the Year Ended 31 January 2007

	January 31 2007	January 31 2006
Carried froward from Schedule 2, Page 1	$ 235,736	$ 236,575
Other Building Related Costs		
Minor Chattels	$ 4,841	$ 2,049
Monitoring	7,758	7,758
Photocopier lease	2,750	3,925
Office equipment lease	1,571	1,525
Property insurance	3,312	3,755
Public liability insurance	13,992	14,877
	34,224	33,888
Marketing and Administrative Costs		
Wages and benefits		
General manager	36,200	38,637
Operations administrator	7,163	14,049
Support staff services	50	-
Employee benefits	13,384	15,242
	56,797	67,928
Bad debt provision (recovery)	(42,120)	39,761
Bank charges and interest	3,224	4,511
Communications and marketing	1,179	999
Office	2,473	2,320
Memberships	245	455
Parking	1,448	1,087
Payroll service fees	1,426	1,376
Professional Fees	-	-
Miscellaneous marketing and administration	3,541	1,429
Office computer network	5,137	-
	(23,447)	51,937
Theatre Management Expenses	$ 303,310	$ 390,327

Unaudited

PERFORMING ARTS CONSORTIUM OF WINNIPEG, INC.

Schedule 3

Consortium Revenues and Expenditures
For the Year Ended January 31, 2007

	January 31 2007	January 31 2006
Restoration & Capital Improvements Revenues		
Individual patrons's seat levy proceeds	$ 38,615	$ 7,694
Sponsorships and "Friends of the Pantages" donations	210	200
Consortium Fund Raising Revenues	38,825	7,894
Consortium Administration Revenues		
Consortium membership revenues	$ 310	$ 320
Consortium Administration Revenues	310	320
Total Consortium Revenues	$ 39,135	$ 8,214
Restoration & Capital Improvements Expenditures		
Capital Improvements	$ 21,833	$ 4,220
	21,833	4,220
Consortium Administration Expenditures		
Board of Directors	$ -	$ -
Consortium Expenditures	$ 21,833	$ 4,220
Annual Net Revenues (Expenditures)	$ 17,302	$ 3,994
Cumulative Net Revenues (Expenditures) Available for Capital Program Enhancements	$ 21,296	$ 3,994

Unaudited