MINUTES
President and Board of Trustees
Village of Arlington Heights
Committee-of-the-W hole
Board Room
Arlington Heights Village Hall
33 S. Arlington Heights Road
Arlington Heights, IL 60005
May 11, 2015
7:30 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL

President Hayes called the roll with the following Trustees responding: Rosenberg, Sidor, Farwell, LaBedz, Glasgow.

Trustee Scaletta entered the meeting at 7:32 and Trustee Tinaglia entered the meeting at 7:34.

Trustee Blackwood was absent.

IV. NEW BUSINESS

A. Election of President Pro Tem

Trustee Farwell moved that the Committee of the W hole recommend to the Village Board the election of Trustee Thomas Glasgow as President Pro-Tem.
Trustee Scaletta seconded the motion.

Trustee Glasgow passed.

The motion carried.

B. Performing Arts at Metropolis

President Hayes thanked those involved in the process of creating a stronger Performing Arts at Metropolis (PAM), especially the Metropolis Oversight Committee, Trustees Rosenberg and Scaletta and all those who served. He said a spirit of cooperation permeated the process and he is excited about what is to come to ensure that Metropolis remains a vibrant resource for the Village.

Mr. Recklaus explained how the Village got to where it is today. The goal this evening is to determine what ongoing role the Village should play in the Theater's success. He cited the Johnson Study commissioned by the Village Board which showed the Theater's fundamentals were strong and there was no reason it could not thrive if run within reasonable standards. The Metropolis brings in $3 million annually to the Village directly, $1.8 million indirectly and is responsible for 30 jobs. Support of the Theater is a powerful way to support the business community as it brings customers to local businesses door steps. The Study recommended a series of changes and all parties worked to be together to operationalize the suggestions made. After this meeting, a formal Agreement will codify what has been proposed.

Mr. Tom O'Rourke, Acting President of the PAM Board, said a national search for new a Executive Director was conducted and Mr. Keefe was hired. There was an increased PAM Board commitment and involvement. Financial management and operations were improved. A qualified Financial Director was hired and financial reporting was improved. Mr. Neil Scheufler acted as interim Executive Director through this process. During this time the PAM Board performed the following:

Evaluated contributed income
Reviewed all aspects of the organization in conjunction with MPAC staff

Initiated next season's programming
Developed Business Plan and Budget
Finished year on multiple high notes
Reviewed people, process, and product.

The new business plan addresses former concerns, aligns with the Johnson Report, serves as a basis for future decision making, calls for regular reporting, constant evaluation, transparency, and provides opportunity for change.

Dori Bonder, PAM Board Member and Chairman of the Education Committee said the School of Performing Arts (SOPA) enrollment has increased every year. They have classroom space restrictions, so there are limits on size and growth. The summer camps are mostly filled to capacity. SOPA will now house a digital piano lab thanks to the Gala and the fundraising from that evening. Outreach continues to thrive, with special needs student performances, senior center events and activities at schools within the Village. The curriculum is aligned with the recently accepted National Core of Art and Music Standards. Advanced Placement credit is currently being studied for high school seniors. SOPA has initiated a Master Class with professional performers. A partnership has been confirmed with area libraries for an instrument petting zoo, which is a traveling lab of instruments. SOPA saved $16,000 by not being part of the Park District's Spring Catalog and did not lose any students.

Carl Anfensen, Treasurer of the PAM Finance Committee, presented the PAM Board approved budget which is requesting $206,500 from the Village this year. They believe ticket sales will improve because of the show selection in the upcoming year. Development increases should grow slowly over time. Expenses are reasonable with some increases in marketing. The Theater should be able to beat revenue projections as the committee is being very cautious.

Joe Keefe, Executive Director of Metropolis, said good quality programming is the biggest indicator of increased revenue. Sponsorships are next. There is a newly established Programming Committee to help guide selections, this Committee also attends previews and assists with productions. He explained their strategic choices of shows. He said Metropolis can do more to attract new corporate partners, and they are currently approaching former partners one by one. He said individual giving is high. He outlined upcoming special events for sponsors and explained that a personal relationship is important in giving.

Mr. Kuehne summarized his memo of May 5th, 2015 which outlined the reasoning and the finances of the proposed Village contribution to the Performing Arts at Metropolis and the initial fiscal controls. The In-House Village Review Committee suggests contributing $206,500 and $217,000 respectively for the 8-month 2015 year and the 2016 budget years.

Mr. Kuehne said the current PAM request for funding does not allow PAM sufficient funds to develop an adequate reserve. In response to this concern, the Committee recommends creating and contributing annually to a Restricted Reserve Account for PAM. W ithdrawal of funds from this account would require the PAM Board President and the Village Manager's signature. This account would allow PAM to develop an adequate working cash balance over time, cover its deferred revenues and provide for at least a 15% reserve against future economic downturns.

To pay for these recommendations, the Committee suggests a reallocation of the total Food & Beverage Tax (FBT) receipts from 20% to 25% to the Arts, Entertainment & Events (AE&E) Fund with the balance allocated to the General Fund. In addition, the Committee recommends changing the Condominium Assoc. Maintenance (CAM) fee payment system to increase transparency. Currently, PAM pays this fee directly. It is recommended that the Village pay the fee and then PAM reimburse the Village. The Village's auditors concur that the proposed accounting treatment would appropriately reflect this liability.

Mr. Recklaus reiterated why the Village should make this investment. The Johnson Study found that the Theater has a significant economic footprint. If the Village did not contribute financially and the Theater closed, the negative effect would surpass any positives that saving the money would achieve. He said it was a positive investment in the downtown and a good economic development investment.

President Hayes thanked MPAC and all those involved. He agreed that good quality programming drives success. He asked for more detail on the marketing plan.

Mr. Keefe said marketing builds an awareness of a product. Decisions to attend a show are based on the program itself. He said marketing is funded at an appropriate level based on revenue. This budget returns the marketing budget to its pre-2014 levels. He said initially, the goal is to use more social media and email. Email is a large driver. He said they plan on using radio occasionally; typically it is used as a spot opportunity and later in a show's run. They used it effectively with the CS Lewis show. Television is a higher risk and cost.

Trustee Sidor asked how the Theater will measure their return on marketing dollars. He said he understands that ticket sales are one way, but are patrons being asked how they find Metropolis? Mr. Keefe said yes, they are collecting this data and are using it to refine future marketing investments. Trustee Sidor asked if the post cards are effective. He suggested a redesign of the post card so people realize that Metropolis is different. Trustee Sidor asked if the branding going to change. Mr. Keefe said there will be a new brand initiative, and it's an important element to explore. He explained that a new brand identity critical to what they are doing, but their focus in 2015 has been tactical and operational. A new identity is being worked on to help the Theater become the new Metropolis. Trustee Sidor said the programming good step. He agreed with an increase in marketing dollars, but was looking for some assurances that it won't be the same old marketing,

Trustee Scaletta said it was a good idea to put Trustee Rosenberg and him on the Oversight Committee. He said his previously lost confidence in PAM has been renewed through the work of the past seven months. There is a new direction at Metropolis. The accounting practices are in better shape and reports are received every month. There's a partnership between the Executive Director and Accounting so better reporting and transparency are occurring. The holiday shows grosses were the best in five years. The Gala had the highest gross and net the Theater has ever seen. In anticipation of the CS Lewis show, Mr. O'Keefe went to staff, and they brainstormed on how to make the show a success. As a result, a specific target marketing plan was implemented. The show, which they thought would lose money, was a success. Trustee Scaletta said he was pleased to see more spent on marketing. The PAM Board is embracing the new process in show selection. He said the interviewers for the Johnson report talked to all kinds of users and former users. 75% of people coming to shows are from outside the Village. SOPA is important to the overall health of Metropolis. He restated that the Village's funding of Metropolis comes from a Food and Beverage Tax, not from property taxes. Trustee Scaletta said some of the downtown restaurants could close if Metropolis went away. The Theater brings in almost $300,000 in taxes to the local governments in addition to the $3 million in direct spending. He said he was pleased to see the registration process for SOPA change which created $16,000 in savings.

Trustee Farwell said he was in support of changing the CAM charges. He asked how the mechanics of two signatures on the Restricted Account would work. Mr. Kuehne said it would be a PAM savings account, not a Village savings account. It is restricted by requiring a counter signature to withdraw money. The withdrawal would not need the Village Board's approval. The money is an asset that belongs to Metropolis. Mr. Recklaus said that as Village Manager and a signatory, he is always accountable to Village Board and would not engage in a countersign unless he felt supported by the Board in doing so. There would be notice, barring some dramatic emergency. This new system would reduce surprises. Trustee Scaletta said that is why there is a 30 day wait for funds.

Trustee Farwell said he is concerned about allocating these funds because of the potential effect of the State's finances on local municipalities. He said the Village could be looking at other revenue losses. Mr. Recklaus said this is a very small percentage of General Fund's budget. He said it is difficult to know what the future holds, but this is a good decision based on the information at hand.

Trustee Farwell suggested that Metropolis create an ad for the public access channel. He said the "Thursday at Metropolis" piece would make a great commercial. Mr. Keefe said they will try and tell this story more. Mr. Keefe said they will try to reach new and old audiences, send more email to SOPA students, and use cross selling. Down the road, they hope to add Public Relations, Publicity, Success Stories and Featured Student promotions.

Chris Dungan, Chair of Development, explained how the creation of various Clubs would develop active contributors and members who will help drive what is being produced. This allows 30-40 more people to be involved and invested in the Theater to broaden the base of supporters.

Trustee Glasgow said that the Village Board is sometimes criticized for not helping business enough, but the support of Metropolis is a direct positive support for local businesses. The policy of the Board is to create a downtown with a central draw, the draw is this Theater. The growth of downtown is due to Metropolis. It creates jobs, revenue for businesses, and tax revenues. He said it is a good investment for the Village even with the potential budget cuts from Springfield. He asked for more detail on the reallocation of the Food and Beverage Tax.

Mr. Kuehne explained that an increase from 20% to 25% of the Food and Beverage Tax gives PAM what it needs, eliminates the need for a tax increase and is the least harmful to the General Fund. He explained that a 20% FBT allocation doesn't provide enough funds for what the needs of the Theater are. In raw dollars, this represents an increase of $125,000 per year to the A,E&E Fund and a corresponding decrease to the General Fund. However, this amount equals only 1/10 of 1% of total General Fund Revenues. For the CAM charges, which the Village is responsible for whether the Theater is operating or not, the Village would cut the check and PAM would reimburse the Village.

Trustee Glasgow moved that the Committee of the Whole recommend to the Village Board that the Board approve that the Village pay the Common Area Maintenance (CAM) fee to the Metropolis Commercial Condominium Association (MCCA), and that the Performing Arts at Metropolis (PAM) pay the Village an amount to cover this fee, in order to reflect proper accounting of the Village's CAM fee liability to the MCCA. Trustee Scaletta seconded the motion, with comment.

Trustee Scaletta said this is the best way to do this because the dollars will always be tracked. Because the Village is the land owner, these monies are the responsibility of the Village. This creates a more transparent process and will be followed monthly.

The motion passed unanimously.

Trustee Glasgow moved that the Committee of the Whole recommend to the Village Board that the Board approve a reallocation from 20% to 25% of the total Food & Beverage Tax (FBT) receipts to the Arts, Entertainment & Events Fund, with the balance allocated to the General Fund. Trustee Tinaglia seconded the motion.

The motion passed unanimously.

Trustee Labedz asked if the reserve amount could be diverted by the Village for another special event. She did not wish for this to be an option. Mr. Recklaus said those monies would be a Metropolis asset and would be on their books as a restricted asset. The funds cannot be accessed without permission of the PAM President and the Village Manager.

Trustee Scaletta said he is supportive of the reallocation to 25% because it doesn't fund the PAM budget completely, and the PAM Board will need to do their very best to increase their funding.

Trustee Farwell said that the Board is making this decision knowing what is happening in Springfield and it is still a good idea.

Trustee Tinaglia said that all agree that Metropolis is a wonderful thing for the Village. No one wants to see a new tax created. He said he was a proponent of the 25%. He said the new publicity graphics are awesome. They show a mood and character. Mr. Keefe said that senior staff is very anxious to seek a new look, and they convinced him to incrementally move forward. The show selection for the new season was also a team effort.

Trustee Labedz asked how PAM was planning to increase ticket buyers within the Village. Mr. Keefe said the more successful a theater becomes, the less it earns from its zip code. He said his goal is to increase the overall population in building. SOPA, can be better targeted locally.

Trustee Rosenberg said he is still concerned with use of funds as July-November is a critical time for the Theater, with little revenue compared to expenses. He asked for work on that period of time to create additional revenue. Mr. Keefe said the summer is competitive for patronage. Folsom will provide an opportunity to attract non theater goers and is a summer offering. They are also exploring a Second City collaboration for late night shows, targeting a younger audience. In addition, they are pursuing group sales, and using Second City for a 6 show test. His goal is to compose more nimble programming for summer including a new variety of offerings and comedy.

Trustee Rosenberg said that the numbers in the budget are conservative and that he is optimistic that the Theater can outperform them. He asked if the Reserve Account should be the Village's account initially, and after comfort is regained, have it be transferred to PAM's control. In addition, he suggested a cap should be set to not have the Village's contribution go into perpetuity. Mr. Recklaus said the idea behind the Reserve Account was to give the Theater something on their balance sheet that would give them financial stability. There is a cap of a 25% working cash balance. After review, this is what Metropolis is going to need to be sustainable; anything outside of this Reserve Account requires more questions. Trustee Scaletta said he didn't want the Reserve Account to be PAM's.

Mr. Recklaus said that PAM needs a reserve to be fiscally responsible. It is understood that reserve monies are in a different category for decision making, which is why there is the added restriction.

Mr. Kuehne said Metropolis is not a sustainable organization without a reserve. It will always show negative working cash. It has not had sufficient funding since 2004 and to squeeze it again to the very end, they would have to come back to the Board anytime they need money. There is a need to give them the lifeblood to do that. Trustee Scaletta said he can't let taxpayer dollars go to their name in a Reserve Fund.

President Hayes said he liked the staff recommendation with the caveat of signatory responsibility. He said it gives the Theater leeway. He said he is more comfortable now with the new Business Plan and Executive Director.

Trustee Farwell said he understood why there was a need to allow PAM to have this money in their asset column, as it would help for grant writing, financial growth assistance, and the expansion of SOPA. The Board needs to allow PAM to become more of a sustaining entity. He suggested giving them the restricted asset Reserve Account with a lien on it. That way, they can show the money as their own asset, will help their overall financial outlook, yet the Village is not giving them the tax dollars that could go to other debtors. If there were issues regarding an expense raised by the Village Manger, a discussion could occur.

Trustee Glasgow concurred with the Mayor saying that there are protections built in with the co-signature and he didn't want to hamper growth.

Ms. W ard said that in the formal agreement between the two entities, a provision could be included to obligate the return of the funds if PAM is disbanded. Mr. Recklaus said that drafts of these alternatives could be considered for the final agreement.

Trustee Scaletta moved that the Committee of the Whole recommend to the Village Board that the Board approve the Performing Arts at Metropolis' Budget Request for a Village Contribution in the Amount of $206,500 for the 8 moth budget period ending December 31, 2015, with 50% being paid upfront and the remaining 50% paid October 1, 2015 with monthly financial reporting the Village of Arlington Heights Finance Director and Village Manager and quarterly reports to the Village Board.

President Hayes said he was not in favor of the motion and that there needed to be trust. He said he believes the PAM Board has earned the Village Board's trust. He said he thought PAM needed flexibility to be successful going forward. If restrictions keep being made, the wrong message is sent. He said he was okay with the additional reporting, but not splitting the money.

Trustee Sidor said he was cautiously optimistic. He said Metropolis is an asset of the Village that needs to be best leveraged to its fullest potential. He said he was still interested in looking at a private management company as an on deck option in case this new plan does not work. He said no one wants to see the Theater close, but he wants tight oversight and limitations. Trustee Sidor said he would like language that stated the amount granted by the Village would not exceed $225,000 and that he did not want the Theater coming back for more money.

Mr. Recklaus said this motion amends the budget request; it does not disburse the money. Disbursement will not be called for until the approval of the Agreement. The PAM Board has requested two installments one in July and one in October.

Trustee Tinaglia said he believes Mr. Recklaus will ensure the Reserve Fund doesn't end up in someone's pocket.

Trustee Scaletta withdrew the motion.

Trustee Scaletta moved that the Committee of the Whole recommend to the Village Board that the Board approve the Performing Arts at Metropolis' (PAM) budget request for a Village contribution in the amount of $206,500 for the 8-month period ending December 31, 2015.

The motion passed unanimously.

Trustee Tinaglia moved that the Committee of the Whole recommend to the Board of Trustees that the Board approve the development of cash reserves for the Performing arts at Metropolis (PAM) starting with a contribution to a separate restricted PAM bank account of $18,500 for the 8-month period ending December 31, 2015 with funds to be disbursed in accordance with the Agreement between the Village of Arlington Heights and PAM. Trustee LaBedz seconded the motion.

Trustee Scaletta said to make sure this is set up correctly for the future. Trustee Farwell said when the Agreement comes back, there is language stating that if PAM goes into default, the Village would have the ability to retrieve the Reserve Fund. Ms. W ard said she would craft some controlled language on this issue.

Trustee Rosenberg questioned how this would work without restrictions in the motion. He was concerned that these motions would commit the money without restrictive guarantees. Ms. W ard said that all the detail of this evening's conversation will be used to address how the fund works, and how the funds would come back to the Village. The motion only suggests that the money should be in a Reserve Account. She said the transfer of funds from the Village only occurs after the actual approval of the forthcoming Agreement occurs. These motions tonight are to inform staff as to what should be in the Agreement and to make a public statement of the Board's position in the creation of a legal governing document. She said language stating "with funds to be disbursed in accordance with the agreement between the village and PAM" could be added.

Mr. Recklaus said the underlying premise is to acknowledge this would be an annual contribution. Trustee Sidor said this would be subject to budgeting every year. The Board has the opportunity to look at it in the future.

Ayes: Tinaglia, LaBedz, Glasgow, Scaletta, Farwell, Sidor, Hayes

Nayes: Rosenberg

The motion carried.

Trustee LaBedz moved that the Committee of the Whole recommend to the Village Board that the Board approve an Amendment to the Arts, Entertainment & Events Fund budget for the 8-month period ending December 31, 2015 which would increase the placeholder amount for the Metropolis Theater contribution by $111,100 from $113,900 to $225,000 with funds to be disbursed in accordance with the Agreement between the Village and PAM. ($206,500 operating contribution plus $18,500 restricted account contribution in 2015). Trustee Farwell seconded the motion.

Ayes: LaBedz, Farwell, Sidor, Scaletta, Tinaglia, Glasgow, Hayes

Nayes: Rosenberg

The motion carried.

Trustee Farwell moved that the Committee of the Whole recommend to the Board of Trustees that the Board direct staff to work with the Metropolis Theater to develop an Agreement to define the conditions for the continued Village financial support based on the framework of the Business Plan and the results of the Johnson Study. Trustee Glasgow seconded the motion.

The motion carried unanimously.

Mr. Recklaus said the motion amending the Budget will come before the Board next week, everything else will come before the Board when the Agreement is crafted. The Budget Amendment, doesn't extend funds, just formally changes the Budget plan. Subsequently, staff will work on the Agreement that reflects these values expressed tonight. Sometime in June the new agreement reflecting these values will be ready for discussion.

V. OTHER BUSINESS

A. Request for Closed Session per 5 ILCS 120/2(c)(21): Discussion of minutes lawfully closed, whether for purposes of approval of the minutes or the semi-annual review of the minutes

- and -

5 ILCS 120/2(c)(11): Litigation, when an action against, affecting or on behalf of the Village has been filed and is pending before a court or administrative tribunal, or when the Board finds that an action is probable or imminent

VI. ADJOURNMENT

Trustee Scaletta moved to adjourn the meeting to Closed Session at 10:23 p.m. Trustee Tinaglia seconded the motion.

The motion carried.