AGENDA
President and Board of Trustees
Village of Arlington Heights
Committee-of-the-Whole
Board Room
Arlington Heights Village Hall
33 S. Arlington Heights Road
Arlington Heights, IL 60005
October 2, 2014
7:30 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL OF MEMBERS

IV. NEW BUSINESS

A. Performing Arts at Metropolis Request for Additional Funding

V. OTHER BUSINESS

A. Request for Closed Session per 5 ILCS 120/2(c)(1): appointment, compensation, discipline, performance or dismissal of specific employees of the public body or legal counsel

VI. ADJOURNMENT

Persons with disabilities requiring auxiliary aids or services, such as an American Sign Language interpreter or written materials in accessible formats, should contact David Robb, Disability Services Coordinator, at 33 S. Arlington Heights Road, Arlington Heights, Illinois 60005, (847)368-5793 (Voice), (847)368-5980 (Fax) or drobb@vah.com.

Item: Performing Arts at Metropolis

Department: Village Manager's Office

Performing Arts at Metropolis Request for Additional Funding

ATTACHMENTS:

Description	**Type**
PAM Request for Additional Funding	Memorandum

Memo

To: Diana Mikula, Interim Village Manager

From: Thomas Kuehne, Finance Director TJK
Robin R. Ward, Assistant Village Attorney RRW

Date: September 24, 2014

Re: Performing Arts at Metropolis (PAM) Request for Additional Funding

On September 24, 2014, the Village received a request from Neil Scheufler, Acting Director of the Performing Arts at Metropolis (PAM), for additional funding from the Village to allow PAM to continue operations through April 30, 2015. Mr. Scheufler had previously advised the Village that PAM will not have enough funds to operate past the end of October 2014.

Back in April of this year, PAM indicated that it could not continue to thrive as an organization without additional funding. As of July 23, 2014, PAM reported that it would need to receive its full FY2015 subsidy of $165,000 in order to remain open through mid to late October 2014. PAM received its entire subsidy as of early August 2014. PAM is now requesting an additional $450,000 from the Village's Arts, Entertainment & Events (A, E & E) Fund. PAM states that this payment would allow it to pay down its $300,000 accounts payable balance, and would provide $150,000 in ensure continued operations through April 30, 2015, the end of the fiscal year.

Based on PAM's imminent financial collapse, there appear to be two options for the Village Board's consideration to resolve the immediate financial issues facing PAM.

OPTION 1: Dissolution of PAM – One-time costs of $106,881 (past due CAM)
Ongoing annual costs of $76,416 (CAM)
Ongoing annual savings of $165,000 (subsidy)

The Village owns four of the eight commercial condominium units at the Metropolis Building, which have comprised PAM's base of operations. These units are the theater and theater lobby on the first floor and the entire second floor. Whether PAM closes its operations or not, the Village is legally obligated to pay any past due Common Area Maintenance (CAM) charges currently owed by PAM, who is the Village's tenant. Upon dissolution of PAM and without a new tenant, the Village would be obligated to continue to pay ongoing CAM and Building Reserve charges to the Metropolis Commercial Condominium Association (MCCA). Past due CAM charges are just one part of PAM's total accounts payable. As of September 2014, PAM's outstanding CAM charges to the MCCA amount to $106,881.10. Ongoing CAM charges would be $6,368.70 per month. The Village has been paying its MCCA Building Reserve fees and is up to date on these fees.

Under the Dissolution option, the Village could consider covering other one-time costs such as PAM's outstanding accounts payables (beyond the outstanding CAM charges) and deferred revenues as of the date of dissolution (Exhibit A). Deferred revenues represent prepayments for advanced ticket sales for Theater performances and School of Performing Arts (SOPA) tuition. However, PAM is an independent organization and the Village is not legally responsible for these other costs.

There are currently sufficient funds available in the A, E & E Fund to cover the past due CAM charges. The ongoing CAM charges of $6,368 per month or $76,416 per year could be covered in the A, E & E Fund, since under "Option 1 – Dissolution of PAM", the Village would no longer be paying an annual subsidy to PAM.

Although it would be difficult to quantify, this Dissolution option would likely have an adverse effect on local restaurants and other businesses in the Downtown area which could reduce future Village sales and food & beverage tax receipts.

OPTION 2: Provide Funding for PAM's Operations Through April 30, 2015 – $450,000 Additional Funding Request

Mr. Scheufler believes that PAM will need an additional subsidy of $450,000 to stay afloat through April 30, 2015, which is the end of the current fiscal year. In addition to continuing its operations, this payment would permit PAM to pay down any past due CAM charges, as well as the ability to cover current CAM charges through the end of the fiscal year.

The A, E & E Fund currently has a working cash balance of about $305,000 and a reserve for replacement of $400,000. The reserve for replacement was established for future major repairs and improvements to the Metropolis Theater. The fund balance and reserve for replacement provide sufficient funds to cover the additional funding request.

This option would provide additional time for the Village Board to decide whether to dissolve PAM and close the Theater, consider additional funding sources to provide for an increase in PAM's annual operating subsidy, or to explore other agreements or structures for the Theater's operation in the future.

For reference purposes only, attached as Exhibit B is a summary of theater subsidy numbers paid by other local municipalities to support live performance professional theater productions. Attached as Exhibit C is the five year financial plan for the A, E, & E fund.

Exhibit A

PERFORMING ARTS AT METROPOLIS (PAM) - 9/24/14 REQUEST FOR ADDITIONAL FUNDING
COST AND SOURCE OF FUNDS
(Based on PAM's August 2014 Financial Statements)

COSTS	Other			
One-Time Costs	Other Potential Costs (based on 8/31/14 PAM financials)	OPTION 1 Dissolution of PAM	OPTION 2 Add'l $450K Funding	
Additional Funding		0	450,000	
Past Due CAM fees		106,881	(included in above #)	
		106,881	450,000	**Subtotal of One-time Costs**
	Other Accts Payable - Net of CAM*	196,519	0	
	Deferred Revenue* (Prepaid Subsriptions/Tuition)	326,900	0	
		630,300	**450,000**	**Total Potential Costs**

SOURCE OF FUNDS	OPTION 1	OPTION 2	
	106,881	0	From A, E & E working cash balance, $305,000 balance as of 4/30/14
	196,519	200,000	From A, E & E working cash balance, $305,000 balance as of 4/30/14
	326,900	250,000	From A, E & E Metropolis Building infrastructure reserve, $400,000 reserve balance as of 4/30/14
	630,300	**450,000**	**Total Estimated Source of Funds**
	76,424	0	Ongoing annual CAM costs in lieu of annual subsidy

*Note: The ongoing CAM fees of $6,368.70 per month and the past due CAM fees of $106,881 are ultimately the Village's responsibility as the owner of the Metropolis Building Units. The Village is not legally responsible for the other accounts payables or deferred revenues. However, should PAM close down its operations, anumber of local businesses and residents who are owed money from PAM may feel that the Village should cover these costs.

Exhibit B

Theater Subsidy Numbers
(Updated 9/2014)

Local Theater	Municipality	Current Annual Subsidies	
Prairie Center for the Arts	Schaumburg*	$	1,200,000
North Shore Center for the Performing Arts	Skokie	$	509,000
Rialto Square Theater	Joliet	$	811,000
Hemmens Cultural Center	Elgin	$	428,000
Genesee	Waukegan**	$	-
		FY2015 Actual	
Metropolis Performing Arts Centre	Arlington Heights		
	Annual Subsidy	$	165,000
	Equipment Replacement	$	-
	YTD Actual Total Subsidy	$	165,000

Schaumburg*
Prairie Center for the Arts was never intended to be self sustaining. Schaumburg has a Cultural Services Department that arrange events. 1.7 million budgeted (including costs of Cultutal Services Dept.) and is offset by $500,000 in revenues (including their September Fest revenues).

Skokie
The rent collected is not going to Skokie. Because it was built with State funds, it is currently owned by an authority. which includes 9 board members 6 from Skokie and 3 from Niles. Professional Facilities Management runs the Center and every performance/trade show/wedding, etc. is charged rent which goes back into the facility's budget. The State bonds will be paid off in December of 2016 and then The Village of Skokie will own the building and will continue to subsidize it. (Center East Authority)

Joliet
No rent is collected.

Elgin
The Hemmens Cultural Center is owned and operated by the City of Elgin. They have a structured rent that is charged and collected based on the space and set-up requested.

Waukegan**
There is no direct funding for operations from the Village. Waukegan owns the Theater. A non-profit organization, Friends of Genesee, is subsidizing with funds from a local corporation (U-Line). Waukegan charges no rent and maintains the outside of the building. Friends of Genesee maintain everything inside.

Arlington Heights
An additional $125,000 was spent to upgrade the Village's infrastructure at the Metropolis building in FY14.

Exhibit C

ARTS, ENTERTAINMENT & EVENTS FUND (515)

5 YEAR FINANCIAL PLAN

ACCOUNT DESCRIPTION	Note	PROJ #	2012-13 ACTUAL	actuals as of 8-24-14 2013-14 ACTUAL	2014-15 EST ACT	2014-15 BUDGET	8 MO. PER. ENDING Dec 2015	2016 BUDGET	2017 BUDGET	2018 BUDGET	2019 BUDGET
REVENUES											
FOOD & BEVERAGE TAX			460,424	470,918		468,000	**477,000**	487,000	496,000	506,000	
BUILDING MANAGEMENT FEE			18,000	18,000		9,000	**9,000**	9,000	9,000	9,000	
SPECIAL DETAIL PW			0	7,026		4,600	**4,700**	4,800	4,900	5,000	
INTEREST INCOME			2,494	2,466		2,500	**3,000**	3,000	3,000	3,000	
HEARTS OF GOLD			20,300	21,650		18,000	**18,000**	18,000	18,000	18,000	
PREMIUM SPONSOR			750	2,500		5,000	**5,000**	5,000	5,000	5,000	
SOUNDS OF SUMMER			11,750	12,400		6,000	**6,000**	6,000	6,000	6,000	
ARL HTS 125TH CELEBRATION			21,564	0		0	**0**	0	0	0	
OTHER INCOME (common area maint fees)			0	87,775		0	**0**	0	0	0	
NON-OPERATING											
TRANSFER IN FROM GENERAL FUND			0	0		0	**0**	0	0	0	
CAPITAL RESERVES	(1)		0	0	0	50,000	**90,000**	80,000	0	0	
TOTAL REVENUES			535,282	622,735	0	563,100	**612,700**	612,800	541,900	552,000	0
EXPENDITURES											
EVENTS											
Arlington Heights 125th Year Celebration		AE-12-01	45,670	0		0	**0**	0	0	0	
Arlington Spring Sweep		AE-13-01	875	1,255		1,500	**1,500**	1,500	1,500	1,500	
Autumn Harvest		AE-10-01	10,652	9,781		11,450	**11,700**	12,000	12,300	12,600	
Community Awareness Events		AE-06-46	3,693	5,628		6,000	**6,100**	6,200	6,300	6,400	
Frontier Days		AE-06-18	20,300	19,150		20,050	**20,600**	21,100	21,600	22,100	
Halloween		AE-06-20	3,400	3,600		0	**0**	0	0	0	
Hearts of Gold		AE-06-22	21,834	15,866		18,000	**18,000**	18,000	18,000	18,000	
Irish Fest		AE-06-24	3,100	3,400		3,650	**3,700**	3,800	3,900	4,000	
July 4th Parade		AE-06-26	11,650	12,200		12,550	**12,900**	13,200	13,500	13,800	
Mane Event		AE-06-28	38,686	35,298		37,750	**38,700**	39,700	40,700	41,700	
Memorial Day Parade		AE-06-30	9,900	9,250		9,650	**9,900**	10,100	10,400	10,700	
National Night Out		AE-06-50	7,400	7,900		8,550	**8,800**	9,000	9,200	9,400	
Promenade of the Arts		AE-06-34	12,569	16,653		16,900	**17,300**	17,700	18,100	18,600	
Sounds of Summer		AE-06-38	48,082	51,446		44,600	**45,700**	46,800	48,000	49,200	
Taste of Arlington Heights		AE-12-02	9,900	14,900		15,400	**15,800**	16,200	16,600	17,000	
Tree Lighting Event		AE-06-40	8,650	9,150		9,750	**10,000**	10,300	10,600	10,900	
SUBTOTAL - EVENTS			256,361	215,477	0	215,800	**220,700**	225,600	230,700	235,900	0
Metropolis Theater Subsidy		AE-05-04	157,000	160,000		165,000	**170,000**	175,000	180,000	185,000	
Common Area Maintenance Fees			0	87,775		0	**0**	0	0	0	0
SUBTOTAL - OPERATING EXPENDITURES			413,361	463,252	0	380,800	**390,700**	400,600	410,700	420,900	0

ARTS, ENTERTAINMENT & EVENTS FUND (515)

5 YEAR FINANCIAL PLAN

ACCOUNT DESCRIPTION	Note	PROJ #	2012-13 ACTUAL	actuals as of 8-24-14 2013-14 ACTUAL	2014-15 EST ACT	2014-15 BUDGET	8 MO. PER. ENDING Dec 2015	2016 BUDGET	2017 BUDGET	2018 BUDGET	2019 BUDGET
EQUIPMENT											
Equipment Replacement - Metropolis		EQ-06-03	40,290	43,478		33,000	**34,000**	35,000	36,000	37,000	
			40,290	43,478	0	33,000	**34,000**	35,000	36,000	37,000	0
BUILDING/EQUIPMENT RESERVE EXPENSES	(1)										
Metropolis Theater 2nd Floor Refurbishment		BL-14-15	0	54,998		0	**0**	0	0	0	
Metropolis Theater Lobby		BL-15-01	0	0		30,000	**0**	0	0	0	
Metropolis Threater Seating Repl/Repair		BL-15-02	0	0		20,000	**20,000**	20,000	0	0	
Metropolis Theater Stage Curtains Repl		BL-16-02	0	0		0	**30,000**	0	0	0	
Metropolis Theater Dressing Rms/Green Rm		BL-17-01	0	0		0	**0**	25,000	0	0	
Metropolis Theater Storage		BL-17-02	0	0		0	**0**	25,000	0	0	
Metropolis Theater Sound System Upgrade		EQ-14-05	0	30,000		0	**0**	0	0	0	
Metropolis Theater Ticketing/IT Replacement		EQ-14-10	0	39,907		0	**0**	0	0	0	
Metropolis Theater Lighting Systems & Equip		EQ-16-01	0	0		0	**40,000**	0	0	0	
Metropolis Theater Classroom Technology		EQ-17-01	0	0		0	**0**	10,000	0	0	
SUBTOTAL - BLDG/EQUIP RESERVES			0	124,905	0	50,000	**90,000**	80,000	0	0	0
NON-OPERATING											
Reserve for Replacement (Metropolis)			0	0		75,000	**75,000**	75,000	75,000	75,000	
Building Reserve - Condo Association			9,480	9,660		14,400	**14,400**	14,400	14,400	14,400	
SUBTOTAL - NON-OPERATING			9,480	9,660	0	89,400	**89,400**	89,400	89,400	89,400	0
TOTAL EXPENDITURES			463,131	641,295	0	553,200	**604,100**	605,000	536,100	547,300	0
BEGINNING WORKING CASH			251,248	323,399	304,839		**304,839**	313,439	321,239	327,039	331,739
REVENUES OVER (UNDER) EXPENDS.			72,151	(18,560)	0	9,900	**8,600**	7,800	5,800	4,700	0
ENDING WORKING CASH			323,399	304,839	304,839		**313,439**	321,239	327,039	331,739	331,739

(1) Note: As of 4/30/08 the working cash calculation equals current assets less liabilities less a subtraction for the reserve for replacement. This provides a building/equipment reserve for future major repairs and improvements to the Metropolis Theater. The building/equipment reserve is shown as a net asset in the Village's CAFR and will be increa year by $75,000, unless some or all of the reserve funds are used with the advice of the theater operator, PAM, and per Village Board direction. The building/equipment reser as of April 30, 2014 is $400,000