

**HUMAN SERVICES COMMITTEE
MINUTES
July 18, 2013**

Present

Councilor Penny York, Chair
Councilor Bruce Sorte
Councilor Mike Beilstein

Staff

Jim Patterson, City Manager
Steve Deghetto, Assistant Parks and Recreation Director
Carrie Mullens, City Manager's Office

Visitors

Dan Rayfield, Majestic Theatre Management (MTM) Board Chair

SUMMARY OF DISCUSSION

	<u>Agenda Item</u>	<u>Information Only</u>	<u>Held for Further Review</u>	<u>Recommendations</u>
I.	Majestic Theatre Management Annual Report			Accept the Majestic Theatre Management Annual Report for Fiscal Year 2011-2012 with concerns about long-term viability of the financial position
II.	Other Business	***		

Chair York called the meeting to order at 2:00 pm. She noted that Kent Daniels submitted e-mail correspondence (Attachment 1).

CONTENT OF DISCUSSION

I. Majestic Theatre Management Annual Report

Mr. Deghetto explained that MTM manages day-to-day theater operations. The City owns the building and provides major infrastructure maintenance (heating, water, roofing, etc.). The City manages an endowment for the theater and allocates earned interest to MTM on an annual basis. Last fiscal year, MTM received \$1,917 interest from the endowment.

In December 2012, MTM updated Administrative Services Committee (ASC) regarding the \$20,000 loan status. ASC approved incorporating the loan report into the annual report for efficiency purposes. MTM requested a loan extension and Council approved an extended repayment schedule of \$100/month beginning September 2012. To date, \$800 has been repaid.

Mr. Deghetto reported that MTM consolidated with Corvallis Community Theater (CCT) resulting in a negative impact of admission and rental revenues. MTM also absorbed production costs CCT could no longer afford.

Marketing and promotions during last fiscal year resulted in a 35% increase in memberships. The City's Finance Department reviewed MTM financials and provided a positive report. Mr. Deghetto said capacity in the community still exists to support MTM and its operations.

Mr. Deghetto referred to Attachment 1 and explained that Mr. Daniels' concern is related to the rate the endowment is being used.

Councilor Beilstein noted that the concept of the endowment was to build interest and allow MTM to use the interest when needed. Due to emergency needs, monies were taken from the endowment. The endowment started at \$200,000 and, according to Mr. Daniels, is currently \$116,000.

Mr. Rayfield said the seismic upgrades resulted in initial losses. Since MTM was not operational for approximately two years, the MTM Board made a decision to use endowment funds for capital investments. The initial loss was followed by a decline in memberships and audiences due to the declining quality of some CCT and MTM productions. Events that were normally sold-out occupied one-third of the space, making production costs no longer reasonable or profitable. CCT productions had provided approximately \$50,000 to the total MTM budget. When CCT reviewed their budget 18 months ago, they realized they would not be able to complete the season based on projected attendance. MTM consolidated with CCT, losing a significant amount of income. The MTM Board looked at several options, including dramatically scaling down operations to serve as a low-cost rental facility, or becoming a performing arts center to better serve the Corvallis audience.

The Board made a capital investment into the theater, including building modifications and higher caliber productions. Phase one was to build and test a new product. This was done by bringing in Broadway talent and offering new community theater productions. Phase two takes a higher-quality product to the community and raises funds to sustain it. Traditionally, it requires 40% contributed income to be successful. Phase two was to begin in February by acquiring season sponsors and producers for various event series (music, dance, etc.). Unfortunately, the MTM Executive Director resigned at this time, leaving the Board to complete fund-raising.

The Board decided to focus on gaining a strong business connection to the theater and re-cultivating a connection to high-dollar donors. A review of the donor list revealed that many MTM donors are currently doing more for other organizations. The Board is aggressively fund-raising and expects two large one-time donations next year that will allow MTM to get through the next season. The Board includes three members who have fund-raising experience. The Board is also exploring grant availability.

There is no intention to draw additional monies from the endowment fund. The withdrawal was for capital improvements only. A different approach may need to be considered after next season. Without an increase in fund-raising from businesses and private parties, services will dramatically reduce.

In response to Councilor Beilstein's inquiry, Mr. Rayfield said the endowment balance is \$70,000. When the executive director resigned, the MTM Board transitioned from a policy board to a working board. A development committee was formed to focus on fund-raising and a community work group committee began work to produce high quality and profitable community theater. The Board hopes the community work group can also rebuild theater craft. MTM previously hosted theater workshops related to sound, lighting, production, etc. Workshops will rebuild community resources and increase local theater participation. Mr. Rayfield noted that this is his last year as MTM Board President.

In response to Councilor Beilstein's inquiries, Mr. Rayfield said Mr. Daniels no longer serves on the MTM Board and is currently working with the Willamette Stage Company (WSC). WSC may use MTM facilities again in the near future. In the past, MTM heavily subsidized groups renting the theater over several weekends. MTM had not increased rental costs in more than eight years. WSC stopped productions for one year and is currently negotiating with MTM. In the fall, MTM will host *Sound of Music* and other premium shows that are normally only produced in Eugene or Portland.

Councilor Sorte said the arts and culture leakages out of the community are large. MTM needs to understand the leakages and where the money is going. MTM may want to consider a review of the Chintimini Senior Center field trips and decide if some of those events could be done locally. A price structure could be negotiated with OSU, who is most likely undercutting MTM. If MTM learns that revenues are being lost to larger venues, a collaboration with the venue may be appropriate for MTM to be a satellite for the larger venue production.

Mr. Rayfield noted that bringing large productions to a three-hundred seat theater results in low profit margins. MTM brought an arts production that would have been sold-out in a larger city and the theater was only half filled.

Councilor Sorte responded that many times rural communities host smaller productions of larger city venues. They expect a diminished production and different actors.

Councilor Sorte said there are businesses that provide full-time equivalent (FTE) directors. The directors are more skilled and typically bring support staff. This would be better than hiring a part-time staff member who is not currently in the industry.

Councilor Sorte added that MTM needs to consider access to the facility and understand that grants are quickly declining. He suggested MTM coordinate with the Whiteside Theatre.

Mr. Rayfield said the previous executive director was unsuccessful coordinating with the Whiteside. The Corvallis arts community has many boards and volunteers, but it is uncoordinated between the groups. The preference would be a collaboration with all arts and culture groups who recruit the same people, volunteers, board members, and revenue. MTM is interested in bringing the groups together and/or one executive director working amongst several organizations.

Councilor Sorte opined that it was a mistake for the Whiteside Theatre to not collaborate with MTM. He stated concern about MTM increasing support without losing members to other organizations. If MTM memberships increase, memberships in other local organizations may decrease. Of the total MTM budget, only 10-15% is membership support.

Mr. Rayfield noted that the Whiteside has a different capacity. Many events that may not be profitable at the Majestic Theatre could be profitable at Whiteside. In addition, theater productions cannot be performed at the Whiteside. It makes sense to have one person scheduling the events for both locations.

Chair York said she and her husband both discovered and enjoyed community theater soon after moving to Corvallis. This resulted in a MTM membership. She noted that sometimes the quality was very good and other times it was not. When the Majestic reopened after the seismic upgrade, she never received a membership renewal notice. It is a marketing error to not maintain a subscription base.

Chair York stated concern about the local nonprofit executive director turn-over, but noted that it is also high, nationally. Only so many board members are available and local executive directors are employed with small salaries and limited experience. She supports consolidation with other boards and noted that of the four major arts organizations that have paid staff, the executive director position in three of those organizations is vacant.

In response to Chair York's inquiry, Mr. Rayfield confirmed that the four boards referred to by Chair York are not working together. He opined that it would be helpful if a Councilor brought the board members together and provided direction or pressure about collaboration. A consolidated arts board with one executive director overseeing several functions would allow for a larger salary and would bring board members and volunteers together.

Mr. Rayfield added that CCT processed annual memberships, not MTM. If renewals were not sent, it is not surprising that memberships decreased. Following the consolidation with CCT, the Majestic had to rebrand for quality productions. Rebuilding an audience takes three-to-five years of adding memberships and creating e-mail distribution lists.

In response to Councilor York's inquiry, Mr. Rayfield said the CCT membership lists were not complete and inadequate. Since CCT members had not agreed to be on the MTM e-mail distribution list, MTM was not able to transfer CCT information.

Chair York clarified that the four major arts organizations she previously referred to include Fall Festival, da Vinci Days, Arts Center, and MTM.

Councilor Beilstein said, ultimately MTM will want an executive director and if the Whiteside Theatre Board is agreeable, a joint director under one management could be hired. It is unfortunate that the Whiteside is a competing venue with the Majestic. There are no opera or ballet venues in Corvallis that can compete with Eugene and Portland, although Eugene brings a scaled down ballet production to LaSells Stewart Center.

In response to Chair York's inquiry about next steps, Councilor Beilstein said the Committee can make a recommendation to Council about the MTM annual report. Beyond that, the Committee can make suggestions for the MTM Board.

Mr. Deghetto said citizens are commenting about what can be done about the theater, arts, and festivals, and whether the current formation is efficient.

Chair York inquired about the role of the Arts and Culture Commission (ACC) in this discussion. Council formed ACC to deal with these issues and Council should empower them to act.

Mr. Patterson said OSU is recruiting for an executive director for arts and culture with a specific goal for that director to work with the Corvallis arts and culture community. People are hesitant and resistant to collaborating and/or sharing due to silos that need to be let go of to better the arts and culture community. This is an opportunity to have a conversation about groups working more closely together. He stated agreement that it may take Council leading that effort as it sometimes helps to have outside influences. As a member of the Visit Corvallis Board, Economic Development Manager Nelson saw an opportunity for the Corvallis Chamber and Visit Corvallis to collaborate. He shared that vision with other board members and the two organizations now share a facility to be more efficient and financially prudent.

Mr. Rayfield agreed that groups work in silos and do not understand all of the issues. Having the discussion and getting to a common understanding needs assistance.

Mr. Patterson said this is about survival of the organizations and/or survival of a vibrant performing arts element.

Mr. Patterson suggested the Committee make a recommendation about the report and continue discussions about next steps. He opined that representatives from all of the groups need to hear from Council that what is currently being done is not working. He stated appreciation for Mr. Rayfield's comments about accountability and responsibility MTM is taking next year. To make a budget sustainable, difficult issues must be dealt with and discussing the future is necessary.

Councilor Sorte opined that this would be a good focus for ACC and he suggested the Parks and Recreation Department organize it.

Mr. Deghetto said this reoccurring theme has also been discussed by the Public Art Selection Commission. There are a number of systems that are not working properly, but could be retooled for the future. Financial obligations and constraints have forced the City to change the way business is conducted. The Parks and Recreation Department is still reinventing itself by analyzing each piece to identify what is working and what needs changed. It may be possible to book shows into both the Whiteside and Majestic and work out agreements for cost sharing. Production costs could be for the entire show and prorated for each venue. These types of discussions need assistance from professional theater people and Corvallis has many experts who can be part of the discussion.

Councilor Sorte said he visited with ACC and suggested they learn the demand and identify the leakage. Demand has declined due to reductions in discretionary income. The main focus will be the location of the OSU Arts and Performing Center. He opined that once the Center opens, discussions will revolve around closing the Majestic.

Mr. Rayfield said there will always be demand for a community venue like the Majestic. The Majestic can serve a larger portion of the community and has the ability to expose people to culture that they might not get in other communities. If the community is not willing to support changes the Majestic has initiated, the Majestic would operate as a limited rental facility and serve a smaller portion of the community. The vision and purpose would become different. The MTM Board is interested in having an instrumental role in the Corvallis culture. Having one board that manages the Majestic and Whiteside, at a minimum, could potentially be more efficient.

Councilor Beilstein opined that there is no such thing as profitable community theater. Even without royalties, community theater would require subsidies.

Mr. Rayfield said it is possible for community theater to be profitable. The risk is when the facility produces the show. Budgets for production costs include conservative audience estimates, royalties, set design, costumes, director mileage, etc.

Chair York inquired whether staff can present ideas to the Human Services Committee (HSC) about convening a community discussion, or if ACC should be part of a discussion with HSC.

Mr. Deghetto said HSC could recommend Council accept the report with the condition that staff prepare a report on the state of arts and culture in the community for review of the feasibility of combining the arts and culture groups.

Chair York clarified that report acceptance should not be conditioned by a follow-up staff report. Mr. Deghetto agreed and said the Committee could recommend report acceptance and direct staff to prepare the report.

Councilor Beilstein opined that this community discussion should occur with ACC, who would then report to HSC.

Chair York said when she spoke with ACC members, they indicated they are struggling with the same issues. ACC considered creating a long-range or strategic plan on arts and culture in the community, but funding is not available. Starting the discussion with HSC may provide the urgency needed. She added that a staff report is not required.

Mr. Deghetto said ACC could invite the da Vinci Days, Fall Festival, MTM, and Arts Center Board Chairs along with interested community members to begin a collaboration discussion. Board chairs can take the discussion back to their respective boards.

Councilor Sorte asked Mr. Deghetto to organize the meeting with the board chairs so HSC can begin collaboration discussions. He agreed that a staff report is not needed. He only needs to know the City support for each group to determine Council's leverage.

Mr. Rayfield noted that the City's contract with MTM provides that information. Councilor Sorte clarified that the contract does not identify in-kind from the City or depreciation for the building.

Mr. Deghetto said the information is easy to collect for MTM and the Arts Center. da Vinci Days and Fall Festival includes some in-kind support. The Parks and Recreation cost recovery program identifies a cost for some in-kind items, but at a very low premium.

Chair York said the information suggested by Councilor Sorte is enough to add an agenda item to open discussions with HSC and a representative from ACC, without representatives from all of the boards. This will provide a current status of the organizations' relationship with the City.

Councilor Sorte opined that board chairs should also be present.

Mr. Deghetto suggested ACC report to HSC after hosting a meeting with board chairs.

Mr. Rayfield said he suspects other organizations are very aware of their relationship with the City, and that it is taken seriously. The MTM Board is fairly receptive to the ideas being discussed. The Whiteside has put a tremendous amount of work into fund-raising and may not be agreeable.

Chair York noted that the more HSC requests, the longer it will take to have the discussions. She prefers to hold a smaller discussion sooner.

Councilor Beilstein stated concern about the amount of staff work being requested. He opined that the discussion needs to begin with ACC who can provide a report to HSC.

Chair York responded that this discussion was initiated based on a report received by HSC.

In response to Chair York's inquiry about next steps, Councilor Beilstein said Parks and Recreation can assist ACC in scheduling the meeting. Mr. Deghetto agreed, and added that he was not sure how soon ACC could meet.

Councilor Beilstein said the focus for HSC is to make a recommendation to Council about the annual report. He is satisfied with Mr. Rayfield's report and the MTM vision for next year. The decision about consolidation does not need to be rushed. He is unsure about the City's ability to entice a board member from the Whiteside to attend a meeting.

Mr. Deghetto confirmed that there is no history of annual reports from the Whiteside. The City has a continued relationship with da Vinci Days, Fall Festival, MTM, and the Arts Center.

Councilor Beilstein said the City's relationship with da Vinci Days and Fall Festival has somewhat diminished due to the elimination of economic development funding.

Councilor Beilstein suggested HSC recommend report acceptance and Parks and Recreation staff take this discussion forward to ACC who can formulate a plan over the next six months. He noted that this is not a Council goal and opined that the level of suggested staff work needs to have the support of the full Council. If ACC cannot work out a plan, the full Council needs to be involved.

Councilor Sorte said he has met with ACC twice and with three of their members recently to attempt to get them to move in this direction. The meetings have been unsuccessful.

The Committee unanimously recommends Council accept the Majestic Theatre Management report for Fiscal Year 2011-2012, with concerns about long-term viability of the financial position of the Majestic Theatre.

Councilor Sorte explained that what he needs from staff is the current status of the four major arts organizations previously identified. The status to include current financial position and advantages and disadvantages of collaboration. He said it would be beneficial to move forward before the organizations hire replacement executive directors.

Chair York noted that there may be timing issues with the da Vinci Days Board. Her husband is the Board Vice-Chair and the Board is completely consumed with organizing this year's event.

Mr. Deghetto said providing a historical report can be completed by staff; however, the City only has financial information from those groups who have loans with the City. Interviews with board members will need to occur to acquire financial information. He is willing to initiate those interviews.

Chair York said this is a great framework for a preliminary discussion without structuring a collaboration or establishing the type of meeting needed. Even without the information, the City knows there are concerns and this is a reasonable time to invite others into discussions.

Mr. Rayfield recommended contact with board chairs as soon as possible to allow the boards time to hold discussions prior to a meeting with ACC.

Mr. Deghetto said it will be important to phrase it as an opportunity to have a discussion on where the community is going with events, theater, and arts; and how the community will survive and nurture the current investment. Having to recreate an investment will be more expensive and if volunteers are alienated, it will be more difficult to entice them to come back.

Councilor Beilstein said the two significant organizations that do not have any relationship with the City include OSU and the Whiteside. OSU will be an expensive competitor. It would be better to bring the Whiteside Board and a member of the OSU Performing Arts division into discussions.

Mr. Deghetto said he has had a similar discussions with arts and culture organizations, concerned citizens, Councilors, and others. Staff will follow-up with HSC in the fall.

In response to Chair York's inquiry about a motion for staff to move forward, the Committee agreed that a motion was not needed.

[Additional discussions after the meeting confirm this topic will be a future agenda item and that no action will be taken at this time.]

II. Other Business

The meeting adjourned at 3:26 pm.

The next Human Services Committee meeting is scheduled for 2:00 pm on Tuesday, July 2 in the Madison Avenue Meeting Room.

Respectfully submitted,

Penny York, Chair

Deghetto, Stephen

From: Kenton Daniels [kentonofbenton@]
Sent: Monday, June 17, 2013 10:54 AM
To: Deghetto, Stephen
Subject: Re: Majestic

Hi Steve. What time is the HSC meeting? Thanks for this information - it is both depressing and illuminating. What would really concern me is not having information included regarding what has transpired financially since 8/31/12. If the loss trends have continued unabated, and I can see no reason why they wouldn't, losses over the last three years may be approaching \$200,000 (FY 2011= [\$67,000] + FY 2012 = [\$39,000]). The corollary to the losses are the decreasing balances in the MTM Oregon Community Foundation account, which went from well over \$200K in FY2010, to \$173K in 2011to \$92K in 2012. That trend would indicate that MTM is approaching close to the point where the fund that has been financing the deficits will be out of cash - and MTM will still owe the city \$19K, in addition.

I can't go the the HSC meeting, but I would appreciate it if you can ask for current information on both the deficit for 2012/13 since 8/31/12 as well as the current balance in the OCF account. It appears to me that the city is very soon going to be in a position where the Majestic is going to be closing its doors, as is stated on page 26 of the annual report ("ongoing annual shortfalls averaging in the neighborhood of \$40,000 threaten to shutter the Majestic." - of course, the financial information shows that the deficit for the last two years was actually [\$116K], not [\$80K]).

I would hate to seeMTM go under and the Majestic close, especially when there may be alternatives to managing the Majestic which could be more successful in not incurring deficits every year. If you are interested in talking about that let me know. This looks like a train wreck coming down the tracks, to me - please let me know what additional information is reported at the HSC meeting. Cheers,

Kent

On Jun 17, 2013, at 9:39 AM, Deghetto, Stephen wrote:

> Hi Kent, The report is rescheduled for the 18th at HSC. The Majestic annual should provide a picture of the year in summary. The true picture will surface during the meeting. I noticed a recruitment ad for the director. Here is the report for HSC. Thanks, Steve

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> Stephen DeGhetto, Assistant Director
 > Corvallis Parks and Recreation Department
 > 541-754-1702
 > Friends, Fun and Fitness

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> -----Original Message-----
 > From: Kenton Daniels [mailto:kentonofbenton@]
 > Sent: Friday, June 14, 2013 1:57 PM
 > To: Deghetto, Stephen
 > Subject: Majestic

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> Hi Steve. Is the Majestic's annual report to the City available yet? Have they presented it to the City Council yet? What is truth? Cheers,

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> Kent Daniels