Metropolitan Exposition-Recreation Commission

Resolution 01-22

Directing the General Manager to ensure that MERC revises charges for provision of good and services to facility users to reflect cost increases.

The Metropolitan Exposition - Recreation Commission finds:

1. That MERC provides a variety of services to users of MERC facilities which are intended to be paid for by users of the MERC facilities.

2. That it is in the public interest that those charges be periodically revised so as to cover the full value of any cost increases MERC has experienced in providing these goods and services.

3. That it is advisable that such "pass-through" charges be revised in a timely manner so as to become effective on July 1, 2001.

BE IT THEREFORE RESOLVED that the Metropolitan Exposition - Recreation Commission authorizes the General Manager to revise all MERC "pass-through" charges which are in current need of revision so as to ensure that any cost increases experienced by MERC are reflected in the charges paid by users. The General Manage shall report to the Commission on the details of any such revisions.

BE IF FURTHER RESOLVED that the Metropolitan Exposition - Recreation Commission directs and authorizes the General Manager to ensure that all future Commission actions setting or increasing MERC's cost of providing goods and services to users include provisions authorizing staff to revise the "pass-through" charges to users as well.

Passed by the Commission on May 16, 2001.

George L. Bell
Chair

Secretary - Treasurer

APPROVED AS TO FORM:
Daniel B. Cooper, General Counsel

By: Kathleen Pool, Senior Assistant Counsel

MERC STAFF REPORT

Agenda Item/Issue: Directing the General Manager to ensure that MERC recovers full costs for provision of reimbursable charges.

Resolution 01-22

Date: May 16, 2001 **Presented By:** Bryant Enge

Background: MERC has a variety of charges which are intended to be "pass-through" charges to users of the facilities. These include charges for labor, services, and materials which users of MERC facilities purchase from MERC. One example is labor charges: MERC may make a change in the rate that certain MERC employees are paid, either through a collective bargaining agreement for represented staff, or change in compensation for non-represented staff. This resolution directs the General Manager to revise all current charges so as to recover full costs, and to ensure that all future Commission actions which will result in cost increases include enabling language authorizing staff to make the appropriate changes in fees to users.

Fiscal Impact: This action will enhance MERC's ability to fully recover costs of services provided to users and therefore should have a positive fiscal impact.

Recommendation: Staff recommends that the Metropolitan Exposition - Recreation Commission direct and authorize the General Manager to ensure that MERC recovers full costs for all reimbursable charges.

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Management and Market Comparative Study

Final Report

Prepared for the Portland Center for the Performing Arts by

AMS Planning & Research Corp.

April, 2001

Offices in

CONNECTICUT

MISSOURI

CALIFORNIA

Background

Study Objectives

The Metropolitan Exposition-Recreation Commission (MERC) commissioned AMS Planning & Research Corp. in April 2000 to perform a Management and Market Comparative Study for the Portland Center for the Performing Arts (PCPA). The goal of the study—according to the MERC Request for Proposals—was to provide answers to three primary questions:

1. Are there current trends in the performing arts center industry which PCPA should incorporate, including potential revenue enhancements, cost eliminations or expansion opportunities?
2. Are staffing levels appropriate, given the functions currently performed at the PCPA?
3. Is the rental rate structure and the for-profit and non-profit use of the venues appropriate given the market and industry trends?

Methodology

Phase One

To determine the answers to the above questions, the consultants followed a three-step process which began with an extensive examination and documentation of current PCPA management practices, operating statistics and market environment. Using the data collected in this stage of the study, the consultants developed a baseline analysis for use in comparing PCPA operating characteristics with those of other, similar U.S. performing arts centers. The results of this baseline analysis were presented to the MERC in September 2000 in a report entitled "Benchmark Report, Phase One: Operating Analysis."

Phase Two

Following the completion of the baseline report, the consultants collected a detailed selection of operating and market data from five performing arts centers which were determined—together with PCPA management—to be "comparable" to the PCPA for the purposes of this study. The five centers chosen were:

- Broward Center for the Performing Arts, in Fort Lauderdale, Florida
- Cincinnati Arts Association, in Cincinnati, Ohio
- Columbus Association for the Performing Arts, in Columbus, Ohio

- Tampa Bay Performing Arts Center, in Tampa Bay, Florida
- Theaters and Arenas Division of the City of Denver, in Denver Colorado

Data collected included organizational mission, structure and staffing, general finances and delineated revenues and expenses, range and types of facility users, scheduling policies and rental rates, public programs and attendance rates and facility care, maintenance and capital repair and replacement policies.

In addition, a market analysis was completed for each study market which included market population, demographic characteristics, indexes for potential arts attendance[1] and the market area of each performing arts center, defining the geography around the center in which 80% of its patrons typically live. This analysis was meant to provide a market context for the specific organizational data to be analyzed.

Finally, AMS interviewed the chief executives of each of the five "comparable" performing arts centers, documenting their views on a range of contemporary performing arts center management issues such as the top challenges of performing arts center management, the role of the performing arts center, trends in revenue generation, market trends, facility repair and replacement strategies, and various organization operating issues.

The data from these five centers was compared and contrasted against the PCPA data collected by the baseline analysis, benchmarks were established for a range of operating functions, and PCPA operating characteristics were placed and ranked on a continuum with the comparable centers. The results of this analysis were delivered to a group of PCPA and MERC officials and representatives from selected PCPA resident companies in November 2000 and again in January 2001 in a presentation entitled "Market & Management Study—Comparative Analysis."

Phase Three

In the third and final phase of work, the consultants facilitated a discussion among PCPA, MERC and resident company officials regarding the benchmark analysis results and what remedial action, if any, was warranted and desired. This report is a summary of that discussion and resulting recommendations.

[1] AMS proprietary ratings of potential arts attendance, based on prior AMS market research in numerous U.S. cities.

Summary of Findings

This final report summarizes the results of the benchmark analysis, and provides observations by the consultants regarding possible remedies and adjustments which might be desirable in light of these results. The summary points are organized in the following sections according to the stated objectives of the study as described in the MERC request for proposals (as listed above under "Study Objectives"; specifically, what opportunities exist for revenue enhancement and/or cost savings, whether current PCPA staffing levels are appropriate, and how the current PCPA rental rate structure compares with other, similar centers across the country.

Two reports were presented during the course of this study, which together formed the basis of this final report:

- **Benchmark Report, Phase One: Operating Analysis,** presented in September, 2000. This report describes the results of an operating analysis of PCPA functions, whose results formed the baseline for the study's comparative analysis.

- **Market & Management Study: Comparative Analysis,** presented in November 2000. This presentation described the results of the benchmarking analysis.

For a more detailed description of the study's methodologies and findings please refer to one of these studies.

AMS Management and Market Comparative Study
Executive Summary

OBJECTIVES:

AMS Planning and Research was commissioned in April 2000 to perform a management and market study. They were charged to answer the following questions:

1. Are there current trends in the industry, which PCPA should incorporate to enhance revenues, eliminate costs or expand opportunities?
2. Are staffing levels appropriate?
3. Is the rental rate structure appropriate for market and industry trends?

BENCHMARK FACILITIES:

PCPA was benchmarked against 5 Performing Arts Facilities of comparable size and markets. Each organization also managed more than one facility. They were:

1.Columbus Association for the Performing Arts, Columbus, Ohio
*Most entrepreneurial; operates and programs a theater in Chicago

2 Cincinnati Arts Association, Cincinnati, Ohio

3. Tampa Bay Performing Arts Center, Tampa, Fl
*Presents and produces shows

4. Denver Performing Arts Complex, Denver, CO

5. Broward Center for the Performing Arts, Ft. Lauderdale, FL

PCPA Demographics

*Majority of attendees within 20 mi. radius vs. 30-45 mi. average of the other facilities.
*Young-55% under 40 years of age
*Affluant-15% over $100K; 28% over $75K
*Ranked #1 in number of events and paid attendance.
*Ranked #4 in number of total seats.

REVENUE AND EXPENSES:

Expenses

Operating expenses appear to be in line with the other PACs. As operations expenses are driven by event activity, and PCPA has the highest number of events of any of the comparison centers, it would have been logical for PCPA's expenses to run higher.

*Ranked #4 in G&A expenses.

*Ranked #5 in cost @ seat. ($8.30)

*Ranked #4 in cost @ patron ($7.46)

*Ranked #6 (last) in number of employees @ event.

*Ranked #4 in Administrative costs (If exclude concessions labor, PCPA ranks lowest.)

*Ranked #2 in overall operating costs, but only 4th in cost @ event.
Note: Cost @ event is $5,200 but PCPA only brings in $2600 in revenues@ event.

*Box office loses money while others are breaking even or making money. (Except Denver who does not operate its own box office.) There is no revenue stream for the PCPA box office. Ticketing expenses are the highest of the centers-about 51% higher as a percentage of total operating budget.

*Ranked #2 in cost per square foot-due largely to Portland's high utilities costs. (However is comparable to other commercial facilities in Portland according to BOMA.)

Revenues

*This is typically mission driven. Some facilities' mission is to attempt to recover as much of their cost as possible. Others' mission is to provide subsidies to keep costs to resident companies and non-profit users to a minimum.

*PCPA is second lowest in earned revenues.

*Ranked second lowest in earned revenues per event. ($2600)
-Tied with Tampa Bay; other facilities earned more than $6000 per event.

*Ranked second in receipt of governmental funding and dedicated tax revenues.

STAFFING:

*Ranked sixth in general administration staffing.

*Ranked fourth in operations staffing.

*Booking and sales is identical to most centers at 2 positions.

*In relation to the number of events PCPA hosts, PCPA is lowest at .04 full time employees per event. Figures indicate the potential that PCPA is understaffed.

RENTAL RATES AND ACTIVITY:

*Ranked #2 in number of not for profit rentals.

*Symphony is the #1 user. (18%)

*July, Aug, Sept-low rental months for everyone.

*Ranked #2 in total days booked.

*Ranked #2 in load in/load out/rehearsal days. (non-revenue producing)

*Ranked lowest in "dark" (no activity) days.

*Only 55% of total seats are filled.

*Commercial rates rank #5-but in the middle if user fee is added in.

*PCPA has lowest non-profit rates-even if user fee is added in.
$.50 per seat compared to an average of $1 to $2 per seat with the other centers. (Denver is highest at $3)

*Rates may be so low that there is no financial incentive for renters to use the halls judiciously.

*Most facilities have a ticket surcharge or user fee above the rental fee. This is typically used for maintenance.

MISCELLANEOUS:

*Multi-venues under one management have better bargaining power vs. those operating individually.

*Most venues struggle with financial stability vs. community resource mission.

*The larger the hall, the higher the subsidy.

Revenue and Expense Trends & Opportunities

Expenses

Total Expenses

In general, an analysis of PCPA operating expenses during the 1998-99 season appear to be in line with operating expenses in the performing art centers chosen for comparison in this study. The majority of such expenses at most centers are divided between General and Administrative (G&A) expenses and Operations expenses, and account for an average of 29% and 42% of total expense budgets, respectively. PCPA G&A expenses in the

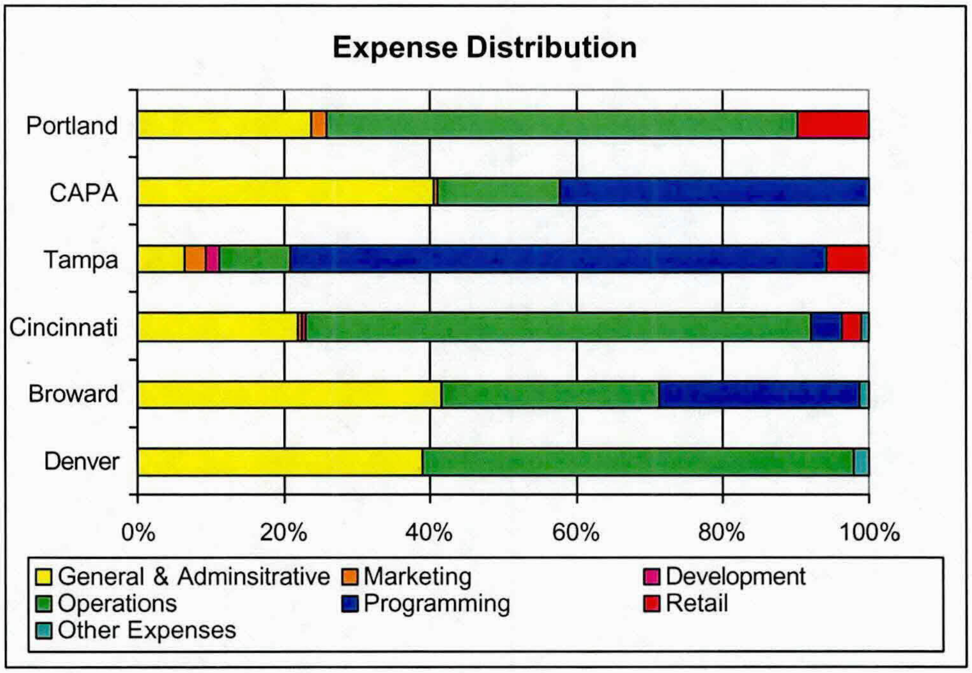

Chart 1: Distribution of Operating Expenses at Comparison Centers

1998-99 season accounted for 23.6% of total expenses—slightly below the six-center average (five comparable centers plus PCPA). Operations expenses at PCPA accounted for 64.6% of total expenses, about 23% higher than the six-center average.

However, three of the comparison centers—Columbus, Tampa Bay and Broward—have significant programming costs in their budget, which lowers their operations expenses as a percentage of total expenses. It is difficult to establish direct comparisons among centers that do and do not incur programming expenses, since operation costs are directly driven by such expenses. However, among the three centers which do little or no programming of their own, operations expenses at the PCPA fall in the middle of the range at about $4.2 million (approximately 65% of total expenses), with Cincinnati slightly higher, at $5.1 million (69.3%), and Denver the lowest at about $2.8 million (58.9%). Thus, it would appear that PCPA expenses in this area fall within the range found at non-presenting comparison centers. It should also be noted that operations expenses are primarily driven by event activity, and with the largest number of events (817) of any of the comparison centers, such costs might be expected to be higher at the PCPA than other centers in absolute terms.

Expenses were also examined as a function of various operating variables, and in most of these comparisons, PCPA costs were among the lowest of the comparison centers. For instance, when G&A and Operations expenses were combined and measured as a function of total seating capacity, PCPA cost per seat was $830, next to lowest among the comparison centers. Broward's per seat cost was highest, at $1,905 per seat, and only Denver's cost was lower, at $620 per seat. As a function of total patrons to the facility, the PCPA combined operations and G&A expenses were among the lowest at $7.46 per seat. Broward's comparable cost was $14.41 per patron, and Denver's cost was again the lowest at $5.84 per patron.

Functional Expenses

Expenses were also examined according to certain key functional areas in performing arts center operations. As a percentage of total expense budget, PCPA ticketing expenses were the highest of the comparison centers, at just over 7% of budget, with other centers exhibiting expenses which ranged from 3% to just under 5% of total budget. Again, comparisons between those centers which present their own events and those which do not are difficult to establish due to the interconnectedness of expenses from different functional areas. However, compared with Cincinnati (the only other non-presenting center for which comparable data was available) PCPA ticketing expenses were about 51% higher as a percentage of total operating budget. In contrast, as a function of total seating capacity, PCPA's cost were among the lowest, at

$66.44 per seat. Tampa's per seat ticketing costs were the highest, at nearly $149 per seat, and Cincinnati's the lowest, at just over $48 per seat.[2]

As a percentage of total budget, the PCPA's cost to book its performance halls was 2%, right in the middle of costs for the comparison centers, which ranged from a high of 2.6% at Denver to .5% at Tampa.[3] Seen as a function of the number of events at each of the centers, the PCPA's booking and sales costs were second to lowest, at $162 per event—this, again, with the highest number of events of any of the comparable centers. Broward's per event cost was the highest, at $302 per event, and only Tampa's cost was lower than the PCPA, at $135 per event.

Occupancy costs[4] can account for a significant percentage of total operating expenses in performing arts centers, and range in amount according to a variety of environmental factors associated with the location of the particular center in question. In this category, the PCPA's costs were second highest among the comparison centers, at $4.60 annually per square foot. Columbus had the lowest occupancy costs, at $2.78 per square foot, and only Broward's were higher than the PCPA's cost, at $6.57 an annual square foot. However, many of these costs are somewhat out of the control of the local performing arts center, and are highly dependent upon local and regional rates. Compared with occupancy costs for commercial structures in Portland, for example, the PCPA's costs are only $.10 higher than the average annual per-square-foot cost for Portland's largest downtown office buildings.[5] Given the use and configuration of performing arts facilities, we would expect occupancy costs to be somewhat higher than for office space configurations.

Conclusion

On most measures examined in our study, PCPA expenses—both in total and by functional area—appear to be comparable, or lower, than other performing arts centers of similar size, activity and market makeup. Occupancy costs are somewhat high, but these are often dependent upon local and regional market forces and not wholly within the control of performing arts center management decisions. That said, most performing arts center executives described occupancy costs as an ever-increasing expense that is difficult to defray from either renter or customer revenues, and is thus important to minimize where possible. For the most part, however, there does not appear to be major areas of potential cost reduction in the current PCPA expense budget.

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[2] Comparable figures were not available for Columbus and Denver.
[3] Comparable figures were not available for Columbus.
[4] Occupancy costs include facility utilities, security, maintenance and repairs, operating contracts and insurances.
[5] 2000 Experience Exchange Report, Building Owners and Managers Association

Revenues

Where operating expenses seem generally comparable to similar expenses at the comparison performing arts centers, revenue generation at the PCPA appears lower in many categories than at centers of comparable size and activity.

Earned Revenues

One measure of comparison for the amount of revenue earned from sales and other transactional activity is the percentage of total center revenues which are "earned" through these methods. The following table shows earned revenues as a percentage of total revenues during the 1998-99 season at the PCPA and each of the comparison centers, sorted in order of descending percentages.

Center	Earned Revenues ($,000)	Percent of Total Revenues (%)
Columbus	11,906	91
Tampa Bay	19,143	90
Cincinnati	6,354	82
Broward	8,312	74
PCPA	**4,135**	**60**
Denver	2,904	57

Table 1: Earned Revenues as Percentage of Total Revenues

As can be seen from the above table, earned revenues as a percentage of total revenues are highest in Columbus, where such revenues comprise 91% of total revenues. Earned revenues at the PCPA are significantly lower—60% of total revenues—than at most other comparison centers. Figures at centers in Columbus, Tampa Bay and Ft. Lauderdale (Broward) are high in part due to the significant amount of ticket revenue generated at these centers from their presenting events. If ticket sales are subtracted from all centers, however, PCP A is earning less revenue than most other centers in many categories. Reimbursed labor revenues, for example, make up from 20% to 50% of earned revenues among the six centers. PCPA's labor reimbursements, at about 32% of earned revenues, is higher than Tampa and Broward centers but significantly lower than Denver, Columbus and Cincinnati (two of which do little or no presenting of their own events), whose labor recoveries range from 45% to 50% of earned revenues. Among the three comparison centers that do little or no presenting, PCPA labor reimbursements—at $1.3 million—are about equal in absolute terms to Denver's reimbursement revenues, but only half the amount Cincinnati receives in this area ($2.6 million).

PCPA Hall rental revenues at PCPA are among the lowest of the centers at just over 20% of earned revenues, as compared with revenue of 25% to nearly

50% of earned revenues at Columbus, Cincinnati and Denver. This, again, in light of the relatively large number of events booked in PCPA halls.

As a function of activity, PCPA revenues from labor recovery and hall rental—the two largest sources of earned income for non-presenting performing arts centers—are tied for lowest with Tampa Bay, at $2,600 per event. Columbus, Denver, Cincinnati and Broward centers all earned more than $6,000 per event from these sources in the 1998-99 season.

Unearned Revenues

Revenues from unearned—or contributed—sources is highly varied among performing arts centers. Some centers, such as Denver and Portland, rely to a large extent upon derived income from local and regional tax sources, while other centers (most in the comparison group) have little or no such revenue. Income from government assistance makes up a large percentage of contributed revenue at most centers, ranging from about 15% at Tampa to more than 50% at Columbus. PCPA government revenues, at just over 20% of total contributed income, are lower than most centers and higher only than Tampa. Corporate support is present in three of the comparison centers, ranging from about 2% to nearly 20% of contributed income, and two centers have foundation support, at about 13% (Columbus) and 50% (Broward) of contributed income. Three centers—Tampa, Cincinnati and Broward—have income from an endowment ranging between 2% to about 15% of total contributed revenues. During the 1998-99 season, PCPA did not receive revenue from foundations, corporations or an endowment. Personal donations and bequests, which are present at most centers, made up from about 15% (Columbus) to more than 70% (Tampa) of contributed income at the comparison centers, with PCPA at about 20% of total unearned income in this category.

As a function of activity, contributed income (in the form of public operating support) at the PCPA is among the lowest of the comparison centers, at $2,415 per event. Such income ranges from a high of $5,088 per event at the Denver center to a low of $1,073 at Columbus. Such income can also be viewed as a function of center *potential* activity, represented by total seating capacity. On this measure, the PCPA again ranks in the lower half of centers at $283 of public operating support per seat, as opposed to $478 for Tampa, on the high end, and $100 at Columbus.

Conclusion

Compared with other performing arts centers of similar size, activity and market composition, it would seem the PCPA has the ability to generate additional revenues from the following functional areas:

- **Rental Income.** Although hall rental issues will be discussed more specifically in the following section, it is clear that—relative to other similar performing arts centers—the PCPA is generating a smaller amount of revenue from hall rental in both absolute amounts and as a percentage of total revenue. Opportunities to increase such revenue at the PCPA seem to fall into two distinct categories: higher rental rates for, primarily, resident and other not-for-profit renters (see following discussion on rental rates) and increased availability of halls for performance activity, as opposed to rehearsal and "dark day" usage.

- **Concessions and Catering.** Food and beverage sales through performance-period concessions and hall banquets and meetings is a strong source of earned revenue for many performing arts centers. In 1998, such revenue sources accounted for an average of 2% of total earned revenues across all sizes and types of centers, adding as much as $570,000 to the coffers of the nation's largest performing arts centers.[6] During the 1998-99 season, such revenues accounted for 2% of total PCPA earned revenues as well, among the bwest—though not alone—in catering and concessions revenues among the comparison centers. Columbus and Denver, for instance, earned 2% and 3%, respectively, of their earned revenues from catering and concessions activities. Cincinnati earned almost four times that amount from such revenues during this season, accounting for about 11% of earned revenues at this center. Tampa and Broward earned 24% and 31% of earned revenues from these activities, well above the other comparison centers in this study. The centers in Cincinnati and Broward each have very active banquet facilities.

- **Box Office.** During the 1998-99 season, the PCPA box office operated at a significant deficit, amounting to $230,000, or 53% of the total expense budget for the department. While the PCPA box offices are staffed by Center employees, a significant percentage of departmental revenues—ticket sales services charges and fees—are shared with outside ticket service providers such as Ticketmaster and Fastix. In addition, the box office—as currently configured—does not collect additional revenue from ticketing service setup fees and telephone sales services, two areas which can provide significant cost-offsetting income to performing arts centers. While an opportunity exists for the PCPA to transform the box office from a significant cost center to a potential profit center (or at least a break-even operation) by developing added revenue streams, such a transformation would likely necessitate significant restructuring of Center box office services and contractual agreements with outside service providers.

- **Corporate Sponsorships.** During discussions with center executives for this study, corporate sponsorships were often mentioned as an

[6] AMS proprietary research of performing arts center revenues

increasingly lucrative source of contributed revenue for center operations. Such programs could include membership programs, corporate concierge services, discounted corporate tickets and corporate box seats and special events. Taking advantage of such opportunities, however, would most often require a product offering by the PCPA—this was a primary benefit mentioned by center executives for having a presenting program.

- **Individual Contributions.** Unlike producing organizations, few performing arts centers which lack a presenting or producing program raise significant amounts of funds from their direct customers. However, center executives described successful efforts in both memberships and estate planning as growing and long-term sources of contributed revenue. Again, a product offering by the PCPA could potentially open new avenues for revenue generation in this area.

- **Center Presenting Program.** During our interviews with executive directors of the comparison performing arts centers, center-sponsored presenting programs were sometimes mentioned as a source of net revenue that contributed to overall center operations. Not all performing arts center-sponsored presenting programs are revenue positive, however—indeed, many incur deficits. This is acceptable to many centers because the focus of the center-sponsored presenting program is to further the organizational mission by providing the community with a diverse and balanced selection of programming options rather than to earn net revenue. There are, however, many examples of centers that earn net revenue, sometimes in substantial amounts, from presenting programs. The key to such endeavors is balancing artist fees and operations expenses while maximizing ticket and per diem (surcharges, concessions and merchandise) revenues, which are driven by attendance.

It should be mentioned that this study also measured the market characteristics in Portland and the primary market areas of the five comparable performing arts centers, so that results and recommendations could be given within the context of market forces. From this analysis, there do not appear to be significant nor distinct advantages or disadvantages for the PCPA with regard to revenue generation—relative to other comparable centers. Portland seems to be well-provided for in terms of available seats at performance venues, with the City's available seats measured at 4.22 seats per 1,000 in population, in about the middle range of the comparison centers. The Portland market is among the highest educated and most affluent (two traditional measures of arts attendance propensity) and rates well in AMS proprietary indexes for stage play, classical music, Broadway show and dance attendance propensity. During the 1998-99 season the PCPA presented the highest number of events of all the comparison centers, and reported the highest patron attendance as well.

Staffing

A key concern of the MERC and the PCPA management, as described in their request for proposals to conduct this study, was whether Center staffing levels were inappropriate given the size and scope of Center activity. From our analysis, it does not appear that the PCPA is significantly "overstaffed" in any particular area. In terms of administrative function, the PCPA is sixth among comparison centers in terms of general administration staffing, with the lowest number of administrative personnel. For operations functions, the PCPA ranks fourth in size of full-time staffing, tied with Tampa Bay at 18 positions.[7] Cincinnati, Denver and Columbus all employ more full-time operations staff (31, 30 and 21, respectively)—with similar numbers of facilities[8], and fewer events and overall attendance than the PCPA. Full-time box office staff at the PCPA is slightly higher than most centers at 8 positions (Broward and Cincinnati have 5 and 4, respectively), but lower than Tampa Bay, which employs 15 full-time box office staff.[9] But PCPA also operates more box offices than any other comparison center except for Columbus, which has 4 box office operations. Booking and sales department full-time staff are identical to most comparison centers at 2 positions—only the Broward center has fewer positions in this function (1).[10]

In fact, the Center's full-time staffing, as a function of events held in PCPA facilities, is among the lowest of all the comparison centers, as shown in the following table:

[7] All staff counts are represented as Full Time Equivalent (FTE) positions.
[8] Except for Cincinnati, which has three performance halls.
[9] Comparison figures were not available from Columbus and Denver centers.
[10] Comparison data was not available for Columbus center.

Center	# Full-Time Employees Per Event
Tampa Bay	.12
Columbus	.10
Denver	.09
Broward	.09
Cincinnati	.09
Portland	**.04**

Table 2: Full-Time Employees Per Event

In fact, the above figures indicate the potential that PCPA events are being understaffed, and that an undue burden may currently be present for Center operations and administrative support personnel.

Rental Rates & Activity

A third area of concern in this study's request for proposals addressed the PCPA rental rates, policies and activities. Our findings show that the variety of activities in PCPA halls—classified by discipline, organizational type (commercial or not-for-profit) or season—is not substantively different from the range of activities at the comparison performing arts centers.

Rental Activity

With the exception of the Denver center, whose Broadway series accounts for a significantly greater proportion of annual use days in its performance hall, not-for- profit activities comprise the majority of event uses in each of the comparison centers.

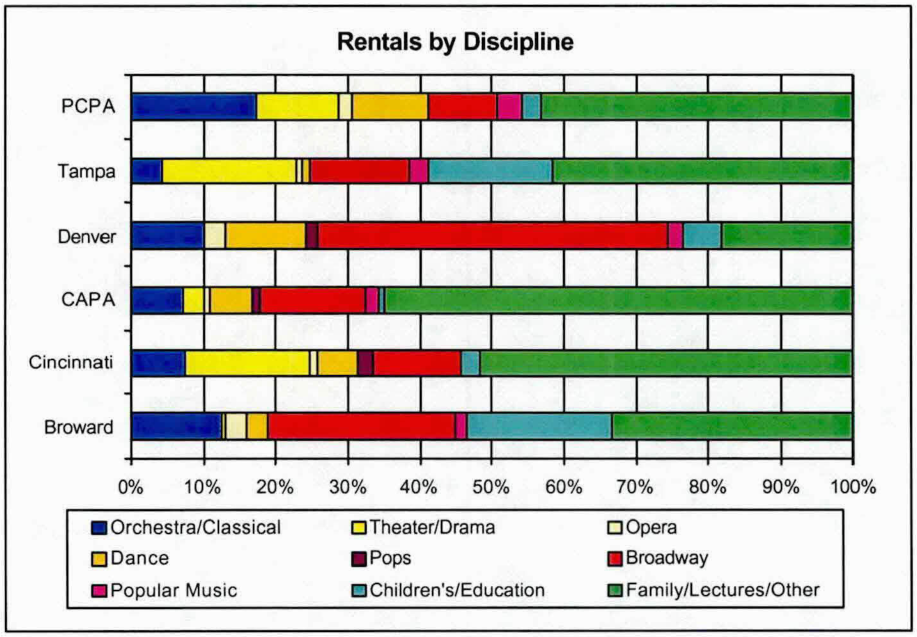

Chart 2: Hall Rentals at Performing Arts Centers during the 1998-99 season, by Discipline

Commercial hall rentals vary slightly among centers, from 15% to 25% of total rentals, with the PCPA at about 20%, right in the middle of this range. Rental event disciplines are highly diversified at all comparison performing arts centers, and the PCPA is no exception here either: the largest percentage of uses is spread between orchestra and classical concerts, theater, dance, Broadway shows, family performances and miscellaneous events such as lectures. As can be seen in the above chart, orchestra and popular music rentals in the PCPA halls is more significant than at other similar performing arts centers, as are dance rentals. Theater and family rentals fall approximately in the middle of the range among these centers, and PCPA bookings of Broadway musicals are the lowest of the comparison centers, at approximately 10% of total bookings.

Similar to other performing arts centers, the major peaks in annual bookings happen during the late fall/early winter months (November and December) as well as in the spring (March and April). At the PCPA, as at the comparison centers, bookings drop significantly in the summer months of July and August.

Booking Capacity

Another measure of how halls are used is the percentage of annual days which remain un-booked (so-called "dark" days). By this measure, the PCPA facilities are fairly highly utilized, with only about 4% of capacity free for additional bookings.[11] This compares favorably to other centers, which range from about 12% (Tampa) to more than 40% (Denver) un-booked capacity. Seen from the perspective of utilized days, the PCPA had the second highest number of booked use days during the 1998-99 season at about 65% of total annual capacity—only Broward had more, at 68%.

Days which are not used for performances, but which nonetheless prevent additional bookings in performance halls (so-called "ingress/egress" days) are also an important measure of hall utilization. The PCPA ranks second highest in the number of ingress/egress days at its halls (306 in the 1998-99 season), about 28% of total available use days, lower than only one center (Tampa Bay, at about 30%, or 345 ingress/egress days).[12]

Attendance

As has previously been mentioned, the PCPA counted some 773,000 paying customers at its halls during the 1998-99 season—the highest number of paid

[11] Total potential capacity is calculated based on 264 annual use days, or 44 weeks at six days per week. It is assumed that at most centers, the remaining 8 annual weeks will be used for cleaning and maintenance of the facility, and un-booked summer dates. There is some evidence of greater usage of halls in the summer months which may ultimately require a revision of the 264 use day benchmark.
[12] Comparison figures were not available for Columbus and Denver centers.

attendance of all the comparison centers. However, while total attendance ranked high, attendance as a function of available seats ranked somewhat lower, putting the PCPA third among the comparison centers at 55% of potential capacity. Two centers reported higher percentages of paid capacity filled: Tampa, at 68%, and Denver at 66.1%. Centers with lower capacity filled percentages ranged from Cincinnati at just over 54% to Columbus at about 52%. For performing arts centers, the percentage of paid hall capacity is an important measure of the efficiency of hall utilization, and may be an indication of how effectively hall users are matching product supply to demand. One manner in which performing arts centers are able to recover some of their rental subsidies to non-profit hall users is by charging higher rent to commercial users of their halls. But given the PCPA's relatively small amount of unbooked capacity (see "Booking Capacity") additional opportunities for such cost recovery seem limited. One alternative might be a decrease in the number of multi-day bookings to specific users, which may increase overall paid capacity as a function of available seats while freeing up additional days which the Center could use to book users paying higher rental rates.

Rental Rates

Standard rental rates[13] at the PCPA are among the lowest of the comparison centers. For comparison purposes, rental rates are often quoted as a function of the number of seats—in these terms, not-for-profit rental rates at the PCPA are all below $.50 per seat. Most comparison centers charge between $1 and $2 per seat, with some centers, such as Denver, charging as much as $3 per seat for one of their halls. Commercial rates at the PCPA are also lower than average, though not as dramatically. Most PCPA rates range from about $.90 to $1.10 per seat. Tampa Bay rates were lower, ranging from $.50 to $.70 per seat, but all other comparison centers charged more, with the majority of halls at about $1.30 to $2.00 per seat.

User fees which are levied by the PCPA upon individual producer and presenter tickets and included in the advertised ticket price are seen by some users of PCPA facilities as an additional rental charge. AMS does not generally view such charges as rent, but an analysis combining such fees with rental rates showed that, on average, the resulting rental charge is still substantially lower than prevailing per-seat rental rates at most of the comparison centers.[14]

Conclusion

Opportunities for improvement in rental practices appear to be somewhat limited to increasing rental rates and improving utilization of the halls in

[13] As opposed to those which are based upon event attendance.
[14] See the AMS Benchmark Report for more discussion of this analysis.

terms of both performance and "dark day" use and patron attendance. Additional presenting activity by the PCPA does not appear to be an accessible option at this time—the majority of available dates in the Center's largest halls are already occupied by outside renters. This lack of availability would also seem to restrict the booking of additional commercial rentals at higher revenues for rent and associated concessions. Besides, the balance of commercial versus not-for-profit rental activity is already comparable to that in most other performing arts centers studied.

However, hall utilization could be affected by a change in rental rate policies. During the 1998-99 season, not-for-profit rates at some of the Center's largest venues are so low that there is no financial incentive for renters to use the halls judiciously. This may be one of the reasons for such high numbers of ingress/egress days at the PCPA, relative to other centers. Higher rental rates would not only increase earned income, but might also serve to encourage renters to consolidate booked days by decreasing their use of the halls for loading in and out and remaining "dark."

Higher rental rates might also encourage those renters with less than full customer capacity at their events to consider consolidating audiences by providing fewer total events. In such a scenario, additional dates might become available to the PCPA for rental at higher, performance rates or perhaps for a Center presenting program of some kind.

This said, an increase in rental rates has immediate implications on the type and number of rental tenants which are able to use the Center's facilities. It is important to view this decision within the framework of the Center's overall mission in the community: while rental rates are indeed low when compared to other similar performing arts centers, if the mission of the Center is to provide low cost performance facilities for local and regional cultural organizations, the Center's rental rates may be appropriate and aligned with the Center's organizational mission. If however the Center's mission is focused instead on cost recovery, rental rates might be seen as one way to improve earned revenues and attain a higher level of self-sufficiency.

Next Steps

This study has provided insights into the operating and management practices of the PCPA as compared with similar institutions in other markets. The study process has included an in-depth analysis of current operating conditions and practices within the PCPA as well as at five other major North American performing arts centers, a detailed comparison of center activities and their quantitative results in these different institutions, and finally a set of operational recommendations based on the study's results. This process of baseline analysis, cross-organizational comparison and recommended action is integral to the benchmarking process, and provides interesting and useful information to the benchmarking subjects.

It is crucial that the conclusion of this benchmarking study not be seen as the conclusion of the benchmarking process. This study comprises only the initial steps of a process oriented not toward static objectives but rather continuously improved processes. Best practices do not exist in a vacuum: they respond to constantly changing environmental and organizational factors. Thus the benchmarking process must be designed as a circular loop of activity focused on the continuous identification and incorporation of best industry practices. This circular process is shown in the following illustration:

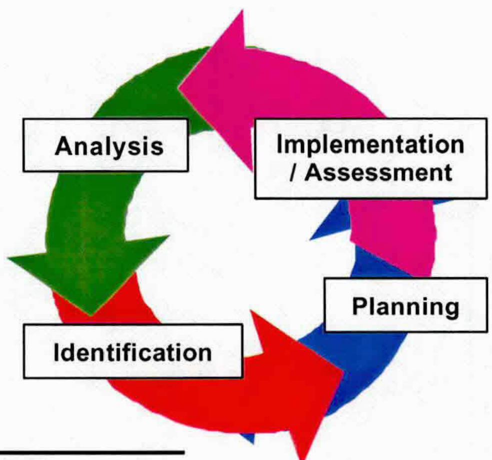

Illustration 1: The Benchmarking Process

The four steps in this benchmarking process are ideally revisited again and again over time to continually renew the organizational commitment to measuring organizational effectiveness and efficiency (as consistent with the organizational mission) and employing the best practices at their disposal to achieve these ends. Each step is described below, together with a recommendation for how that step might be applied by the Center staff and the MERC to help ensure an optimized operating environment at the PCPA.

Analysis

In order to understand what an institution is already doing well, or might be doing better, a thorough analysis of current operating processes and results should be undertaken in the first step of any benchmarking effort. The Analysis step involves:

1. A careful discussion of the benchmarking objectives. The objectives as defined in this study's original request for proposals are good examples of such objectives.
2. Determination of which operating data will yield information useful to an understanding of how the institution currently meets the stated objectives, and its capacity for addressing modifications in these objectives.
3. Data collection and analysis.

The data collection phase should focus on processes (event ticketing or booking, for example) as well as quantifiable results in the form of specific operational metrics (cost per patron ticket sale or booking staff per event, for example). Usually, it is the processes themselves that permit institutions to achieve particular desired metrics.

This initial step was carried out in detail during the course of this study. Once the results of this study are integrated into institutional practices in the form of an action plan, the institution should return periodically to the benchmarking process, beginning with the Analysis phase. It is not necessary to analyze the entire operating environment during each benchmarking process—isolated areas of inquiry, such as corporate sponsorship acquisition or booking and scheduling practices, may be the subject of future benchmarking efforts.

Identification of Best Practices

In this benchmarking step, the data collection and analysis process performed on the host institution is broadened to include outside organizations. These organizations will usually include those that operate in similar business and environmental conditions. However, the benchmarking process need not be limited to those institutions within one's own industry. Best practices in particular functions or processes can often be found among businesses in outside industries and operating environments. Comparisons with these outside institutions often yield the most interesting and useful benchmarking results.

Once outside data has been collected and analyzed, the processes and results from both inside and outside the host institution are compared to determine where opportunities exist for improved performance.

During this study, a group of five performing arts centers were chosen as the PCPA comparison institutions based upon a set of defined operating and market characteristics. However, many performing arts center processes may usefully be compared with processes existing in companies outside the immediate performing arts center industry. For example, tickets are sold by many sports and commercial entertainment organizations and venues. There may well be ticketing practices in these non-arts industries which are readily applicable to performing arts center ticketing practices as well.

Planning

Once it becomes clear where opportunities exist for improved operations, an implementation plan should be developed to incorporate best practices revealed by the benchmarking process. In this planning process, it is often helpful to include the individuals directly involved in the processes which are targeted for improvement—these individuals will usually have important insights into how best to approach the implementation process. In addition, the implementation plan should include "improvement milestones," or process points in time at which specific levels of improvement are expected and can be assessed to determine whether improvement is being realized, or whether a change in strategy is required.

Specific recommendations have been made in this summary regarding potential improvements to PCPA operations through a range of practices, including rental rate and scheduling policies and various means of earned and unearned revenue generation. PCPA and MERC management should discuss which of these recommendations is attractive and attainable in light of the organization's mission, and develop an action plan for implementation. The plan might include a recommendation for raising rental rates, for example, and may assign responsibility for determining the scope and effects of such increases to a planning committee made up of PCPA, MERC and user group representatives. Given the mission of the center to serving the larger Portland community, many aspects of the benchmarking implementation plan might be developed in consultation and cooperation with a range of outside PCPA stakeholders.

Implementation / Assessment

The final, and perhaps most important step in the benchmarking process is the actual implementation of the recommendations and the continuous measurement of results. Most operations practices are dependent upon a range of internal and external circumstances—circumstances which are constantly in flux. For this reason, it is crucial that the implementation effort be assessed on a continued basis, and the action plan recalibrated accordingly. Finally, a reporting mechanism should be established to communicate the results of the implementation to all process stakeholders. Any organizational change is highly dependent upon employee and stakeholder "buy-in," and there is no better means of ensuring that level of commitment than the continued communication of visible successes resulting from the benchmarking process.