



REPORT TO CITY COUNCIL

Approved by:


Arnaldo Rodriguez, City Manager

Council Meeting of: May 1, 2019

Agenda Number: F-1

SUBJECT:

Madera County Arts Authority update and contribution of start-up costs

SUMMARY:

The purpose of this report is to provide the City Council (Council) an informational update on the status of the Cultural and Performing Arts Center and to discuss the potential contribution of City funds for start-up costs.

DISCUSSION:

The Madera County Arts Authority (MCAA) is a Joint Powers Agreement (JPA) comprised of the City, Madera County, and the Madera Unified School District. The Council approved the JPA on April 18, 2018. The MCAA was created for overseeing the development of a Cultural Arts and Performing Arts Center with the renovation of the old Madera County Library as part of the Center. The City's representative on the MCAA is Councilwoman Gallegos.

The MCAA is requesting funding from each of the three entities for start-up costs associated with the development of the Madera Cultural and Performing Arts Center and renovation of the Historic Library as outlined in Table 1.

Table 1: MCAA requested funding			
<i>Agency</i>	<i>Year 1 funding</i>	<i>Year 2 funding</i>	<i>Total</i>
City	\$57,000	\$57,000	\$114,000
County	\$57,000	\$57,000	\$114,000
School District	\$57,000	\$57,000	\$114,000
Total	\$171,000	\$171,000	\$342,000

The activities performed by the MCAA during the initial two-year period will include:

1. Engaging a professional development consultant to organize the capital fundraising campaign; and
2. Hiring an administrative assistant to the MCAA.

The intent of the MCAA is to fund future operational costs from ongoing fundraising activities.

RECOMMENDATION:

Discuss and consider directing staff to prepare a resolution to be presented to the Council at a future public hearing.

FINANCIAL IMPACT:

Funding would be allocated from the City's General Fund unless alternative funding sources are identified.

ALTERNATIVES:

Potential alternatives include:

1. Direct that staff conduct additional research for Council consideration.
2. Contribute an amount other than the requested amount.
3. Direct staff to provide in-kind services.

ATTACHMENT:

1. Reimagining Downtown Madera report prepared by the Madera County Arts Authority JPA

Attachment 1

Reimagining Downtown Madera Through the development of the Madera Cultural and Performing Arts Center And the Historic Library Renovation

❖ Request:

The Madera County Arts Authority (JPA) is requesting funding in the amount of \$114,000.00 from xxxx for start-up costs associated with the development of the Madera Cultural and Performing Arts Center and renovation of the Historic Library. The estimated year 1 and year 2 costs for initial MCAA activities equals \$170,000/year for two years for a total of \$340,000 for the two year period beginning 7-1-19. The activities performed by the MCAA during the initial 2 year period will include 1) hiring a professional development consultant to organize the capital fundraising campaign and 2) hiring an administrative assistant (see budget on page 3) to the MCAA. Certain activities such as legal services and meeting organization are currently being absorbed by the County of Madera as in kind contributions. The cost of the in kind contributions are included in the budget. The JPA is requesting funding for the start-up costs on an equal basis (33% of the total or \$57,000/year/agency for each of the two years) from the 3 jurisdictions that make up the MCAA. The Madera County Arts Council will provide assistance as funding is available. The intent of the MCAA is to fund future operational costs from ongoing fundraising activities.

The balance of the presentation provides an executive summary of the proposed project.

❖ Governing Authority:

Madera County Arts Authority (MCAA). The purpose of the MCAA (a JPA) is to “cooperatively provide for the development of an arts center in the City of Madera, serving the entire County of Madera and to develop a mechanism of its ongoing operation and maintenance.” (*Section 2.03-Purpose, MCAA Joint Powers Agreement*) Current Members of the Madera County Arts Authority (MCAA) January 2019:

- Dr. Julia O’KaneMadera County Arts Council Representative
- Charles Wieland.....At large Community Representative
- Rick Arredondo.....Madera Unified School District Representative
- CeCe Gallegos.....City of Madera Representative
- Rob Poythress.....County of Madera Representative

❖ **What:**

The creation of a Cultural and Performing Arts Center and Old Library renovation that will provide an inspirational civic gathering place where cultural activities educate and entertain. The theater and performing arts center will have an interior courtyard, secure art gallery, two theaters including a 500 seat theater, 450 seat banquet hall/classroom space, full service kitchen, and public retail café. The renovated library will provide gallery and event space, classroom, studio spaces, and an administration office.

❖ **When and Where:**

Phase I. Renovation of “old” library located on the NE corner of G Street and Yosemite Ave in Downtown Madera. The projected completion date ranges from 2021-2023, approximately Eighteen months from start of renovation. This project will begin as soon as building is available, funding for renovation has been secured, and lease agreement between property owner and tenant (expected to be the Madera County Arts Council) is confirmed.

Phase II. This phase consists of the construction of a new Cultural and Performing Arts Center located on the NW corner of Yosemite Ave. and G Street in Downtown Madera, where the former County/Courthouse building currently exists. The timing for the completion of this facility is estimated to be 2027 due to the complexities involved with the project and the sourcing of funding.

❖ **Capital Costs:**

Phase I. Renovation of the “old” library estimated @ \$3,500,000.

Phase II. Construction of new Cultural and Performing Arts Center estimated at \$50-60,000,000.

❖ **Why:**

Provide a needed cultural arts related center for Madera County. Prospective city/county residents are looking for places that enhance quality of life. The Arts Center will contribute to revitalization of downtown Madera/economic growth and continue development of a strong civic center. The Center will provide much needed theater/performing space for schools, community activities, and professional performances, as well as needed event and community meeting spaces, gallery spaces, and provide classroom space for arts centered activities.

❖ **How:**

Funding through a combination of public, private, grants, and endowments will be combine to provide capital funding. The capital campaign will be led by a professional consultant. Operations will be funded by the Madera County Arts Council for the renovated library. Operational costs for the Arts Center will be funded through the creation of an endowment, annual fundraising, venue rentals and event ticket sales.

❖ **Use:**

The Arts Center will be used for live theatrical and musical performances, Classroom, Event, Gallery, Meeting, and Community gathering spaces.

❖ **Business Plan**

1. Startup costs Year one (annual costs 2019-2020):

Administrative Assistant	40,000.00
Project/consultant	100,000.00
Legal	12,000.00
Bookkeeping	12,000.00
Supplies	6,000.00
Total expenses:	\$170,000.00

Year two (2020-2021): \$170,000.00

2. Intervening years

The MCAA plans on being in a position to fund operations during the years 2021 through 2027 through fundraising efforts. The sources of funds will include Individuals, Government grants and contributions, estates, and in kind provisions.

The timing of event income will be determined based on the progress of the Performing Arts facility construction.

3. Performing Arts Center operations (fully operating 2030)

This projection was prepared by Paul Halajian Architects based on performance data collected from other Performing Arts Centers and referenced at the end of the projection.

Projected revenue	
Contributions and grants	1,087,000.00
Program revenue	1,424,800.00
Investment income	22,900.00
Other revenue	<u>84,300.00</u>
Total revenue:	\$2,619,000.00
Projected expenses	
Employee expenses	1,270,200.00
Fees for services	336,800.00
Advertising/office expenses	295,200.00
Occupancy	138,900.00
Other	537,300.00
Total:	\$2,389,100.00
Revenues in excess of expenses:	\$229,900.00

Sources: IRS Form 990 for 2014 for Sunset Cultural Center, Inc., Carmel, CA; IRS Form 990 for 2015 for Merced Center for the Performing Arts; IRS Form 990 for 2015 for Livermore Valley Performing Arts Center, Livermore, CA; websites for Sunset Cultural Center, Merced Center for the Performing Arts, Livermore Valley Performing Arts Center; Executive Director for Merced Center for the Performing Arts; U.S. Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers; and ALH Urban & Regional Economics.

(1) This is a representative operating statement based upon the number of planned seats at the Madera Performing Arts Center. Analysis of annual revenues and expenditures for comparable performing arts centers in California was conducted on a per seat basis, and used as a projection for the Madera Performing Arts Centers. This should be considered a general guide, as there are many differences between the planned Madera Performing Arts Center and the comparable centers, foremost including the planned banquet space at the Madera facility. In addition, the comparable centers report higher employee counts than anticipated in Madera. Of additional note is that the carrying costs for the construction of Performing Arts Center will be a key component of the Center's annual operating costs, not adequately represented in this statement.

❖ **Strengths/Challenges/Conclusion**

Project Strengths

1. Over \$3,000,000 has been raised prior to the launch of any formal effort
2. Solid community/jurisdictional support for the project
3. First Performing Arts Center in Madera providing a venue for events that could not have occurred here previously
4. Provides momentum for Downtown revitalization in Madera
5. Outstanding venue for School performances and educational setting

Project Challenges

1. Fundraising
2. Jurisdictional coordination and “sense of ownership”.
3. Selection of project coordinator and Center management is a major key to success.
4. The MCAA was formed without funding. Operations have thus far been funded through in-kind contributions from the County of Madera for legal and meeting services.

Conclusion

The Madera County Arts Authority (MCAA) was created for the purpose of overseeing the development of a Madera Cultural and Performing Arts Center with renovation of the old Carnegie style Madera County Library as a part of the Center. The City of Madera, County of Madera, and the Madera Unified School District would not have spent time and resources sponsoring and participating in the JPA unless their subject jurisdictions were not serious about seeing a project such as this continue into the planning stages. The requested contributions will allow for continued planning as well as for a robust fundraising effort to commence. The requested funding, to be divided equally amongst the 3 entities, allows sufficient funding for the project to progress without burdening any one jurisdiction financially. The composition of the JPA also provides jurisdictional representation to ensure fiscally responsible operations. Finally, although the MCAA was formed for the development of the center, the JPA will not recommend a project that is not sustainable and at each stage of development will ensure that fiscally responsible decisions and recommendations are made. Approval of the requested funding is strongly recommended.