



TO: T.C. Broadnax, City Manager
FROM: Kim Bedier, Director, Public Assembly Facilities
COPY: City Council and City Clerk
SUBJECT: Performing Arts Facilities Management Agreement
DATE: May 24th, 2016

SUMMARY:

The City owns three performing arts facilities, the Pantages Theater (and the adjoining Jones Building), Rialto Theater, and Theater on the Square. The City has an existing Management Agreement to operate the facilities with Broadway Center for the Performing Arts, a nonprofit corporation organized for the purpose of the advancement of the arts. The terms of this agreement provide for an additional five-year term upon the same terms and conditions; the parties have reviewed the agreement and agreed on a number of revisions. Both parties recommend a renewal of the Management Agreement for a four-year term aligning with the City’s biennial budget and are requesting Council approval of same.

STRATEGIC POLICY PRIORITY:

- Foster neighborhood, community, and economic development vitality and sustainability.

BACKGROUND:

The City of Tacoma owns the Pantages and Rialto Theaters, and the Theatre on the Square. The Broadway Center for the Arts (BCPA) has managed and operated the venues on the City’s behalf for over 30 years.

The parties have negotiated a renewal of the Management Agreement between the City and BCPA for a four-year term through December of 2020. The Agreement includes provision for a further two-year extension by mutual agreement.

In the 2015-2016 Budget (the last two years of the existing Management Agreement), the City provided BCPA with a total of \$1,350,000 in monthly management fees. The City has also been responsible for the costs of insurance, a portion of utilities, support from City departments and in-kind rent in the amount of \$412,608 over the biennium. In addition, per the terms of the Management Agreement the City has provided \$500,000 per year (\$1,000,000 per biennium) to the Theater Capital Repair and Improvement Fund, for repairs and improvements that enhance public safety, energy efficiency and operational function. An additional \$1,500,000 in capital funding was provided in 2015-2016 through Council Resolution 39108, for the Centennial Campaign.

The parties have agreed to align the term of the Management Agreement with the City biennial budget, extending the existing agreement through December of 2016. In January of 2017, the Management Fee will increase by \$25,000 per year, or 3.7%. Commencing in 2018, the Management Fee will be adjusted annually per the Consumer Price Index (CPI) to a maximum of 3%. The City will continue to fund the Theater Capital Repair and Improvement fund at the amount of \$500,000 per year.

In addition, BCPA will be entitled to receive an annual Performance Incentive Fee of \$30,000, upon achievement of a 5% increase in overall revenues over the previous year.

ISSUE:

The City has had a mutually successful Management Agreement with the BCPA for many years. The existing agreement expires on June 30, 2016. The parties have agreed in principle to extend the agreement for an additional four-year term, with adjustments made to the Management Fee.



ALTERNATIVES:

City Council could choose not to renew the Management Agreement with the BCPA. Alternatively the City could issue a Request for Proposal for management services, or manage the facilities with City staff.

RECOMMENDATION:

It is recommended that Council ratify the Performing Arts Facilities Management Agreement with the Broadway Center for the Performing Arts for a four-year term ending in December of 2020.



FISCAL IMPACT:

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
4190 - PAF Performing Arts	829900 - PAF Theaters Maintenance	5600000 - Planned Expenditure for Capital Projects	\$1,000,000
4190 - PAF Performing Arts	828500 - PAF Pantages Investment	Various	\$3,262,608
TOTAL			\$4,262,608

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
4190 - PAF Performing Arts	829900 - PAF Theaters Maintenance	6311064 - Transfer from REET	\$1,000,000
4190 - PAF Performing Arts	Various	Various	\$3,262,608
TOTAL			\$4,262,608

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$4,262,608

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes. \$4,262,608 is included in the 2015-2016 Adopted Budget. Beginning January 1, 2017 the management fee will increase 3.7% (\$25,000). Beginning January 1, 2018 through December 2020 the management fee will be adjusted annually per the Consumer Price Index (CPI) with a cap of 3%. This increase will be included in the 2017-2018 biennial budget.

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.

N/A