

CITY OF EL CAJON



MEMORANDUM

DATE: February 17, 2010
TO: MAYOR AND COUNCILMEMBERS
FROM: MAYOR PRO TEM BILL WELLS
SUBJECT: ADVISORY MEETING SCHEDULE

DATE: March 9, 2010 – 1:30 p.m.
SUBJECT: East County Performing Arts Center Renovations
LOCATION: 200 Civic Center Way, **Council Chambers** **NOTE CHANGE IN LOCATION**
ATTENDEES: Public Works Department
Recreation Department
Consultant Kurt Swanson

A Conceptual Business Plan

For The

East County Performing Arts Center

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Section 1 - Executive Summary

The East County Performing Arts Center (ECPAC) is a 1,145 seat theater housed in 35,000 square foot building built in 1977. Originally constructed jointly by the Grossmont Community College District and the City of El Cajon, the college district operated it from 1977 until 1995 and the city has operated it from 1995 until now. During each of those thirty-three years, the facility needed a financial subsidy from either the district, or the city, to balance its operating losses. During the fifteen years since 1995, the city on average has spent \$403,000 each year on the operating and capital expenses of ECPAC.

With both parties unable to afford continued large operating losses, the city and its theater management contractor mutually decided to end their operating contract on December 31, 2009. This has given the city an opportunity to step back and assess the future of ECPAC. In conducting that assessment, we conclude there are really only three viable options available to the city. The city could demolish ECPAC, they could close the facility without demolishing it, or they could successfully operate ECPAC.

Some people find the arts to be of no significant importance and would rather the city not spend money on a performing arts center. For that group the demolition of the building would cost the city approximately \$500,000 and would leave a 1.55 acre irregularly shaped parcel, fronting on Main Street, available for redevelopment. The city also owns the adjacent parcel between ECPAC and Sulzfeld Way, which is currently developed as a public water feature. Combining the parcels could provide a larger exposure on Main Street (and Sulzfeld), but would have limited additional development benefit because of the presence of the Washington Channel under the water feature.

Closing the facility without demolishing it could serve to defer any decision on operating the facility, but even unoccupied buildings cost money. This course of action would at a minimum require about \$45,000 in immediate stopgap roof repairs. With this type of minimal repair, the city should expect renewed leaking, corresponding leak damage, and similar repair expenses every two or three years. The recurring costs of keeping the utilities on, minor maintenance, security, and insurance will require the city to expend another estimated \$106,000 per year. Although it defers any capital renovation expenses, this alternative generates no revenue, does nothing to benefit the community, and costs the city about \$120,000 per year in operating expenses to preserve the asset. An argument can also be made that a 35,000 square foot vacant public building on Main Street will significantly hinder any economic recovery in downtown El Cajon.

Some people would argue that presentation of the arts is an integral part of any community and should be supported with the same fervor as recreation services, the library, parks, and our urban forest. All things considered, we agree and feel that the best course of action for the community lies in renovating and operating ECPAC. Although the current facility has its drawbacks, with the lack of meeting and conference space perhaps the most glaring, it has one tremendous attribute. It already exists. The city paid

\$1.2 million for its share of the original construction and a little over \$1.5 million toward the subsequent capital expenses of ECPAC. This plan proposes that the El Cajon Redevelopment Agency spend \$4.3 million more to renovate ECPAC. For a total investment of \$7 million, the City of El Cajon receives an entertainment facility that would cost the city \$15 million, or more, to replace. When considered in that light, the long-term benefit to the citizens of El Cajon should outweigh the short-term expense of renovating the building.

Consequently, this plan contains recommendations on how the city might move forward and operate ECPAC to the greatest advantage. In preparing the plan, we strove for three desirable outcomes:

- Provide entertainment and cultural benefit to the community.
- Provide economic benefit to downtown El Cajon.
- Do these things with minimal, or no, city subsidy.

Considering today's economic climate, it quickly becomes apparent that without the third outcome, generating sufficient revenues to meet expenses, ECPAC will not survive to provide the first two outcomes. Clearly the business of operating a performance venue is just that, a business, and this plan emphasizes operating ECPAC as a business.

We propose that ECPAC first and foremost return to operating as a performance venue managed directly by the City of El Cajon, primarily through contract and part time employees hired by the City Manager. The operations of the past several years have not allowed ECPAC to realize its potential as a destination entertainment center and an asset that revitalizes downtown El Cajon. Aggressively promoting events with known headline performers will provide the highest entertainment and economic benefit to the community. On days not needed for scheduled performances, the city should make ECPAC available for rentals. Rentals of the facility may, or may not, recover the operating costs, depending upon the rental occupancy rate. In any case a business-like approach of combining scheduled performances and facility rentals should cost the city less than the historical subsidies and deliver more entertainment value to the community.

Section 4 of this report proposes that the city schedule a minimum of 48 performances each year during the first two years of operation. These performances should generate about \$2.4 million in revenue annually and cost about the same amount of money each year. This section also presents a hypothetical slate of performers, as well as the expected revenues and expenses in considerable detail. Since the city will realize both ticket revenue and some expenses well in advance of the actual performances, Section 4 also contains detailed cash flow projections. It also discusses some "Keys to Success", which represent the nuts and bolts philosophies that will allow this venue to operate successfully. While some of the ideas will seem foreign for government, they are essential to success in the world of performing arts and entertainment.

The improved theatre will act as an anchor for the downtown and enhance its reputation as a destination within the San Diego and East County areas. Forty-eight shows should

bring nearly 38,000 paying customers into downtown El Cajon each year. Those customers will increase restaurant and retail activity. They should also generate additional sales and transient occupancy tax revenue for the city. That increased sales activity has the potential of attracting new business investment to El Cajon.

The plan proposes a modest increase in the ECPAC rental rates, with an eight-hour minimum rental period and no exemptions from the obligation to pay rent. We expect that these changes will initially lower the rental occupancy rate, but in the long run they will increase the efficiency of the theater. Instead of reserving several shorter sessions for rehearsals, potentially blocking several days for more profitable rentals, groups will have incentive to get their work done expeditiously. We believe that these policies will also encourage the types of rentals that provide more sales for the downtown merchants. At the proposed rates, rental revenue will equal the facility expenses when rentals reach 164 days per year. In the worst case of absolutely no rentals, the annual operating shortfall from rentals will reach \$395,000 per year, or about equal to the current average annual subsidy.

Although the proposed renovation should eliminate capital repair expenses for a few years, the city must also consider the cost of future capital repairs of the facility. During the past 33 years, such projects totaled about \$1.3 million and this plan proposes spending \$4.3 million more. These costs equate to a capital expense of \$160,000 per year above and beyond the operating expenses. The city should place any annual operating surplus into a reserve for when these expenses arise. If the facility has no operating surplus, then eventually the city will have to fund any future capital repairs from other sources, such as the Redevelopment Agency.

This plan is bold and, like most things worth doing, contains an element of risk. In order to implement it, the city must spend money on a building renovation and the advance booking of a large number of acts. Even with a commitment to matching the acts to the demographics of the local area, and even with energetic event marketing, we acknowledge that the tickets might not sell. Despite marketing the renovated theater to renters, it still may not achieve an adequate rental occupancy rate. Recognizing that these things are possible, we still believe that renovating ECPAC and promoting the facility as a performance destination is the right move. An asset such as ECPAC should act as a catalyst to attract a large and varied audience from throughout the area, an audience that will spend money in El Cajon for tickets, gasoline, food, drink, hotel rooms, and other items. That can only happen if the venue is busy and successful.

Section 2 - Introduction

The East County Performing Arts Center (ECPAC) was constructed in 1977 under a joint powers agreement between Grossmont Community College District and the City of El Cajon. ECPAC originally consisted of a 1,218 seat auditorium (including 32 overflow seats on the orchestra lift) with associated front and back of house facilities. The theater later lost 41 seats during renovations made to accommodate handicapped patrons.

Under the initial agreement, the city and the college district each paid one-half of the \$2.4 million construction cost. Ownership of the facility, along with the responsibility to operate and maintain it, remained with the college district. In return the district committed to let the city schedule 40% of the available time for public recreation and other civic uses.

The college district operated ECPAC from 1977 through 1995. In some years they managed the facility directly and other years they hired a management contractor. During this period ECPAC operated at a loss, which the college district paid each year with a subsidy from their general fund. In some years the loss was modest. In other years it was quite large, reaching a peak of \$510,000 in fiscal year 1990-91.

In 1995 the continued annual subsidies caused the college district to want to relieve itself of the ownership and obligation to operate ECPAC. In December of that year the district and the city dissolved the 1977 joint powers agreement. From that point forward the city assumed the ownership of ECPAC and the responsibility to operate it.

From 1996 until the present date the city has operated and maintained ECPAC through operating contractors, of which there have been three. The most recent operating contract ended on December 31, 2009. During the fifteen-year period from 1996 through 2009 the city incurred total net expenses of \$6.04 million to operate and maintain ECPAC, or an average of \$403,000 per year (see Table 1-1). The city paid the large majority of these expenses with subsidies from its general fund. A few capital repair expenses were funded through community development block grants (CDBG).

Over the most recent fifteen years, ECPAC programming has varied from a limited number of headliners to short run plays such as "*Annie*" and "*The Traditions of Christmas*", to civic events like the Miss El Cajon pageant. During that entire time the city and its management contractors struggled mightily trying to balance the costs and benefits of ECPAC.

While it is difficult to pinpoint why the previous efforts did not meet expectations, this plan moves away from presenting cultural programming solely for its artistic benefits. It instead uses a very business-like approach to balance the following three concepts:

- Provide entertainment and cultural benefit to the community.
- Provide economic benefit to downtown El Cajon.
- Do these things with minimal, or no, city subsidy.

Past City of El Cajon ECPAC Expenses

| | Accounts 40-559, 16410, & 124000 | | | | | | | Totals |
|---------------|-----------------------------------|------------------|-----------------------------------|---------------------------------|---------------------------|---------------------------|-----------------------------|--------------------|
| | City Staff Labor Costs 7XXX | Supplies 81XX | Professional Tech Svcs 83XX | Other Oper. Expenses 85XX | Misc. Expenses 86XX | Capital Outlay 90XX | ECPAC Settlement 99XX | |
| 1995-96 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1996-97 | \$5,029 | \$0 | \$0 | \$52,574 | \$0 | \$141 | \$0 | \$57,744 |
| 1997-98 | \$0 | \$0 | \$0 | \$64,896 | \$0 | \$31,129 | \$0 | \$96,025 |
| 1998-99 | \$4,856 | \$0 | \$0 | \$105,105 | \$0 | \$37,187 | \$0 | \$147,148 |
| 1999-00 | \$4,035 | \$0 | \$0 | \$75,134 | \$0 | \$0 | \$0 | \$79,169 |
| 2000-01 | \$4,500 | \$0 | \$0 | \$159,980 | \$0 | \$0 | \$0 | \$164,480 |
| 2001-02 | \$0 | \$0 | \$0 | \$67,605 | \$0 | \$0 | \$0 | \$67,605 |
| 2002-03 | \$0 | \$0 | \$0 | \$97,307 | \$0 | \$0 | \$0 | \$97,307 |
| 2003-04 | \$0 | \$0 | \$0 | \$96,133 | \$0 | \$0 | \$0 | \$96,133 |
| 2004-05 | \$0 | \$2,713 | \$0 | \$103,563 | \$0 | \$0 | \$2,322,998 | \$2,429,273 |
| 2005-06 | \$3,907 | \$85 | \$0 | \$229,794 | \$0 | \$0 | \$0 | \$233,786 |
| 2006-07 | \$0 | \$0 | \$0 | \$498,835 | \$0 | \$97,791 | \$0 | \$596,626 |
| 2007-08 | \$15,676 | \$0 | \$245 | \$190,820 | \$0 | \$0 | \$0 | \$206,741 |
| 2008-09 | \$0 | \$1,203 | \$0 | \$107,146 | \$0 | \$0 | \$0 | \$108,349 |
| 2009-10 | \$0 | \$0 | \$0 | \$210,067 | \$0 | \$0 | \$0 | \$210,067 |
| Totals | \$38,003 | \$4,002 | \$245 | \$2,058,958 | \$0 | \$166,248 | \$2,322,998 | \$4,590,454 |

| | Account 241000 | | | | | | | Totals |
|---------------|-----------------------------------|------------------|-----------------------------------|---------------------------------|---------------------------|---------------------------|-----------------------------|------------------|
| | City Staff Labor Costs 7XXX | Supplies 81XX | Professional Tech Svcs 83XX | Other Oper. Expenses 85XX | Misc. Expenses 86XX | Capital Outlay 90XX | ECPAC Settlement 99XX | |
| 1995-96 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1996-97 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1997-98 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1998-99 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1999-00 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2000-01 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2001-02 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2002-03 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2003-04 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2004-05 | \$63,095 | \$10,366 | \$5,522 | \$27,081 | \$323 | \$0 | \$0 | \$106,387 |
| 2005-06 | \$152,324 | \$3,375 | \$10,289 | \$87,626 | \$1,753 | \$583,699 | \$0 | \$839,066 |
| 2006-07 | \$0 | \$0 | \$0 | \$3,716 | \$0 | \$0 | \$0 | \$3,716 |
| 2007-08 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2008-09 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2009-10 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Totals | \$215,419 | \$13,742 | \$15,810 | \$118,423 | \$2,076 | \$583,699 | \$0 | \$949,169 |

Arts Center Foundation Funded Capital Improvement Projects (included in the \$2.3 million settlement above)

| | |
|---|--------------------|
| Audio Enhancements | \$159,582 |
| New Theatrical Lighting | \$270,875 |
| Furniture, Fixtures, and Equipment | \$52,336 |
| HVAC Renovation | \$330,953 |
| Lobby Renovations | \$195,146 |
| Stage Lighting | \$10,753 |
| Equipment Lease, and repair | \$12,579 |
| Total | \$1,032,224 |

City Funded Capital Improvement Projects (not included above)

| | |
|--|------------------|
| 1998 ADA Improvements | \$281,000 |
| 2007 Auditorium Ceiling & Rigging Repairs | \$221,998 |
| Total | \$502,998 |

| | |
|---|--------------------|
| 15 Year Grand Total Of City Expenses | \$6,042,620 |
| Average City Expenses Per Year | \$402,841 |

Table 2-1

In balancing these three concepts, the plan heavily emphasizes a business-like approach because the entertainment business is exactly that - a business. Its primary goal is neither education nor charity. It is about selling tickets. Success demands a specific business plan, managers who are experienced presenters, and industry contacts with both artists and their managers. For those reasons, it is not a business that can easily be run by former entertainers or inexperienced supporters of the arts. Rather it takes a business manager with an unwavering eye on the bottom line.

The plan as proposed is both bold and challenging. It requires the city to secure in advance a large number of performances and have confidence that ticket buyers will accept the shows selected. It requires matching these shows to the preferences of the customers being served. It requires a marketing program designed specifically to sell tickets to those shows. It requires the city to avoid practices that give away potential revenue. Finally, it requires that the city see the plan through and allow it time to succeed.

Section 3 - Facility Needs

The East County Performing Arts Center is housed in a 33-year old building that has had few major repairs over its life. If the city expects the facility to succeed at hosting substantial shows on a regular basis, then several capital work items become necessary. Some of these work items address deferred maintenance issues. Others constitute upgrades needed to support such shows in this era. The costs shown for each item reflect a conceptual level of estimate. The actual costs may vary somewhat once the details of the final design become known and the work receives public bids.

The Roof

ECPAC has a relatively complex roof design consisting of four standing seam metal mansard roof sections and two flat areas of four ply built-up roofing. Both of the flat roof areas were constructed with caulking and mastic containing asbestos.

Both flat sections of roof have minor leaks. Their lives could be extended by four or five years by recoating portions of the existing roofing material at a cost of about \$20,000. The four sections of metal roofing leak more substantially due to rusting of the metal and its fasteners. These leaks can be stopped temporarily by coating the affected sections with fiberglass and roof cement for a cost of about \$15,000. With this type of repair, the city should expect renewed leaking, corresponding interior leak damage, and similar repair expenses every year or two. If the City Council chooses to keep ECPAC, but not invest in renovating the building, then this becomes the de facto course of action.

If the city moves forward with a major renovation of the building, we recommend a re-roofing of the building rather than the minor repairs described above. A re-roofing will protect any investment made for interior renovations for twenty years or more (the existing roof has been there for 33 years). Under Title 24 of the California Code of Regulations, all flat roof replacements in existing non-residential buildings must utilize “cool roof” technology. These highly reflective and low emittance roofs require a redesign of the existing roof covering, but will also reduce future energy consumption. We estimate the cost of re-roofing the building and complying with Title 24 at \$800,000

Re-orient The Main Entrance

The theater’s primary entrance currently faces north towards City Hall. In order to encourage patronage of the downtown merchants, the southwest exit doors can be developed into a second primary entrance. This would entail removing the existing embankment and constructing an entrance plaza connecting these doors to the Main Street sidewalk. We estimate this work at \$280,000.

ADA Upgrades

In 1998 the city contracted for the construction of handicap accessibility upgrades to ECPAC. In the twelve years since, the regulations have added to these requirements. A 2008 survey of American's With Disability Act (ADA) deficiencies identified numerous work items required to bring the building into full compliance. The most significant items involve providing disabled access to the dressing rooms, the stage, and the control room. The estimated cost for this work is \$200,000.

Although not specifically called out in the 2008 survey, the second and third floor dressing rooms are not accessible to disabled performers. Neither is the orchestra pit. The dressing room situation creates a scenario where a disabled supporting performer could potentially displace a star performer from the ground floor dressing room. Also, disabled or not, many headline performers will arrive with significant wardrobe baggage. Moving wardrobe boxes up the narrow stairs to the upper dressing rooms is labor intensive and expensive. These situations can be resolved by the retrofit installation of an elevator at an estimated cost of \$175,000.

Interior Finishes

Some of the interior wall, ceiling, and floor finishes have suffered leak damage. Others are in a poor state of repair. Still others, such as the lobby and snack bar, exhibit a very bland and uninteresting color scheme. If the city wishes to invigorate the performing arts center and make it a competitive venue, then we must bring the carpet, paint, wall coverings, and ceilings into a good state of repair and make them as attractive and interesting as possible. The estimated cost for this work is \$300,000.

Additional Women's Restroom

The theater has insufficient women's restroom facilities to accommodate capacity audiences. The city can construct a second women's restroom on the outside of the north face of the building in the current bermed area. This area has sufficient space to site a bathroom equal in size to the existing women's restroom. Access would be through a new door cut through the current exterior wall between the office and Stair #2. The exterior finishes and roof of the new addition would be chosen to match the existing building. The estimated cost for the new addition is \$180,000.

Domestic Water Service

The building receives water through a single two-inch service entering off W. D. Hall near the loading dock. During periods of maximum occupancy, the service and some of the interior plumbing cannot meet the water demand, which results in pressure drops. An additional women's restroom will exacerbate this problem. The city should add an

additional two-inch water service and increase the capacity of some of the internal distribution system. This will necessitate the payment of a \$77,000 capacity fee to Helix Water District plus estimated construction costs of \$50,000 for a total cost of \$127,000.

Building Electrical & Lighting

The theater has numerous minor electrical needs. The control room requires a 220-volt electrical service. Several of the lighting fixtures need relocating or replacing. Some of the circuit breaker and fuse panels have electrical code deficiencies. The emergency generator should be replaced. These repairs need further definition, but are expected to cost less than \$150,000.

Orchestra Lift

The current orchestra lift utilized an electric winch, pulley, and wire rope system to move the lift. Vertical steel beams support the lift and slide up and down in underground caissons as the lift is raised and lowered. The caissons sit below the ground water table causing the beams to corrode. The technology of stage lifts has progressed beyond wire rope operated systems. Most modern lifts use a spiral lift system, which sits entirely above the floor. For increased safety, ease of operation, and lower maintenance costs, the city should replace the operating mechanism of the orchestra lift at an estimated cost of \$150,000.

Sound System

The existing auditorium sound system is analog and not up to the standards of currently touring shows. A digital mixing system; with associated speakers, amplifiers, and accessories, has an estimated cost of \$292,000.

Most modern auditoriums also deliver sound to the performers on stage. A digital mixing system and appurtenances to accomplish this will cost an estimated \$164,000.

The city could conceivably rent this equipment at an estimated cost of \$4,000 per show. At 48 shows per year the simple payback on buying the equipment would be less than three years, making purchasing the equipment the more cost effective option. The city may even shorten this payback period further through rental of the equipment to users of the facility.

Stage Lighting & Drapery Systems

The existing stage lighting system needs refurbishment and rewiring. Additional lighting will be required to support medium and large productions. The lighting access requires

the installation of a bridge to allow technicians to safely adjust the lights. The stage drapes are old and in need of replacement. The estimated cost for this work is \$750,000.

Total Cost Of All Recommended Work

The estimates for all of the work described above equal \$3.5 million plus 20% for design, project management, and inspection for a total project cost of \$4.3 million.

Other Work Considered

Two work items were considered, but not included. The first involves the fly tower. Modern full-size fly towers are usually 2.5 times the height of the proscenium opening, which allows a full height set piece to be stored completely out of view of the audience. The current grid-less fly tower rises 35 feet above the proscenium, which has a 26-foot high opening. Providing a full fly space would require raising the roof of the building about 45 feet. The cost considerations of providing structural support for such a high building, plus raising all of the stage rigging, outweigh the benefit of a higher fly tower.

Secondly, the expansion of the loading dock would greatly benefit the load in and load out of the acts. Unfortunately the design of the building allows virtually no room for expansion. The building constrains the dock on two sides, while the property line blocks any expansion toward W. D. Hall Drive. Any expansion towards Main Street would require moving the HVAC chiller and the emergency generator, as well as the electrical meter and transformer. The architect should evaluate the costs and benefit of expanding the loading dock during the design phase, but the initial analysis makes it seem cost prohibitive.

Schedule

| Estimated Renovation Schedule | |
|--|-------------------|
| City Council authorize Request for Qualifications | March 23, 2010 |
| City Council approve Professional Services Agreement | April 27, 2010 |
| Notice To Proceed with design services | May 10, 2010 |
| Preliminary Design Complete | September 3, 2010 |
| Plans and specifications complete | October 29, 2010 |
| City Council authorize request for bids | November 9, 2010 |
| Bid opening | December 7, 2010 |
| City Council award construction contract | January 11, 2011 |
| Notice to Proceed | February 7, 2011 |
| Construction complete | August 12, 2011 |
| Performing Arts Center reopens | September 1, 2011 |

Section 4 – Self-Presenting

Part 1 – Overview

The City of El Cajon has the good fortune to own one of the two theatres (exclusive of casinos) outside of downtown San Diego that is large enough to support well-known commercial artists. While in the past the venue has required significant City subsidy to operate, it is our belief that the overall subsidy can be reduced by maximizing the revenue received from ticket sales, rentals, and concessions. The potential for increased revenues is directly related to the quality and quantity of performances presented. If managed and programmed in concert with a good business model, there will also be additional revenues realized by the City from increased spending in El Cajon by patrons drawn to the theatre, performers and their employees, and businesses associated with theatre activities such as printers, mail houses, caterers, etc.

The East County Performing Arts Center (ECPAC), as operated in the recent past, has focused primarily on programs featuring local talent and lesser known artists. The activity level of the venue has not been sufficient to provide the catalyst necessary to generate significant downtown activity. In short, the venue has not realized its potential as a regional draw for the greater El Cajon area.

Presenting shows by well known artists can not only generate activity in the downtown area, but can also generate significant cash flow to assist in offsetting the basic operational costs of the building. Presenting does involve some risk. Program selection and a good business model are both critical to achieving success. Season programs that build audience followings and make a venue “the place to be” are mandatory to reach the desired goal of enhancing the downtown activity and ensuring that any City subsidy significantly benefits the City and its residents. Being perceived as “successful” can also generate additional funds to help reduce any necessary subsidy through sponsorships of shows, selling advertising space in brochures, sale of concessions, and donations. It has consistently been shown that people and money gravitate to “winners.” ECPAC has the opportunity to be a winner.

This section provides a look at how self-presenting can impact the theatre and the community. A sample hypothetical season of 24 shows is analyzed to show potential revenue, expenses, and attendance. The findings of the 24 shows shown have been used as a basis for creating a pro forma to show the potential for a 48 show season. A 48 show season, while still underutilizing the facility, would provide a large enough base to spread marketing costs which remain relatively constant whether presenting 24, 48 or 100 shows. Specific shows are indicated, however, they are shown only to provide an actual basis for the pro forma and not as specific shows for this venue. In order to provide suggestions for specific shows for this venue, it would be necessary to spend significant time analyzing a variety of data about the population of the greater El Cajon area.

Part 2 – Keys to Success

There are a number of issues that should be addressed and agreed upon by the City Council if they desire to operate this venue effectively. The issues are critical to successful operation of the venue, whether it is run by the City, or a contracted operator.

It's a Business... This venture is a business and must be operated like a business.

- Blanket decisions made, such as offering 50 percent discounts to last minute ticket buyers, can ensure that no full price tickets will be sold. These decisions should be made by the person responsible for the management of the venue on a show-by-show basis.
- The City Council should be expected to receive requests from residents and voters suggesting discounts on tickets. In order to ensure that the venue will not require an unreasonable subsidy (a stated concern of the City) and will realize its maximum revenue potential, it is recommended that any decisions on this type of request be delayed 2-3 years. It should also be noted that any decision or policy that has the potential to negatively impact revenue by subsidizing patrons will be politically quite difficult to rescind once it is implemented. This will be true regardless of how negative the financial impact is to the venue.
- The potential for fundraising, reduction of costs through public/private agreements, acquisition of grant monies, donations of gifts, etc., can be significant. Should the City elect to initially authorize the funding of a development person, it would be expected that the results of those efforts would exceed costs.
- It is recommended that the City consider a long-term plan to establish an endowment fund to support programming. Conceptually, this endowment might receive all monies generated from the sale of seat plaques, naming opportunities, donor wall plaques, etc.

Delegation of Authority... In this business there are often opportunities to book shows on very short notice. There will also be windows of opportunity during the normal booking cycle when a quick decision can put you ahead of your competition.

- Authority for booking of performances must be delegated to operating staff.
- Relationships with agents and managers will be critical to the successful booking of performers. The person representing the venue needs to be the perceived decision maker for external contacts. Much of the business of booking is done on a personal relationship basis. When a venue agrees to take a show, even though a formal contract is not immediately available, it is expected that the commitment will be honored. Due to the nature of the business, routings are often done on a number of “handshake” agreements. When a venue fails to honor that commitment, then it can result in a major problem for the agency and, in some cases, derail a tour. When artist representatives perceive that there are multiple

- people in charge of a facility, they may be reluctant to commit to doing business since those situations are more likely to result in unexpected changes or problems.
- The selected decision maker needs the ability to be creative in bringing shows to the venue. He/she must be able to negotiate co-promotions, backend splits, chargeable expenses, etc.

Staffing....The staffing of a facility is critical to its success.

- As previously stated, much of this business is based on relationships and trust. It is also very competitive and can be at times quite challenging when things do not go well. It is not uncommon for performances to occur before contracts are executed. It is not uncommon for requirements of artists to change between the date of agreement and one to two years later when the performance actually takes place. To successfully resolve such issues requires a skilled negotiator with the authority to make decisions. The manager of this facility needs that authority since many of these issues will surface immediately before, during, or at the conclusion of a performance.
- It is recommended that part-time labor and contract employees be utilized wherever possible. This approach is beneficial in that it will allow the City to test the show business waters while also evaluating the abilities of those part-time employees staffing positions that may eventually become full-time.

Box Office Operations...The box office is the first point of contact for customers.

- In our opinion, the box office is an extremely important link in the short and long term marketing efforts as well as the image building process. It is recommended that the ECPAC eventually operate its own box office to ensure high quality customer service to patrons.
- It is also recommended that it be the policy of the venue that all users of the facility be required to utilize the ECPAC box office for all performance events.
- It is recommended that all performance events held at the venue be ticketed. Even when a performance event is a rental, it will often be perceived as a City event. When there is insufficient seating for a large “general admission” crowd, the situation reflects negatively on the venue and the City.
- It is recommended that a facility fee be added to each ticket issued and that fees be charged for replacement of lost tickets, exchanges of tickets, and other services above and beyond the basic box office services. Incorporation of these fees, coupled with the revenue derived from rentals, should cover most of the box office costs.

Artists Representatives....The agent for the artist is interested in their client having a successful performance date.

- To ensure that the agent is successful (which impacts your ability to secure future shows from the agency) it is necessary for the venue to perform well. This means that contract requirements for equipment, lighting, and sound must be understood and provided. The marketing of the show must be professional so that every reasonable effort is made to ensure a large and appreciative audience. Many artists are reluctant to play a date unless they are comfortable that the venue will adequately market the performance. Ticket prices and sales results are available to bookers via internet, and a “flop” show can easily be interpreted by other venues throughout the country as a sign that an artists is losing popularity when, in fact, the presenting venue may have not marketed the show appropriately.
- The artist manager is responsible for the overall success of the artists’ career.
- Management will often reject an offer when they have concerns that the venue is not good enough for the artist or the venue is an unknown. They also may reject offers from venues that do not have a positive track record in artists/management relations.
- It is important that the venue staff work diligently on establishing that the venue is operated in a competent and professional manner.

Glossary of Terms

Back-end split – When artist guaranteed fees are reduced in exchange for a chance to share in the profits of a show. The split of the proceeds occurs at the end of the show.

Chargeable expenses – Agreed expenses of the venue that are deducted from the gross revenue prior to the settlement.

Co-promote – When the venue and the agent/promoter pool resources and share risks associated with the presentation.

Load-in – When the equipment needed for a show is physically brought into the venue.

Risk Capital -- The monies used to purchase shows where reimbursement is dependent on ticket sales.

Routing -- The sequence of travel and show schedule for the artist.

Self-presented program – When a show is selected and presented to the public solely by the venue.

Show Advance – The contacts between the road manager and the technical director of the venue prior to the arrival of a show to ensure that all issues are resolved.

Part 3 – To Present or Not Present? That is the Question.

This section of this report develops a hypothetical performance season. For this report performers have been selected and identified so that realistic revenue and expense numbers can be attached. These artists may or may not actually be appropriate for this venue, however, they provide a sense for the level and types of performers that could potentially be available.

Presenting by the City of El Cajon will require an investment of “risk capital.” The “risk” is not actually as ominous as one might think in that the money is only partially expended prior to the performance and, if properly selected and marketed, the ticket revenues should, over the course of a season, exceed artist fees and production costs. The expected ticket revenue should be acquired prior to most of the actual expenditure of funds for performers’ fees.

Part 4 (Table 4-1) identifies artists for a 24-show season. We have identified for each artist the average ticket price and maximum gross potential. We have also estimated the percentage of the seats sold and based on that, times the average ticket price, leads to an estimate of gross revenue from ticket sales for 24 performances of \$1,125,525. Other revenue, including ticket surcharges, concessions and artist merchandise sales, (Table 4-2) bring the total to \$1,189,689, or \$2,379,377 for 48 shows (Table 4-3)

Table 4-4 is an estimate of the direct and indirect costs for the performances, which represents actual costs incurred at other venues. The direct costs are \$297,500 for 24 shows, or \$595,000 for 48 shows. The individual artist fees are not provided for reasons of confidentiality; however, the total cost for all the artists is realistic. In this case, the 24 artists’ cost is \$660,000, or \$1,320,000 for 48 shows. Table 4-4 goes on to show that the total direct and indirect costs for a 48-show season will total \$2,436,620.

The 48-performance season, as shown in revenue Table 4-3, and expense Tables 4-4, 4-10, and 4-11 projects to achieve a net loss of \$57,243; which is only 2.3% of expenses from breaking even.

It should be noted that while a 48 performance season involves more “risk capital” on the part of the City, it also will make a significant impact on the number of people coming to the venue, it will reduce the average marketing costs per show by roughly 20%, and the perception that the ECPAC is an active viable entertainment center will be greatly enhanced.

Part 4 – Projected Revenue

The following three tables project the revenue for seasons of both 24 and 48 self-presented shows. They assume that marketing begins in March 2011, ticket sales begin in April 2011, and the season begins in September 2011. The estimates do not include revenue from sponsorships, donations, or other outside sources.

The tables reflect ticket prices that are realistic for the shows presented. The maximum gross potential is based on a seating capacity of 1,130 seats, while the projected gross reflects a realistic number of seats that will be sold for each performance.

PROJECTED REVENUE FOR SELF PRESENTED SHOWS WITH ARTISTS

| ARTIST | AVERAGE PRICE | MAXIMUM GROSS | ESTIMATED SALES | PROJECTED GROSS |
|-------------------------------|---------------|--------------------|-----------------|--------------------|
| Kenny Loggins | \$70 | \$79,100 | 75% | \$59,325 |
| America | \$60 | \$67,800 | 70% | \$47,460 |
| In The Mood | \$50 | \$56,500 | 65% | \$36,725 |
| Robert Cray | \$65 | \$73,450 | 70% | \$51,415 |
| Cirque Dreams | \$45 | \$50,850 | 65% | \$33,053 |
| Oak Ridge Boys | \$75 | \$84,750 | 80% | \$67,800 |
| Smooth Jazz Christmas | \$70 | \$79,100 | 90% | \$71,190 |
| Cirque Shanghai | \$35 | \$39,550 | 65% | \$25,708 |
| Keely Smith | \$65 | \$73,450 | 70% | \$51,415 |
| 1 Nite of Queen | \$65 | \$73,450 | 70% | \$51,415 |
| Doo Wop Evening | \$45 | \$50,850 | 65% | \$33,053 |
| Keiko Matsui | \$50 | \$56,500 | 70% | \$39,550 |
| Glenn Campbell | \$55 | \$62,150 | 80% | \$49,720 |
| Riders in the Sky | \$35 | \$39,550 | 70% | \$27,685 |
| Capital Steps | \$50 | \$56,560 | 70% | \$39,592 |
| Fab Four | \$45 | \$50,850 | 75% | \$38,138 |
| Paul Anka | \$85 | \$96,050 | 85% | \$81,643 |
| Credence Clearwater Revisited | \$65 | \$73,450 | 80% | \$58,760 |
| Woody Herman Orchestra | \$45 | \$50,850 | 65% | \$33,053 |
| John Pizzarelli | \$50 | \$56,500 | 65% | \$36,725 |
| Chieftains | \$65 | \$73,450 | 70% | \$51,415 |
| Merri-achi Christmas | \$50 | \$56,500 | 75% | \$42,375 |
| Smothers Brothers | \$60 | \$67,800 | 85% | \$57,630 |
| Forever Plaid | \$45 | \$50,850 | 80% | \$40,680 |
| TOTALS 24 SHOWS | | \$1,519,910 | | \$1,125,525 |
| TOTALS 48 SHOWS | | \$3,039,820 | | \$2,251,050 |

Table 4-1

For a 24-show season there exists a maximum gross potential of \$1,519,910 in ticket sales. The estimated actual gross; including ticket surcharge, concessions, and artist merchandise sales, will be \$1,189,689.

A 48-show season has a maximum gross potential of \$3,039,820 in ticket sales and an estimated actual gross of \$2,379,377.

| | |
|---|--------------------|
| Ticket sales | \$1,125,525 |
| \$2 per ticket facility charge x 18,989 tickets | \$37,978 |
| Estimated concession revenue @ \$1.30 per patron* | \$24,686 |
| Estimated revenue from artist merchandise (\$100 per show for 15 shows) | \$1,500 |
| TOTAL ESTIMATED REVENUE - 24 SHOWS | \$1,189,689 |

Table 4-2

| | |
|---|--------------------|
| Ticket sales | \$2,251,050 |
| \$2 per ticket facility charge x 37,978 tickets | \$75,956 |
| Estimated concession revenue @ \$1.30 per patron* | \$49,371 |
| Estimated revenue from artist merchandise (\$100 per show for 30 shows) | \$3,000 |
| TOTAL ESTIMATED REVENUE - 48 SHOWS | \$2,379,377 |

Table 4-3

Part 5 – Projected Expenses

In order to project costs for ECPAC it is necessary to make a number of assumptions. Items such as sound equipment can add significant cost to shows if the existing equipment is not satisfactory and rental equipment is required. For purposes of this estimate, the following assumptions have been incorporated.

- The sound system has been upgraded to digital and will be acceptable to the selected performers.
- Stage microphones are available.
- Lighting instruments have been upgraded and meet acceptable standards.
- Light pipes are available to reduce staff time for hanging shows.
- The rigging system is acceptable.
- Stage monitors are owned by ECPAC.
- The majority of ushers are volunteers.
- Box office services are available on performance nights only.
- The remaining box office services are contracted.

Table 4-4 provides information regarding costs associated with a 24-performance season. The estimated costs include all technical staff time, stage equipment, security, front of house, custodial, and box office costs.

The direct house and technical costs for a 24-show season equal \$297,500. The artist's fees for those same 24 shows total \$660,000. These numbers double for a 48-show season. These shows also incur indirect expenses for booking, marketing, and other necessary tasks. Table 4-4 estimates the total expenses of presenting a 48-show season at \$2,436,620.

PROJECTED EXPENSES FOR SELF PRESENTED SHOWS

| SHOW | TECH | STAGE EQUIPMENT | SECURITY | FRONT OF HOUSE | CUSTODIAL | BOX OFFICE | TOTALS |
|--------------------------------------|------------------|-----------------|-----------------|-----------------|----------------|----------------|--------------------|
| Kenny Loggins | \$7,000 | \$5,000 | \$500 | \$1,200 | \$400 | \$400 | \$14,500 |
| America | \$6,500 | \$4,750 | \$500 | \$1,200 | \$400 | \$400 | \$13,750 |
| In The Mood | \$5,500 | \$3,500 | \$500 | \$1,200 | \$400 | \$400 | \$11,500 |
| Robert Cray | \$6,000 | \$5,000 | \$500 | \$1,200 | \$400 | \$400 | \$13,500 |
| Cirque Dreams | \$12,000 | \$1,500 | \$500 | \$1,200 | \$400 | \$400 | \$16,000 |
| Oak Ridge Boys | \$6,500 | \$4,500 | \$500 | \$1,200 | \$400 | \$400 | \$13,500 |
| Smooth Jazz Christmas | \$7,500 | \$5,500 | \$500 | \$1,200 | \$400 | \$400 | \$15,500 |
| Cirque Shanghai | \$9,000 | \$500 | \$500 | \$1,200 | \$400 | \$400 | \$12,000 |
| Keely Smith | \$5,500 | \$4,000 | \$500 | \$1,200 | \$400 | \$400 | \$12,000 |
| 1 Nite of Queen | \$6,000 | \$4,500 | \$500 | \$1,200 | \$400 | \$400 | \$13,000 |
| Doo Wop Evening | \$5,500 | \$4,000 | \$500 | \$1,200 | \$400 | \$400 | \$12,000 |
| Keiko Matsui | \$6,500 | \$4,750 | \$500 | \$1,200 | \$400 | \$400 | \$13,750 |
| Glen Campbell | \$6,500 | \$4,000 | \$500 | \$1,200 | \$400 | \$400 | \$13,000 |
| Riders in the Sky | \$5,000 | \$1,000 | \$500 | \$1,200 | \$400 | \$400 | \$8,500 |
| Capitol Steps | \$5,000 | \$1,000 | \$500 | \$1,200 | \$400 | \$400 | \$8,500 |
| Fab Four | \$6,500 | \$4,500 | \$500 | \$1,200 | \$400 | \$400 | \$13,500 |
| Paul Anka | \$7,500 | \$5,500 | \$500 | \$1,200 | \$400 | \$400 | \$15,500 |
| Credence Clearwater Revisited | \$6,500 | \$4,500 | \$500 | \$1,200 | \$400 | \$400 | \$13,500 |
| Woody Herman Orchestra | \$5,000 | \$1,500 | \$500 | \$1,200 | \$400 | \$400 | \$9,000 |
| John Pizzarelli | \$5,500 | \$1,500 | \$500 | \$1,200 | \$400 | \$400 | \$9,500 |
| Chieftains | \$6,500 | \$3,000 | \$500 | \$1,200 | \$400 | \$400 | \$12,000 |
| Merri-achi Christmas | \$7,500 | \$3,000 | \$500 | \$1,200 | \$400 | \$400 | \$13,000 |
| Smothers Brothers | \$6,000 | \$2,000 | \$500 | \$1,200 | \$400 | \$400 | \$10,500 |
| Forever Plaid | \$6,000 | \$1,500 | \$500 | \$1,200 | \$400 | \$400 | \$10,000 |
| Sub-totals | \$157,000 | \$80,500 | \$12,000 | \$28,800 | \$9,600 | \$9,600 | \$297,500 |
| Sub-total Next 24 Shows | | | | | | | \$297,500 |
| Artist Fees For 48 Shows | | | | | | | \$1,320,000 |
| Indirect Operational Expenses | | | | | | | \$289,620 |
| Indirect Personnel Expenses | | | | | | | \$232,000 |
| Total Expenses For 48 Shows | | | | | | | \$2,436,620 |

Table 4-4

Part 6 - Cash Flow

The following cash flow projections are based upon a number of assumptions that may change depending on decisions made regarding the operation of the venue. The data is based on a 48-show season with performances similar to those shown in Table 4-1. These assumptions are:

Revenue:

- Based on estimated levels of ticket sales shown in Table 4-1.
- Spread of revenue is based on the date tickets go on sale, which is presumed to be April 2011, or five months before opening.

Operations:

- Includes no estimate of expenses associated with rentals.
- Presumes that fees and charges for all rental activities will equal rental expenses and therefore be cash neutral.

Personnel:

- All positions begin as part time with some upgraded to full time as the season begins.
- Both the Building/Rental Manager, Secretary, and Technical Director positions are split between part time to the self-presenting effort and part time to the rental effort. For estimating purposes it should be presumed that without rental activities the position of Building/Rental manager could be eliminated and one half of the expenses shown for both the secretary and technical director could be eliminated.
- Any other personnel costs associated with the rentals will be fully reimbursed by rental charges and are not included in the following cash flow tables.
- The Executive Director initially to be a contractor, or consultant, position.
- The box office is only active on site during performance days.
- On days with no performances the box office operation is contracted with a remote site.
- Expenses for staffing for front of house, technical, security, custodial, and box office are contained in the show costs.
- Labor costs are estimates.

CASH FLOW 2010-2012

| | JUL | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | TOTAL |
|------------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|
| 2010-2011 | | | | | | | | | | | | | |
| REVENUE | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$230,000 | \$410,000 | \$230,000 | \$870,000 |
| COSTS | | | | | | | | | | | | | |
| PERSONNEL | | | (\$5,500) | (\$5,500) | | | | | | | | | |
| OPERATIONS | | (\$1,000) | (\$2,000) | (\$1,250) | (\$4,000) | (\$3,000) | (\$15,000) | (\$15,000) | (\$16,000) | (\$17,000) | (\$17,000) | (\$17,000) | (\$115,000) |
| TOTALS | \$0 | (\$1,000) | (\$7,500) | (\$6,750) | (\$4,000) | (\$4,000) | (\$37,500) | (\$65,250) | (\$56,000) | \$162,000 | \$393,000 | \$213,000 | \$566,000 |
| 2011-2012 | | | | | | | | | | | | | |
| REVENUE | \$154,000 | \$154,000 | \$235,200 | \$159,200 | \$106,700 | \$209,700 | \$77,200 | \$184,200 | \$159,200 | \$439,200 | \$495,200 | \$235,571 | \$2,609,371 |
| COSTS | | | | | | | | | | | | | |
| PERSONNEL | (\$18,500) | (\$18,500) | (\$19,500) | (\$19,500) | (\$19,500) | (\$19,500) | (\$19,500) | (\$19,500) | (\$19,500) | (\$19,500) | (\$19,500) | (\$19,500) | (\$232,000) |
| OPERATIONS | \$0 | (\$4,000) | (\$226,582) | (\$197,432) | (\$195,182) | (\$195,182) | (\$270,682) | (\$196,432) | (\$284,182) | (\$246,182) | (\$194,182) | (\$194,582) | (\$2,204,620) |
| TOTALS | \$135,500 | \$131,500 | (\$10,882) | (\$57,732) | (\$107,982) | (\$4,982) | (\$212,982) | (\$31,732) | (\$144,482) | \$173,518 | \$281,518 | \$21,489 | \$172,751 |

NOTE: Cash flow includes estimated ticket revenue for the 2012-2013 season.

Table 4-5

SELF PRESENTED REVENUE PROJECTION - 48 SHOWS

July 2010 - June 2011

| Category | July | August | Sept | Oct | Nov | Dec | Jan | Feb | March | April | May | June | TOTALS |
|--------------------|------|--------|------|-----|-----|-----|-----|-----|-------|-------------------|-------------------|-------------------|-------------------|
| Ticket Sales | | | | | | | | | | \$ 225,000 | \$ 400,000 | \$ 225,000 | \$ 850,000 |
| Box Office Fees | | | | | | | | | | \$ 5,000 | \$ 10,000 | \$ 5,000 | \$ 20,000 |
| Concessions | | | | | | | | | | \$ - | \$ - | \$ - | \$ - |
| Artist Merchandise | | | | | | | | | | \$ - | \$ - | \$ - | \$ - |
| TOTALS | | | | | | | | | | \$ 230,000 | \$ 410,000 | \$ 230,000 | \$ 870,000 |

Table 4-6

JULY 2010 - JUNE 2011 - 48 SHOWS

Personnel Expenses

| TITLE | JULY | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUNE | TOTALS |
|-----------------------|------|-----|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Executive Director | | | \$ 5,000 | \$ 5,000 | \$ 3,000 | \$ 2,000 | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ 93,000 |
| Bldg/Rental Mgr | | | | | | | | | | \$ - | \$ - | \$ - | \$ - |
| Secretary | | | | | \$ 500 | \$ 500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 10,000 |
| Technical Director | | | \$ 500 | \$ 500 | \$ 500 | \$ 500 | \$ 500 | \$ 500 | \$ 500 | \$ 500 | \$ 500 | \$ 500 | \$ 5,000 |
| Box Office Manager | | | | | | | | | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 4,000 |
| Accountant | | | | | | | | | | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 3,000 |
| Audio/Visual Tech | | | | | | | | | | | | | \$ - |
| Lighting Tech | | | | | | | | | | | | | \$ - |
| Rigger | | | | | | | | | | | | | \$ - |
| Info Systems Tech | | | | | | | | | | | | | \$ - |
| Box Office Assistants | | | | | | | | | | | | | \$ - |
| Artist Hospitality | | | | | | | | | | | | | \$ - |
| TOTALS | | | \$ 5,500 | \$ 5,500 | \$ 4,000 | \$ 3,000 | \$ 15,000 | \$ 15,000 | \$ 16,000 | \$ 17,000 | \$ 17,000 | \$ 17,000 | \$ 115,000 |

Table 4-7

OPERATIONS EXPENSES - 48 SHOWS

July 2010 - June 2011

| CATEGORY | JULY | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | TOTALS |
|------------------------|------|----------|----------|----------|-----|----------|-----------|-----------|-----------|-----------|-----|-----|------------|
| Travel & meetings | | | \$ 1,000 | \$ 1,000 | | | \$ 2,500 | | | | | | \$ 4,500 |
| Publications & Dues | | \$ 1,000 | \$ 1,000 | | | \$ 1,000 | | | | \$ 1,000 | | | \$ 4,000 |
| Mileage | | | | | | | | | | | | | \$ - |
| Uniforms/Laundry | | | | | | | | | | | | | \$ - |
| Messenger Service | | | | \$ 250 | | | | \$ 250 | | | | | \$ 500 |
| Professional Services | | | | | | | | | | | | | \$ - |
| Printing | | | | | | | | | | | | | \$ - |
| Outside Repairs | | | | | | | | | | | | | \$ - |
| Permit Fees | | | | | | | | | | | | | \$ - |
| Special Supplies | | | | | | | | | | | | | \$ - |
| Postage | | | | | | | | | | | | | \$ - |
| Contract Requirements | | | | | | | | | | | | | \$ - |
| Program Expense | | | | | | | | | | | | | \$ - |
| Marketing Expense | | | | | | | \$ 20,000 | \$ 50,000 | \$ 40,000 | \$ 50,000 | | | \$ 160,000 |
| Production Expense | | | | | | | | | | | | | \$ - |
| Front of House Expense | | | | | | | | | | | | | \$ - |
| Box Office Expense | | | | | | | | | | | | | \$ - |
| Utilities | | | | | | | | | | | | | \$ - |
| TOTALS | | \$ 1,000 | \$ 2,000 | \$ 1,250 | | \$ 1,000 | \$ 22,500 | \$ 50,250 | \$ 40,000 | \$ 51,000 | | | \$ 169,000 |

Table 4-8

SELF PRESENTED REVENUE PROJECTION - 48 SHOWS

July 2011 - June 2012

| CATEGORY | JULY | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | TOTALS |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Ticket Sales | \$ 150,000 | \$ 150,000 | \$ 225,000 | \$ 150,000 | \$ 100,000 | \$ 200,000 | \$ 70,000 | \$ 175,000 | \$ 150,000 | \$ 425,000 | \$ 480,000 | \$ 225,000 | \$ 2,500,000 |
| Box Office Fees | \$ 4,000 | \$ 4,000 | \$ 5,000 | \$ 4,000 | \$ 1,500 | \$ 4,500 | \$ 2,000 | \$ 4,000 | \$ 4,000 | \$ 9,000 | \$ 10,000 | \$ 5,000 | \$ 57,000 |
| Concessions | \$ - | \$ - | \$ 4,900 | \$ 4,900 | \$ 4,900 | \$ 4,900 | \$ 4,900 | \$ 4,900 | \$ 4,900 | \$ 4,900 | \$ 4,900 | \$ 5,271 | \$ 49,371 |
| Artist Merchandise | \$ - | \$ - | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 3,000 |
| TOTALS | \$ 154,000 | \$ 154,000 | \$ 235,200 | \$ 159,200 | \$ 106,700 | \$ 209,700 | \$ 77,200 | \$ 184,200 | \$ 159,200 | \$ 439,200 | \$ 495,200 | \$ 235,571 | \$ 2,609,371 |

NOTE: Revenue projection includes estimated ticket revenue from 2012-2013 season.

Table 4-9

JULY 2011 - JUNE 2012 - 48 SHOWS

PERSONNEL

| TITLE | JULY | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUNE | TOTALS |
|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Executive Director | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ 13,000 | \$ 156,000 |
| Bigg/Rental Manager | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Secretary | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 18,000 |
| Technical Director | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 36,000 |
| Box Office Manager | | | | | | | | | | | | | \$ - |
| Accountant | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 12,000 |
| Audio/Visual Tech | | | | | | | | | | | | | \$ - |
| Lighting Tech | | | | | | | | | | | | | \$ - |
| Rigger | | | | | | | | | | | | | \$ - |
| Info Systems Tech | | | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 10,000 |
| Box Office Assistants | | | | | | | | | | | | | \$ - |
| Artist Hospitality | | | | | | | | | | | | | \$ - |
| TOTALS | \$ 18,500 | \$ 18,500 | \$ 19,500 | \$ 19,500 | \$ 19,500 | \$ 19,500 | \$ 19,500 | \$ 19,500 | \$ 19,500 | \$ 19,500 | \$ 19,500 | \$ 19,500 | \$ 232,000 |

Table 4-10

OPERATIONS EXPENSES - 48 SHOWS

July 2011 - June 2012

| CATEGORY | JUL | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | TOTALS |
|------------------------|-----|----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|
| Travel & meetings | | | \$ 1,000 | \$ 1,000 | | | \$ 2,500 | | | | | | \$ 4,500 |
| Publications & Dues | | \$ 1,000 | \$ 1,000 | | | \$ 1,000 | | | | \$ 1,000 | | | \$ 4,000 |
| Mileage | | | \$ 200 | \$ 200 | \$ 200 | \$ 200 | \$ 200 | \$ 200 | \$ 200 | \$ 200 | \$ 200 | \$ 200 | \$ 2,000 |
| Uniforms/Laundry | | \$ 3,000 | \$ 500 | \$ 100 | \$ 100 | \$ 100 | \$ 100 | \$ 100 | \$ 100 | \$ 100 | \$ 100 | \$ 500 | \$ 4,800 |
| Messenger Service | | | \$ 250 | | | | \$ 250 | | | | | | \$ 500 |
| Outside Repairs | | | | | \$ 1,000 | | | | | \$ 1,000 | | | \$ 2,000 |
| Permit Fees | | | | \$ 1,000 | | | | \$ 1,000 | | | | | \$ 2,000 |
| Special Supplies | | | | \$ 1,000 | | | | \$ 1,000 | | | | | \$ 2,000 |
| Custodial | | | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 19,200 |
| Security | | | \$ 2,400 | \$ 2,400 | \$ 2,400 | \$ 2,400 | \$ 2,400 | \$ 2,400 | \$ 2,400 | \$ 2,400 | \$ 2,400 | \$ 2,400 | \$ 24,000 |
| Contract Requirements | | | \$ 500 | \$ 500 | \$ 500 | \$ 500 | \$ 500 | \$ 500 | \$ 500 | \$ 500 | \$ 500 | \$ 500 | \$ 5,000 |
| Program Expense | | | \$ 132,000 | \$ 132,000 | \$ 132,000 | \$ 132,000 | \$ 132,000 | \$ 132,000 | \$ 132,000 | \$ 132,000 | \$ 132,000 | \$ 132,000 | \$ 1,320,000 |
| Marketing Expense | | | \$ 30,000 | | | | \$ 74,000 | | \$ 90,000 | \$ 50,000 | | | \$ 244,000 |
| Production Expense | | | \$ 47,500 | \$ 47,500 | \$ 47,500 | \$ 47,500 | \$ 47,500 | \$ 47,500 | \$ 47,500 | \$ 47,500 | \$ 47,500 | \$ 47,500 | \$ 475,000 |
| Front of House Expense | | | \$ 5,760 | \$ 5,760 | \$ 5,760 | \$ 5,760 | \$ 5,760 | \$ 5,760 | \$ 5,760 | \$ 5,760 | \$ 5,760 | \$ 5,760 | \$ 57,600 |
| On site Box Office | | | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 1,920 | \$ 19,200 |
| Utilities | | | \$ 1,882 | \$ 1,882 | \$ 1,882 | \$ 1,882 | \$ 1,882 | \$ 1,882 | \$ 1,882 | \$ 1,882 | \$ 1,882 | \$ 1,882 | \$ 18,820 |
| TOTALS | | \$ 4,000 | \$ 226,582 | \$ 197,432 | \$ 195,182 | \$ 195,182 | \$ 270,682 | \$ 196,432 | \$ 284,182 | \$ 246,182 | \$ 194,182 | \$ 194,582 | \$ 2,204,620 |

Table 4-11

Section 5 - Rentals

During dates when the City has no self-presented event scheduled, the performing arts center will be made available for rental by outside organizations. The charge for renting the performing arts center should attempt to recover most, if not all, of the cost to the City of making the center available for rent. Since renters generally pay the direct costs of their programming, the rental charge will seek to reimburse the City for the non-programming costs of the facility; such as the costs for the management staff, building maintenance, supplies and services, insurance, and utilities.

Table 5-1 estimates the various non-programming costs for operating the performing arts center. These daily cost estimates stem from the actual expenses incurred by Art Beat and the City in 2007 and 2008, plus an estimate of the future labor costs to implement the staffing recommendations of Section 4. During 2007 and 2008 groups used the center on a total of 331 of the 730 available days for a 45% occupancy rate.

Estimates of Daily Non-program Costs

| Expense Category | Option A | | Option B |
|---------------------|-----------------------------|--------------------------------|------------------------------------|
| | Daily Sunk Cost 365 Days | Add'l Cost On Occupied Days | Full Cost Paid By Occupied Days |
| Direct Labor | \$345.21 | \$0.00 | \$761.33 |
| Indirect Labor | \$155.34 | \$0.00 | \$342.60 |
| Office Equipment | \$2.55 | \$0.00 | \$5.62 |
| Utilities | \$107.84 | \$284.32 | \$522.16 |
| Building Repair | \$42.28 | \$0.00 | \$93.25 |
| Supplies | \$42.57 | \$0.00 | \$93.89 |
| Liability Insurance | \$58.92 | \$0.00 | \$129.93 |
| Security | \$55.00 | \$0.00 | \$121.31 |
| Subscriptions | \$0.52 | \$0.00 | \$1.15 |
| Miscellaneous | \$12.99 | \$0.00 | \$28.65 |
| Custodial | \$0.00 | \$221.44 | \$221.44 |
| Information Tech. | \$0.93 | \$0.00 | \$2.05 |
| Property Insurance | \$28.07 | \$0.00 | \$61.91 |
| Totals | \$852.23 | \$505.75 | \$2,385.28 |

Table 5-1

The table presents two options for setting the rental charge. Option A apportions most of the annual charges evenly over the 365-day year, except for utilities and custodial expenses. The utility charges have been split between the estimated cost for an unoccupied day and the additional estimated cost for the occupied days. Since custodial costs follow the occupancy even more closely, all the estimated custodial costs have been apportioned to the occupied days. This split method allows the City to fully recover the non-programming costs on days that people rent the center. Under this option the City subsidizes these costs on dark days, so as the number of dark days increases the total amount of City subsidy also increases.

Option B apportions all of the non-programming costs to just the occupied days. This option assures the City of full recovery of the total annual non-operating costs for the facility, provided the center achieves the assumed occupancy of 45%.

The current ECPAC rental rates are structured around a base rate of \$240 per hour, or \$1,920 per eight-hour day. We recommend raising the base rental rate to \$300 per hour, minimum eight-hour rental, with no exempt users. This proposed higher rate is competitive with other rental theaters in the area.

| Occupancy Rate | Options A Cost | Options B Cost |
|----------------|----------------|----------------|
| 45% | \$1,357.98 | \$2,385.28 |
| 30% | \$1,357.98 | \$3,577.93 |
| 20% | \$1,357.98 | \$5,366.89 |
| 10% | \$1,357.98 | \$10,733.78 |

Table 5-2

With a newly reopened theater and eliminating any rental fee exemptions, it seems prudent to expect the initial rental occupancy rate to dip. As stated above, Table 5-1 assumes a total occupancy rate of 45%. If the rental occupancy rate drops below 45% (164 days per year), then the daily cost of

operations apportioned under Option B rises and the city does not recover all of its costs. Table 5-2 presents the required cost recovery charges of both options for various total occupancy rates.

Any shortfall due to rental occupancies will necessitate either a cost cutting (most likely a reduction in rental staff) or a subsidy from some other funding source. At a 20% rental occupancy rate the annual shortfall from rentals equals \$220,000. In the very worst case at a 0% rental occupancy rate (no rentals) the shortfall from rentals reaches \$395,000.

Section 6 - Public Comments

Two public forums on ECPAC were held as part of the process of preparing this plan. The first was held on December 16, 2009 and had thirteen members of the public attending. The following comments and questions were received:

- Is the city really considering closing ECPAC for over a year?
- ECPAC does not have an effective management team.
- What is the city considering doing to improve ECPAC?
- Several suggestions received to improve the current stage.
- ECPAC needs a business plan that is affordable and effective.
- Not enough parking for ECPAC events.
- Suggestion received to work with other venues and other cities to spread costs.
- ECPAC does not get enough support from the City Council.
- City Council should be more supportive of the arts.
- Closing ECPAC for two years will make it hard to renew interest in the theater.
- We must bring ECPAC up to ADA codes.
- We should audit the management group twice each year.
- Project group should hold more public meetings.
- We should form a citizen advisory committee for ECPAC.

The second forum was held on January 27, 2010 with 31 members of the public attending. The following comments and questions were received:

- How many shows would ECPAC have to host to break even on the proposed renovation investment?
- Are there any other venues in California the size of ECPAC that break even without having to be subsidized?
- The city needs to support the theatre as they support other community meeting venues (such as Ronald Regan Community Center).
- El Cajon needs a large theatre.
- The city does not show support for the theatre.
- The community is not happy with the old management team for theatre. They feel that the city needs to gain back trust from the citizens.
- The two years proposed to renovate ECPAC is too long and it would lessen the excitement of theatre attendees.
- Other venues have the majority of their programs privately sponsored. Can the city seek that also?
- The city should coordinate performances with local restaurants so that they can give quality service to people going to the theatre the night of the performance (lack of servers makes dining experience not pleasant).
- Depreciation should be budgeted into operating costs due to the age of the building.
- Lack of parking is an important problem.
- The heating and air conditioning for the building requires better zone control.

- Former Mayor Shoemaker presented a drawing for the proposed ECPAC entrance from several years ago.
- Concerns were raised about the leak in the pond.
- ECPAC is considered an East County theatre, not just an El Cajon theatre. Could the city ask San Diego County for assistance to keep theatre open?
- This meeting contains a much better informed group than the last meeting. The group has a more positive attitude towards the renovations for ECPAC.
- It is important to get a good management group in place.
- A citizens oversight committee is recommended. They should be invited to participate in the planning stages of project.
- A better marquee to advertise the theatre would make community more aware of theatre.
- The city should do the renovations on an as needed basis to make things move faster, and then the theatre would not have to be closed so long.
- What is the City's commitment to the theatre?
- ECPAC should go back to being a rental venue and have a small season to begin with.
- How much money does the City have for this?