DATE: October 25, 2016

TO: Honorable Mayor and City Council

FROM: Daniel Palay, Performing Arts Committee Chair
W. Scott Whisler, Performing Arts Manager
J.P. de la Montaigne, Community Services Director

VIA: Daniel H. Rich, City Manager

TITLE: **Joint Study Session to Discuss the Home Company Program Status and Proposed Search Process**

STUDY SESSION MEMO

CITY OF MOUNTAIN VIEW

PURPOSE

In response to requests for Home Company status by more than one client organization in recent years, the Performing Arts Committee (PAC) is considering a Home Company Search process. Because Home Company status is approved by the City Council, and because establishment of new Home Companies would have financial implications, the PAC seeks direction from Councilmembers before proceeding. Councilmember input is sought on these questions:

A. Does Council agree with the PAC's recommendation to reopen the Home Company Program (HCP)?

B. If so, please provide input on the implications of altering the HCP for cost recovery, maximized usage, and relations with long-standing clients.

C. Does Council agree with the proposed evaluation criteria and weighting?

BACKGROUND

A detailed discussion of the history of the HCP is included in the attached Council Study Session Memo of April 30, 2013 (Attachment 1), on Pages 16 through 19. A brief updated summary is provided here.

The HCP was established with the opening of the Mountain View Center for the Performing Arts (MVCPA) in 1991 in order to maximize performances at the MVCPA. Home Companies receive booking priority, a streamlined booking process, and pay

lower fees than other users of the MVCPA. In exchange, the City has guaranteed bookings and can limit expenditures on event operations and marketing. Since 2001, there have been two Home Companies: TheatreWorks Silicon Valley (TheatreWorks) and Peninsula Youth Theatre (PYT). Together, these companies account for the majority of MVCPA bookings on all three stages.

Home Companies' base performance fee is discounted about 48 percent compared to the nonprofit base fee. In return, Home Companies commit to a certain number of performances and titles each year and to acknowledge the City's support in their promotional materials. Although the current Home Companies provide more performances than required, they each agree to the following annual minimums:

- Perform more than one-half of their total performances at the MVCPA.
- Give at least six performances at the MVCPA.
- Give performances of at least three different titles at the MVCPA.

In Fiscal Year 2015-16, TheatreWorks presented 161 performances of 10 titles, and PYT provided 131 performances of 17 titles. These numbers are typical for both companies since 2001.

Home Companies receive priority booking by contract. Their bookings are confirmed in January for the following October through September.

After Home Company dates are confirmed, requests from non-Home Company users are added to the calendar in a Primary Booking process. As many requests as possible are placed into the remaining open dates after Home Companies are penciled in. Based on Council direction in 2012, this process is designed to reflect approximately the same percentage genre mix (performances of theatre, music, dance, or other) as is found in the non-Home Company booking requests; i.e., if 5 percent of requested dates are for music performances, staff aims to program music performances for 5 percent of the dates in the final calendar. In 2012, Council also directed priority be given to companies that have been appearing at the MVCPA for more than 10 years over newer companies. This preference for longevity has proven useful in resolving conflicts for dates in recent seasons.

Although these priorities are clearly stated, the booking process is, in fact, a complex series of negotiations between MVCPA staff and all users, with the ultimate aim of presenting as many performances as possible. Home Companies regularly shift their

dates in order to accommodate date requests from non-Home Companies. In a successful Primary Booking process, most booking requests are accommodated without having to refer to the prescribed priorities.

For the Fiscal Year 2016-17 Primary Booking process for non-Home Company bookings, 58 percent of performance requests were from dance companies, and 72 percent of performances booked were dance. Music accounted for 24 percent of requests, but only 12 percent of booked performances. Theatre companies made 9 percent of requests and ended up with 10 percent of performances.

The tables below compare bookings for Home Companies versus non-Home Companies in the Fiscal Year 2016-17 process, for MainStage and SecondStage.

MainStage Bookings—Home Companies vs. Non-Home Companies				
FY 2016-17 Primary Booking	**Performances Requested**	**Performances Booked**	**Days Requested**	**Days Booked**
Home Companies	215	207	241	224
Non-Home Companies	67	50	94	73
Total:	282	257	335	297
Home Companies as %	76%	81%	72%	75%

SecondStage Bookings—Home Companies vs. Non-Home Companies				
FY 2016-17 Primary Booking	**Performances Requested**	**Performances Booked**	**Days Requested**	**Days Booked**
Home Companies	34	34	29	28
Non-Home Companies	15	14	26	25
Total:	49	48	55	53
Home Companies as %	69%	71%	53%	53%

Past Home Company Selections

The HCP began in 1991; initial selections were made by the City Manager's Office. The Performing Arts Advisory Committee (PAAC) conducted formal selection processes in 1997 and 2000. This process involved an application screening, panel interview, and recommendations forwarded to the Council for approval. The process required a great deal of coordination and staff and Committee member time. The PAAC disbanded in 2003, and staff began a series of one-year contract extensions with TheatreWorks and PYT.

The PAC reviewed the Home Company program in 2007 and 2008, and agreed in December 2008 that the City should continue the relationships with TheatreWorks and PYT. Council reviewed details regarding MVCPA operations, including HCP and booking procedures, on April 6, 2010 (Attachment 2) at the budget hearing Study Session. PAC reviewed the HCP again in November 2010 at the request of Western Ballet, and recommended making no changes. In 2012, the City Council denied a request by Nova Vista Symphony for Home Company status. Since 2007, similar requests have also come from Smuin Ballet, Quadre: The Voice of Four Horns, Schola Cantorum, and Bayer Ballet. None of the companies met the current performance requirements of the HCP.

Over the years, other companies have stopped performing at the MVCPA because of lack of dates, including San Jose Wind Symphony and Raices de México. These companies have never requested Home Company status but continue to inquire about dates, some as recently as 2016.

During the Fiscal Year 2012-13 review of MVCPA operations, including the HCP, Council concluded that the HCP was fulfilling its goals for MainStage. Council directed the PAC to continue exploring possible improvements to the HCP that would not impact the current Home Companies, and directed staff to negotiate longer-term agreements with TheatreWorks and PYT. In 2013, the City entered a contract with PYT for five years with an optional five-year extension. Complications delayed the long-term contract with TheatreWorks, but a similar contract is currently being negotiated.

In 2014, PAC recommended, and Council approved, a pilot SecondStage HCP, designed to apply the successful aspects of the program to the MVCPA's smaller and less-used theatre. Staff shortages delayed implementation of this program, and it was put on hold pending the current Home Company discussion.

Home Company Selection Process

The Home Company selection processes in 1997 and 2000 were designed to be open and fair. Applications were solicited by advertising in Bay Area arts publications and by direct mail to all prior MVCPA users. Application materials were requested by well over 100 organizations in each case. Staff reviewed applications for completeness and collated materials for PAC members. All judgments about artistic quality, company merit, suitability, and organizational stability were reserved for PAC members.

Timelines were similar in both cases. In September and October 1999, PAC reviewed their judging criteria, processes, and contracting principles, and staff prepared mailing

lists and promotional materials. Promotion began in February 2000, with applications due in April. PAC reviewed the applications in May and interviewed officers of the candidate organizations over the summer. Final selections were made in September; they were reviewed by City Council and contracts were awarded in October. The process was complete in time for the booking season beginning January 2001.

In order to provide a fair process, staff recommends a similar timeline if a Home Company search were to be undertaken. A process beginning immediately could be completed in time for primary booking in 2018.

DISCUSSION

Arguments in Favor of a New Search Process

Although the program has been reviewed several times, the HCP has essentially operated on a "status quo" basis since 2001. Holding a new search process would be in keeping with the City's commitment to openness, responsiveness, and accessibility.

The organizational identity of a performing arts center is rooted in the organizations that appear there. People do not buy tickets to see a center; they buy them for specific shows. So, it serves the reputation of the MVCPA and the City to regularly review its offerings to be sure they are in alignment with its mission.

Arguments Against a New Search Process

Since the Home Company search process of Fiscal Year 1999-2000, MVCPA staff has been reduced by 1.75 full-time equivalent positions, while performances and use dates have held approximately steady. Staff is concerned that the work of properly promoting and administering the search process will degrade our ability to fulfill current contracts and maintain and operate the MVCPA in a safe and responsible manner. Between 100 and 200 hours of staff time would be needed to administer the process, depending on the number of applications received.

An important benefit to the City of the current HCP is that it streamlines and reduces workload. This is an economy of scale; for each Home Company, a single contract covers hundreds of performances or rehearsals. Close working relationships are established at all levels, which simplifies planning for audience services, ticket services, production calendaring, scenery and rigging inspection, safety training, and staff certification. This economy of scale would not be present with more Home Companies presenting fewer performances.

Additionally, adding a new Home Company would complicate the negotiations involved in the booking process. Any new company would theoretically be on an even footing with current Home Companies in requesting dates, but in fact the current companies' dates are more difficult to adjust because of the number of weeks involved and those companies' relationships with local school districts and their calendars. In a best case, a new Home Company could be accommodated without changing dates for existing companies; in a worst case, one of those companies would have to reduce their performance calendars by at least one show, resulting in lost revenue for them and likely for the City.

Theatre companies typically book multiple weeks and utilize six or seven days in most weeks. Dance companies generally book a week or less. Music performances typically need one or two days, often separated by a day. Giving priority to these shorter bookings would make it difficult to fit in other requests in the remaining days and result in fewer performances.

Our current Home Companies are each unique in their genre representation at the MVCPA, with TheatreWorks presenting professional theatre of a nationally recognized quality, and PYT operating a large-scale theatre education program. In contrast, the MainStage is regularly used by four ballet companies (one professional touring company and three Mountain View-based ballet schools), with other dance companies appearing occasionally. All of these companies regularly compete for specific dates; giving preference to one would reduce opportunities for the others.

Cost Recovery

The following table details MVCPA cost recovery in the last 10 years.

Fiscal Year	Total Revenue	Total Expenditures	General Fund Support	% of Recovery
2006-07	$991,825	$1,084,668	$92,843	91.44%
2007-08	$926,130	$1,176,571	$250,441	78.71%
2008-09	$946,857	$1,209,311	$262,454	78.30%
2009-10	$954,122	$1,227,665	$273,543	77.72%
2010-11	$1,018,431	$1,232,625	$214,194	82.62%
2011-12	$1,155,295	$1,276,440	$121,145	90.51%
2012-13	$1,113,738	$1,305,019	$191,281	85.34%
2013-14	$1,130,492	$1,329,157	$198,665	85.05%
2014-15	$1,191,158	$1,330,866	$139,708	89.50%
2015-16	$1,200,024	$1,345,930	$145,906	89.16%

Although Home Company charges are based on a discounted fee schedule, the City often derives more revenue from them on a daily basis than from many non-Home Companies. For instance, in Fiscal Year 2015-16, cost recovery for TheatreWorks was roughly 96 percent. For PYT, it was 70 percent. Cost recovery for nonprofit organizations ranged between 84 percent and 157 percent in December 2015 (typically our nonprofit users' highest-selling month). That is because performance fees are calculated as a percentage of gross ticket sales, and both prices and sales volume vary widely between shows. It is impossible to estimate the fiscal impact of opening up the HCP, but it is likely the City's subsidy of MVCPA would increase.

RECOMMENDATION

The PAC is very much in favor of having a Home Company program for realizing the performing arts goals as determined by the City Council for the betterment of Mountain View residents and its surrounding communities. Given that the current HCP objectives, makeup, and process have been in place for 15 years and the recent history of public requests to reassess current policy, the PAC recommends the following activities to be conducted by PAC members and MVCPA staff, with guidance and direction from Council:

1. Analyze the current HCP success metrics, objectives, makeup, and process with the goal of beginning a new HCP application process that will be completed by December 2017.

2. Implement a SecondStage HCP (as mentioned on Page 3) to increase usage of SecondStage.

3. Conduct a full, transparent, and public search process that involves applicant solicitation, review, and screening for subsequent HCP participant approval by Council.

Criteria for Judging Applications

In the previous search processes, Committee members ranked applications on a weighted scale based on: evidence of organizational stability; performance quality and artistic merit; service to the community; potential for audience development; potential to increase the MVCPA's visibility; appropriate level of MVCPA usage (including ability to provide at least the performance minimums listed on Page 2); and ease of integrating uses with other MVCPA offerings.

In their current review, the PAC added organizational longevity with the MVCPA, potential to draw underserved audiences, and improvement to the MVCPA's genre mix to that list, and prioritized it in a numerical ranking process that included public participation.

Based on that process, the PAC proposes weighting the criteria as follows:

- Performance quality and artistic merit—12 (of 12)
- Organizational stability—12
- Service to the community—9
- Potential for underserved audiences—9
- Longevity with MVCPA—9
- Audience development potential—8
- Appropriate level of MVCPA usage—8
- Contribution to MVCPA's genre mix—8
- Contribution to visibility of the MVCPA—6
- Ease of integrating schedule—6

Impacts of PAC Recommendation

Staff believes the impacts of the PAC's recommended activities for this effort are:

- Additional short-term resources will be needed to augment current MVCPA staff and to support PAC members for Activities 1, 2, and 3 above. Current MVCPA staffing levels are insufficient to effectively perform these proposed activities while still maintaining MVCPA operations. The PAC advises strongly that there be no major changes to current MVCPA 2017 Work Plans and priorities as this could jeopardize commitments to current Home Companies and MVCPA clients as well as negatively affect patron satisfaction.

- The MVCPA's ongoing operational cost recovery will likely change if new HCP participants are fully engaged. The cost recovery impact will be entirely dependent on what (and how many) groups obtain Program approval and the financial performances of their shows in 2018 and beyond. Because of the wide range of ticket prices, sales scenarios, required dates and hours, and event operation costs, it is impossible to accurately estimate fiscal impacts without a specific proposal, including ticket prices and sales history. An estimate based on the application materials would be provided with any recommendation for new Home Company status.

- Giving priority to shorter-term rentals is likely to reduce the total number of performances and associated revenue. It may reduce available dates and damage relationships with current Home Companies or other long-term MVCPA clients.

Questions for Council

The PAC is seeking guidance and direction based on Council's responses to the following set of initial questions:

A. Does Council agree with the PAC's recommendation to reopen the Home Company Program (HCP)?

B. If so, please provide input on the implications of altering the HCP for cost recovery, maximized usage, and relations with long-standing clients.

C. Does Council agree with the proposed evaluation criteria and weighting?

NEXT STEPS

If, in this session, Council indicates support for a Home Company search process, PAC and MVCPA staff will begin the process using the timeline discussed above. Staff would return for budget authorization for additional short-term resources and the PAC would recommend new Home Companies to Council in fall 2017 so that contracts could be signed in time to be effective for primary booking in January 2018.

PUBLIC NOTICING

Agenda posting and notification sent to the Performing Arts Committee, as well as all organizations that have requested Primary Booking in the past two years.

DP-WSW-JPdlM/CV/3/CAM
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Attachments:
1. Council Study Session Memo – April 30, 2013
2. Memo to Council – April 6, 2010