COUNCIL REPORT

CITY OF MOUNTAIN VIEW

DATE: October 9, 2012

CATEGORY: New Business

DEPT.: Community Services

TITLE: **Nova Vista Symphony Request for Home Company Status**

RECOMMENDATION

1. Do not grant Home Company status to Nova Vista Symphony at this time.

2. Consider Home Company status for Nova Vista Symphony in the context of a new, open process for Home Company selection if deemed appropriate as part of the upcoming Council review of the Center for the Performing Arts operating model.

BACKGROUND

On April 24, 2012, the City Council directed staff to assess the feasibility and cost/benefit to the City of granting Home Company status to the Nova Vista Symphony (NVS) and integrating three to five symphony performances per year into the Center for the Performing Arts Comprehensive Calendar (Attachment 2).

Staff presented their assessment to the Performing Arts Committee (PAC) on June 20, 2012. Members of the NVS board also spoke and responded to PAC questions. At PAC members' request, staff of Peninsula Youth Theatre and TheatreWorks presented additional information and answered questions on July 19, 2012. At the time, staff recommended that the PAC and Council should establish new criteria for Home Companies and invite interested organizations, including NVS, to take part in a formal selection process. The PAC instead endorsed an alternate recommendation, to take no action at present and to begin a Home Company search process only if that was deemed appropriate in the upcoming Council review of the Center for the Performing Arts operating model.

The purpose of this report is to review the process for establishing Home Company status, identify the benefits of Home Company status, and assess the feasibility as well as the financial implications for granting Home Company status to Nova Vista Symphony, and to provide alternatives to the City Council.

ANALYSIS

The Home Company program was established with the opening of the Center for the Performing Arts in 1991 in order to assure that there would be enough performances to keep the Center busy. Home Companies receive booking priority, a streamlined booking process, and pay lower fees than other users of the Center.

Since late 2001, there have been two Home Companies: TheatreWorks and Peninsula Youth Theatre (PYT). Together these companies account for 74 percent of the total MainStage days booked, 79 percent of the total MainStage performances, and 71 percent of the total MainStage revenue. In Fiscal Year 2011-12, the MainStage was booked for 293 performances and 340 use days. Recent survey data from the International Association of Venue Managers shows the MainStage to be one of the busiest Performing Arts Center spaces in the United States, in both number of booked days and performances.

For the 2011-12 fiscal year, TheatreWorks received an 11 percent reduction of fees and PYT received a 34 percent reduction of fees—compared to the nonprofit rate (Attachment 3—Home Company and Nonprofit Rate Comparison). In return, Home Companies commit to a certain number of performances and titles each year and to acknowledge the City's support in all of their publicity. Specifically, each Home Company agrees to the following performance requirements:

- Perform more than half of their total performances at the Mountain View Center for the Performing Arts (MVCPA).
- Give at least six performances at MVCPA.
- Give performances of at least three different titles at MVCPA.

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 with priority given to requests for full-week runs, then for progressively shorter runs until finally, single-day requests are filled in. Remaining dates, if any, are available on a first-come, first-served basis.

This structure is used in order to provide "maximum usage," as recommended by the CPA Council Ad Hoc Committee in December 1995, and in keeping with the goal of maximized cost recovery made explicit in the last several budget cycles. It gives clear advantage to theater productions which require multiple weeks, and to dance productions that work in full weeks. Since music performances typically need only one or two days, the calendar is often full before they are booked.

Home Company Selection Process

The Home Company program 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 Peninsula Youth Theatre.

The Performing Arts Committee (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 requested details regarding the Center for the Performing Arts operations, including Home Company program and booking procedures, in February 2010 (Attachment 4).

The PAC reviewed the Home Company program again in November 2010 at the request of Western Ballet, and agreed to not recommend any changes. Staff began negotiating long-term contracts with TheatreWorks and PYT in fall 2011, but those have not been finalized. TheatreWorks and PYT are continuing on one-year Home Company contract extensions.

Since 2007, the Center has received requests for Home Company status from Smuin Ballet, Western Ballet, and Quadre: The Voice of Four Horns. There have been informal inquiries from several other companies, including one former Home Company (Schola Cantorum). None of the companies met the current performance requirements of the Home Company process. Nova Vista Symphony's request does not meet the performance requirements as well.

Over the years, other companies have stopped performing at MVCPA because of lack of dates, including San Jose Wind Symphony and Raices De Mexico. These companies have never requested Home Company status but continue to inquire about dates, some as recently as May 2012.

Review of Center for the Performing Arts Operating Model

In the Fiscal Year 2012-13 City Council Major Goals and Major Initiatives and Projects, Council adopted the goal: "Review the Center for the Performing Arts operating model." This will necessarily include a review of the Home Company program since it accounts for such a large portion of the Center's bookings and revenue.

Feasibility of Granting Home Company Status to Nova Vista Symphony

Staff does not recommend granting Home Company status to Nova Vista Symphony at this time. Booking Nova Vista Symphony concerts as a Home Company would displace other performances by groups such as Smuin Ballet and Western Ballet that book longer stays in the theater. Displacing performances by two-day bookings from Nova Vista Symphony will result in a revenue loss between $3,025 and $47,750, depending on the number of shows.

There is some possibility that this revenue loss might be reduced through creative revision of booking requests and flexibility on the part of various performance groups. This flexibility might be achieved either within or outside of the Home Company program (see Attachment 1).

While a symphony as a Home Company would add a nice variety to the offerings of the Center for the Performing Arts, and Nova Vista Symphony has offered to change their name to Mountain View Symphony, staff believes it would be more appropriate to consider their request for Home Company status after PAC and Council discussion of Home Company criteria, and then allowing other companies to take part in an open process.

FISCAL IMPACT

If Nova Vista Symphony were granted Home Company status now, there would be a potential for lost revenue from week-long bookings of approximately $3,025 to $26,850 annually for a three-concert season, or up to $47,750 for a five-concert season. Attachment 1 provides further information on the cost estimates provided.

ALTERNATIVES

1. Consider Home Company status for Nova Vista Symphony in the context of a new, open process for Home Company selection, to be developed as part of the larger Fiscal Year 2012-13 study.

2. Grant Home Company status to Nova Vista Symphony.

3. Take a different action.

PUBLIC NOTICING—Agenda posting.

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Attachments:
1. Cost of Displacing Other Performances with Nova Vista Symphony Concerts
2. Council Report, Item 7.1—Proposal to Integrate a Mountain View Symphony Program into the Center for the Performing Arts Comprehensive Calendar
3. Comparisons of Home Company and Nonprofit Rates for MainStage
4. Council Memo—April 2010—Summary of the Center for the Performing Arts

Attachment 1 –

Cost of displacing other performances with Nova Vista Symphony concerts.

Since 2010-11, booking requests from Nova Vista Symphony (NVS) have been extraordinarily flexible: they've asked for a single performance and a rehearsal, on weekend dates, anywhere between October and mid-June, excluding the December/ January holidays.

The table below shows the dates within the NVS timeframe that were available after the full-week and full-weekend runs were confirmed.

Year	Fridays	Saturdays	Weekdays	(Open, non NVS dates)
2010-11	0	0	2	39
2011-12	0	0	0	25
2012-13	1*	1*	8**	18**

*(NVS successfully booked one concert on the listed days within 2012-13)
**(2012-13 dates are still being booked.)

This clearly shows that despite NVS's flexibility, priority bookings for them would have displaced some other performances that were successfully booked.

Which shows are most likely to be displaced.

Based on 2012-13 calendar, giving NVS priority for three concerts would have displaced two other contracts (since they were able to book one.)

Within the Fall NVS date requests, non-home company bookings were for Bloom Energy and Theatre Flamenco (within the same week), Smuin Ballet, Pacific Ballet, or Western Ballet.

Non-home company bookings within the Winter/Spring NVS time frame are for: Smuin (in May and in February), and The Lamplighters in Feb. (Pacific Ballet is also booked in March but that's the week after NVS has booked.)

Cost of displacement: best case, worst case.

Historic revenue from Nova Vista Symphony: NVS averaged $3,500 gross sales on the only four events historically. Even at highest Percentage of Gross (20%) they would not clear $875 base rate. Fee revenue would therefore be about $1,175 at current rates, including four hour rehearsal and one regular weekend performance.

Historic revenue from those bookings which would be lost (based on 2011-12 bookings):

Fall (would displace one)

Bloom Energy plus Flamenco: $4,200.
Smuin Ballet: $15,593
Western Ballet Nutcracker: $10,604
Pac Ballet Nutcracker: $11,511
Bayer Ballet Winter Fairy Tale: $8,191

Net revenue reduction for Fall show: between $3,025 and $14,418

Spring (would displace one)

Smuin Ballet in Feb: $13,604
Smuin Ballet in May: $12,890
Lamplighters in Feb: $10,059
Pacific Ballet Spring Program: $6,600

Net revenue reduction for Spring show: between $5,425 and $12,429

Alternatives to reduce costs (Sundays w/ Monday or Tuesday rehearsal?)

It is possible that NVS might alter their requested dates to perform on Sundays and rehearse on Monday or Tuesday. Given those accommodations it is also possible (but not certain) that one of the Spring shows might book the Tuesday-through-Saturday opening that would leave rather than move to another venue. There is also some possibility for concerts with no associated rehearsal date, leaving a Monday-through-Saturday opening. In either scenario, the total revenue for the entire week would be reduced by only a few hundred dollars.

On rare occasions presenting organizations have negotiated agreements for overlapping bookings of this type. Their success has varied depending on the technical complexity of both productions. None of these agreements have involved Home Company status for either party.

Given the technical demands and high ticket sales of the November/December ballet concerts, it is extremely unlikely that a similar scenario could work in that slot.

Assuming the zero-cost scenario for a Spring concert noted above, the best case for a three-concert season would be a net loss of $3,025. The worst cast would be a net loss of $26,847.

Additional Symphony concerts would become progressively more difficult to schedule and costly as additional historic bookings were lost. This might be mitigated by booking dates outside of the currently-requested season (either during the summer or during the winter holidays.) The worst case for a five-concert season within the requested season would be $47,723.

Attachment 3 –
Comparisons of Home Company and Non-Profit rates for MainStage

Comparison of Base Rates: Home Company vs. Non-Profit

	Home Company	Non-Profit	% Comparison
Weekend Performance	$875.00	$1,500.00	58%
Weekend Hour	$75.00	$150.00	50%
Weeday Performance	$575.00	$1,200.00	48%
Weekday Hour	$75.00	$120.00	62%

The Percentage of Gross Ticket Sales, which is negotiated with each Center Client, applies if it is greater than Base Rate. Therefore the impact of the reduced base rate differs among Home Companies, depending on ticket price and sales.

The table below compares totals of Percentage of Gross fees verses Base Fees at the Home Company rate.

	% of Gross paid	Calculated Base Fees	Comparison
TheatreWorks	$161,615.20	$92,300.00	175%
Peninsula Youth Theatre	$31,934.91	$31,612.50	101%

For TheatreWorks, the Percentage always exceeded Calculated Base Fees, but results were mixed for PYT. Actual Fees paid by PYT totaled $36,264.80, or 115% of the Home Company base rates.

Comparing actual fees to the Non-Profit base rate reveals the true financial advantage of the Home Company rates.

Actual Performance Fees paid by Home Companies compared to Non-Profit base fees in 2011-12

	Total Fees paid	Calculated N-P Fees	Comparison
TheatreWorks	$161,615.20	$181,650.00	89%
Peninsula Youth Theatre	$36,264.80	$55,050.00	66%

ATTACHMENT 4

CITY OF MOUNTAIN VIEW
MEMORANDUM

DATE: April 6, 2010

TO: City Council

FROM: Scott Whisler, Performing Arts Manager

SUBJECT: **SUMMARY OF THE CENTER FOR PERFORMING ARTS (CPA)**

Purpose

The purpose of this memorandum is to respond to Council's inquiry from the February 23, 2010 Budget Study Session, regarding the Mountain View Center for Performing Arts (Center) operations and what it would take for the Center to be financially self-supporting.

Background

The Center opened in 1991 and attracts between 118,000 and 170,000 visitors to the downtown each year. The Center offers diverse, high quality performances, supports local arts groups who do not have the resources to produce on their own, and introduces youth to the performing arts through children's programs and performance opportunities.

Center facilities include MainStage, a 600-seat traditional proscenium theater; SecondStage, a "black box" theater featuring flexible seating for 150 to 200 people; ParkStage, a small outdoor amphitheater that can seat up to 300 people; the Center Lobby which serves both indoor theaters; a Rehearsal Studio, and production support spaces including control rooms, a scenery repair shop, a costume shop, a green room, and dressing rooms; and offices for the Performing Arts Division. The Center also includes the Bean Scene Cafe, which is leased by an independent operator.

The Center operates on a rental basis; client organizations contract with the Center for performance and rehearsal dates and for ticketing, audience, and technical services. The Center does not "produce" (defined as paying for and controlling all aspects of putting a performance together, and retaining all ticket proceeds), and it does not "present" (defined as paying someone else to put together the performance, and retaining ticket proceeds or splitting proceeds by formula with the producer.)

The Center also does not control production content or quality, except to the degree that it provides quality in-house technical and audience services, nor is preference given to any client outside of the Council-approved Home Company program discussed below.

Home Companies

The concept of Home Companies was approved by Council and was developed as a marketing strategy for the newly opened Center to boost bookings, guarantee a minimum usage, and capitalize on the audience base already built by established organizations. Home Companies at present (TheatreWorks and Peninsula Youth Theatre) contract with the City for a predetermined period of time and receive priority booking status. The Home Companies serve as a mechanism to maintain quantity, quality, and a diversity of programs at the Center; provide an ongoing base of programs; provide an established audience and public recognition; as well as stability to both the management of the calendar and the revenue base of the Center. Of the 333 scheduled performances at the Center in Fiscal Year 2009-10, 257 (77%) are contracted to the two Home Companies.

TheatreWorks is a professional theater company with a national reputation for high-quality production of new plays and provide a loyal audience base along with an important revenue stream for the Center. Peninsula Youth Theatre is a community based educational theater group which generates less revenue, and provides learning and performance opportunities for hundreds of youth each year through stage performances and summer camps.

Rate Structure

The Center's rate structure is a two-tiered system with rates based on a percentage of gross ticket sales and/or a minimum base rental fee. (Home Companies and Non-Profits pay the minimum base fee or a percentage of gross ticket sales, whichever is greater. Commercial users pay the minimum base fee plus the percentage of gross sales.) The ability to retain a percentage of gross sales allows the potential for increased Center revenue over and above the minimum base fee and is predicated on the success of the individual user's production. At no time does the City receive less than the minimum base fee. The minimum base fee is regularly adjusted for inflation, with a more significant upward adjustment proposed in FY 2010 -11 as a means to recoup a greater percentage of the Center's operating costs.

Minimum/base rates for each of the three primary theatres are provided below:

- MainStage - $575 to $875 per performance for Home Companies and $2,325 for commercial renters;

- SecondStage - $375 for Home Companies to $1,050 for commercial renters and;
- ParkStage - $375 for Home Companies to $900 for commercial renters.

Non-profits rates for each theatre fall between those of the Home Companies and commercial renters.

The percentage of gross ticket sales is negotiable for each contract within a range established by Council. That range is between 10% and 20% for non-profit organizations, and from 15% to 50% for commercial users. Schools receive a reduced rate of 5%. Home Company percentages are negotiated and established for the entire contract period.

Rehearsal and Technical time is charged on an hourly basis, ranging from $40 to $170 per hour based on stage location and category of user.

Booking Structure

Home Companies receive priority booking by contract. After Home Company dates are confirmed, requests from non-Home Company users are added to the calendar with priority given to requests for full-week runs, then for progressively shorter runs until finally single-day requests are filled it. Remaining dates, if any, are available on a first-come, first-serve basis.

Over the past ten fiscal years, the Center has booked an average of 403 use days each year. (A "use day" is defined as a calendar day with any number of activities by a client in a single Center space, whether for rehearsals, performances, technical work, or a combination of the above.) Bookings for the MainStage have remained relatively stable over the years, varying between 326 use-days in 2002-03 to a low of 306 in 2008-09.

Bookings for SecondStage have dropped significantly in recent years, going from 100 use-days in FY '08-'09 to 50 in FY '09-10. Factors limiting use of the SecondStage include the small seating capacity, which limits revenue potential for users, and lack of independent support space, which makes it difficult to use SecondStage simultaneously with MainStage or ParkStage. There is currently a Capital Improvement Program project, CIP 10-30, to address these design constraints which is hoped to increase SecondStage usage.

At the February 23, 2010 budget study session a member of the public expressed concern that they had recently experienced difficulty obtaining a performance date at the Center. Staff researched the request and determined that the MainStage theatre dates requested had already been booked by a Home Company. MainStage bookings have remained strong and available space is limited. Staff is working with this client to develop alternative means of presenting their performances, including trying to use SecondStage or possibly partnering with other organizations to combine performance dates.

Financial

Center revenue is derived from the following fee categories: Base Fees (including rehearsal hour fees); Percentage of Gross ticket sales; ticket-based fees or service charges, including Facility Use Fees (fees charged to cover a portion of facility overhead) and other per-transaction charges; labor charges; sale of advertising in Preview Magazine; and lease revenue from the Bean Scene Café. In addition, there are occasional grants and donations. The following table shows the breakdown of Center revenue in Fiscal Year 2008-09:

Base Fees	$302,493	32%
Percentage of Gross	$147,496	15%
FUF and other ticket-based fees	$232,942	25%
Charge-back labor (tech, Aud. Services, Tickets)	$187,542	20%
Ad sales (Preview)	$35,214	4%
Bean Scene lease	$34,586	4%
Other	$6,581	<1%
Total	$946,854	100%

Revenue from FUF fees and labor charge-backs will increase by approximately $80,000 in 2009-10 due to more comprehensive charge-backs and a new tiered FUF fee structure.

Percent of Cost Recovery

The following table illustrates Center revenue, expenditures, General Fund subsidies, and percentage of cost recovery over the last 10 years:

Fiscal Year	**Total Revenue**	**Total Expenditures**	**General Fund Subsidy**	**% of Recovery**
1999/00	$536,364	$1,060,379	$524,015	50.5%
2000/01	$598,786	$1,061,273	$462,487	56.5%
2001/02	$613,269	$1,110,412	$497,143	55.2%
2002/03	$648,442	$1,088,834	$440,392	59.5%
2003/04	$636,311	$995,973	$359,662	63.8%
2004/05	$830,363	$880,197	$49,834	94.3%
2005/06	$878,515	$982,624	$104,109	89.4%
2006/07	$991,825	$1,084,668	$92,843	91.4%

2007/08	$926,130	$1,176,571	$250,441	78.7%
2008/09	$946,857	$1,209,311	$262,454	78.3%

Increased Market Competition

Since the Center opened in 1991, the market has become much more competitive, as various theaters of comparable size have opened around the south bay. These include theaters with approximately 400 seats at Mountain View High School, Los Altos High School, Foothill College, De Anza College, Ohlone College, and the Oshman Family Jewish Community Center in Palo Alto, as well as theaters with seating capacity near the Center's MainStage capacity of 600, at the Mexican Heritage Plaza in San Jose, and San Jose Rep. All of these theaters are available for rent. Though none of these theaters offer the range of production and front of house services offered by the Center, they are viable alternatives. This increased competition between facilities has made the Center more vulnerable to market changes and competitive pricing.

How can the Center be financially self-sustaining?

The design of the Center makes it extremely difficult to balance the budget entirely on operating revenue. The small seating capacities in MainStage and SecondStage limits the potential for revenue based on ticket sales, and therefore limits the rent that producers are able and/or willing to pay.

A recent study commissioned by the International Association of Assembly Managers suggests that this is not unusual; it showed that the average cost recovery among the twenty-five top-performing, privately-owned and municipal Performing Arts Centers in the country is 72%, with a range of 34% to 90%. The Center is currently at 78% cost recovery for FY '08-'09. The Center's percentage of cost recovery has increased significantly over the last 10-years, going from 51% in FY '99-'00 to 78% in FY '08-'09. The increase in the percentage of cost recovery is due to the recent changes to the fee structure and charging back more labor costs to the client. While significant gains have been made in the percentage of cost recovery, there is a concern that the rate and fee increases proposed as part of the 2010-11 budget may prevent some smaller community groups from booking the Center, based on cost comparisons and conversations with potential users.

In addition to the additional fees and charge-backs proposed in the 2010-11 Budget, the unfunding of the Performing Arts Assistant will result in a $93,000 savings to the Center. This reduction will eliminate technical services traditionally provided to clients as part of their rental, except to those willing to pay additional charges for the service. The reduction in the technical services will primarily impact smaller clients and may affect the number of community art groups that are able to use the Center because they lack the resources to provide the services themselves or to pay the additional fees. This may result in decreased bookings, which would impact Center revenue.

One way to eliminate the General Fund subsidy would be to discontinue all client support services and booking the facility via a "four-wall" model approach. Under this model, no technical, audience, or ticket services would be provided. Alternatively, the building could be leased to an outside commercial or non-profit operator. Either alternative would significantly reduce operating expenses and overhead costs. However, either has the potential to exclude some or all of the Center's smaller, community-based organizations and could jeopardize the Home Company program.

Other revenue sources that are often used to fund or support Performing Arts Centers include but are not limited to special taxes (i.e. Revitalization Districts, Transient Occupancy Taxes) parking fees, on-site concessions, fund-raising, and foundations. The concept of a non-profit foundation was among the topics discussed by Council and the Performing Arts Committee (PAC) in study session on November 12, 2009 and is included the 2010-11 PAC work plan.

Conclusion

The Center for Performing Arts is a community asset, fostering the arts and community theatre, bringing visitors to the downtown, and exposing youth to performing arts and providing them performance opportunities. The design of the building and the number of seats limits the revenue that can be generated and makes it difficult for the Center to pay for its programs entirely through operating revenue. The Center has made significant strides in increasing the level of cost recovery, going from 51% cost recovery 10-years ago to 78% in FY '08-'09 and achieving a cost recovery level above industry standard. The Center's relationship with the Home Companies has brought a stable revenue stream, increased visitorship to the downtown, and provided the opportunity to connect youth with art programs. The way in which the Center supports arts in the community is one of the things that sets Mountain View apart from other municipalities and makes the downtown an evening destination.

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