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2013 MAY 15 AM 11:06

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: Paramount Theatre for the Arts, Inc.

DATE: May 6, 2013

City Administrator
Approval

Date

5/14/13

COUNCIL DISTRICT: 3

RECOMMENDATION

Staff recommends that the City Council accept this informational report providing an overview of the state of Paramount Theatre for the Arts, Inc., the non-profit corporation managing and operating Oakland's Paramount Theatre of the Arts. The report is a summary of activities at the Paramount Theatre for the Fiscal Year July 1, 2011 to June 30, 2012.

Attached please find the *Paramount Theatre of The Arts, Inc. State of the Corporation* report prepared by the General Manager of the Paramount Theatre. Since October of 1975, the Paramount Theatre of the Arts, Inc. has managed and operated the historic City-owned Paramount Theatre pursuant to an Operating Agreement with the City of Oakland. The attached report provides a summary of the activities at the Paramount Theatre for Fiscal Year July 1, 2011 to June 30, 2012, and compares current performance metrics and financial information to those from previous fiscal years.

For questions regarding this report, please contact Jens Hillmer, City Administrator's Office - Neighborhood Investment at (510) 238-3317.

Respectfully submitted,

Fred Blackwell, Assistant City Administrator

Reviewed by:
Gregory Hunter
Neighborhood Investment Officer
Office of Neighborhood Investment

Prepared by:
Leslec Stewart
General Manager
Paramount Theatre of the Arts, Inc.

Item: _____
Life Enrichment Committee
May 28, 2013

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The following report is a summary of activities at the Paramount Theatre for the Fiscal Year July 1, 2011 to June 30, 2012. The dollar amounts contained in this report for FY 2011/2012 are based on audited numbers.

EVENTS

- a) **TOTAL NUMBER OF EVENTS NUMBERED 98.** This equates to a 17% increase from 2010/2011.

Total number of events in fiscal year 2010/2011 was 84.
Total number of events in fiscal year 2009/2010 was 79.
Total number of events in fiscal year 2008/2009 was 88.
Total number of events in fiscal year 2007/2008 was 74.
Total number of events in fiscal year 2006/2007 was 86.
Total number of events in fiscal year 2005/2006 was 83.
Total number of events in fiscal year 2004/2005 was 78.
Total number of events in fiscal year 2003/2004 was 92.
Total number of events in fiscal year 2002/2003 was 89.
Total number of events in fiscal year 2001/2002 was 94.
Total number of events in fiscal year 2000/2001 was 87.
Total number of events in fiscal year 1999/2000 was 77.

- b) **TOTAL PERFORMANCES NUMBERED 113.** This equates to an 8% increase from 2010/2011.

Total performances numbered 105 in 2010/2011.
Total performances numbered 98 in 2009/2010.
Total performances numbered 109 in 2008/2009.
Total performances numbered 110 in 2007/2008.
Total performances numbered 116 in 2006/2007.
Total performances numbered 109 in 2005/2006.
Total performances numbered 106 in 2004/2005.
Total performances numbered 144 in 2003/2004.
Total performances numbered 140 in 2002/2003.
Total performances numbered 160 in 2001/2002.
Total performances numbered 150 in 2000/2001.
Total performances numbered 116 in 1999/2000.

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- c) **TOTAL EVENT DAYS NUMBERED 107.** (Event Days do not include move-in/out days, rehearsal days, and/or “Dark” days). This equates to a 9% increase from 2010/2011.

Total event days numbered 98 in fiscal year 2010/2011.
Total event days numbered 90 in fiscal year 2009/2010.
Total event days numbered 101 in fiscal year 2008/2009.
Total event days numbered 96 in fiscal year 2007/2008.
Total event days numbered 102 in fiscal year 2006/2007.
Total event days numbered 102 in fiscal year 2005/2006.
Total event days numbered 92 in fiscal year 2004/2005.
Total event days numbered 122 in fiscal year 2003/2004.
Total event days numbered 124 in fiscal year 2002/2003.
Total event days numbered 138 in fiscal year 2001/2002.
Total event days numbered 127 in fiscal year 2000/2001.
Total event days numbered 102 in fiscal year 1999/2000.

- d) **TOTAL MOVE-IN/OUT DAYS AND REHEARSAL DAYS NUMBERED 36.** This equates to a (3%) decrease from 2010/2011.

Total move-in/out/rehearsal days numbered 37 in 2010/2011.
Total move-in/out/rehearsal days numbered 33 in 2009/2010.
Total move-in/out/rehearsal days numbered 39 in 2008/2009.
Total move-in/out/rehearsal days numbered 46 in 2007/2008.
Total move-in/out/rehearsal days numbered 31 in 2006/2007.
Total move-in/out/rehearsal days numbered 32 in 2005/2006.
Total move-in/out/rehearsal days numbered 22 in 2004/2005
Total move-in/out/rehearsal days numbered 30 in 2003/2004.
Total move-in/out/rehearsal days numbered 39 in 2002/2003.
Total move-in/out/rehearsal days numbered 41 in 2001/2002.
Total move-in/out/rehearsal days numbered 39 in 2000/2001.
Total move-in/out/rehearsal days numbered 38 in 1999/2000.

- e) **TOTAL NUMBER OF USES WAS 143 DAYS.** This equates to a 6% increase from 2010/2011.

Total number of uses in fiscal year 2010/2011 was 135 days.
Total number of uses in fiscal year 2009/2010 was 126 days.
Total number of uses in fiscal year 2008/2009 was 140 days.
Total number of uses in fiscal year 2007/2008 was 142 days.
Total number of uses in fiscal year 2006/2007 was 133 days.
Total number of uses in fiscal year 2005/2006 was 134 days.
Total number of uses in fiscal year 2004/2005 was 115 days.
Total number of uses in fiscal year 2003/2004 was 152 days.
Total number of uses in fiscal year 2002/2003 was 163 days.
Total number of uses in fiscal year 2001/2002 was 179 days.
Total number of uses in fiscal year 2000/2001 was 166 days.
Total number of uses in fiscal year 1999/2000 was 140 days.

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ATTENDANCE

A TOTAL OF 221,000 GUESTS ATTENDED EVENTS IN FISCAL YEAR 2011/2012. This equates to an 8% increase from 2010/2011.

Total number of guests that attended events in fiscal year 2010/2011 was 204,919.
Total number of guests that attended events in fiscal year 2009/2010 was 190,657.
Total number of guests that attended events in fiscal year 2008/2009 was 209,419.
Total number of guests that attended events in fiscal year 2007/2008 was 209,935.
Total number of guests that attended events in fiscal year 2006/2007 was 189,225.
Total number of guests that attended events in fiscal year 2005/2006 was 213,899.
Total number of guests that attended events in fiscal year 2004/2005 was 175,727.
Total number of guests that attended events in fiscal year 2003/2004 was 220,782.
Total number of guests that attended events in fiscal year 2002/2003 was 203,007.
Total number of guests that attended events in fiscal year 2001/2002 was 252,655.
Total number of guests that attended events in fiscal year 2000/2001 was 257,981.

THEATRE USES

There was moderate change to the types and number of events presented at the Paramount Theatre. The number of concerts held in Fiscal Year 2011/2012 was twenty-one (21) concerts with 22 performances. Compared to FY 2010/2011, there were ten (10) concerts with 12 performances. This represents a 110% increase in the number of concerts from 2010/2011 to 2011/2012.

AEG Live, SFJAZZ, Live Nation, and BAP Events were the major concert promoters licensing the theatre on a regular basis. Popular shows included the Scream Tour, Dave Koz, Trey Songz, 70's Soul Jam, B.B. King, Men of Soul, Joe Bonamassa, Tori Amos, One Direction, Eddie Vedder, Musical Tribute to Martin Luther King, Jr., Pink Martini, Johnny Mathis, Idan Raichel & India.Arie, and Another Night in Treme (SFJAZZ).

Live Nation had made a corporate decision 2 year ago not to perform in third party venues, however they have reconsidered that position and making more aggressive deals with third party venues. The initial reason behind their decision not to perform in third party venues is that by keeping shows in their own venues, there would be greater reward versus risk by retaining all sources of revenues (rent, facility fee, ticketing rebates, food and beverage, merchandise, etc.). Another Planet Entertainment who had been a major promoter in the Paramount Theatre no longer promotes events in this venue as they keep all events in their venue, the Fox Theater, since they retain all sources of revenues (rent, facility fees, ticketing rebates, food and beverage, merchandise, etc.).

The Paramount Theatre hosted seven (7) comedy events with 7 performances. The shows were Shaquille O'Neal's All-Star Comedy Tour, Cedric The Entertainer, Bill Cosby, Chris Tucker, Gabriel Iglesias, Sinbad, and Mike Epps.

Annually presented events at the theatre included Oakland East Bay Symphony, Temple Sinai (Rosh Hashanah and Yom Kippur), MPSF, Inc.'s Oakland Speaker Series, Oakland Interfaith Gospel Choir,

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Bishop O'Dowd High School Graduation, Moreau Catholic High School Graduation, San Lorenzo High School Graduation, John F. Kennedy University Graduation, Samuel Merritt University Graduations (2), Oakland High School and Oakland Technical High School Graduations.

In August 2010, the Department of Homeland Security accepted proposals from Bay Area venues to host, on a 5-year contract, the Immigration Ceremonies. The Paramount Theatre was awarded the 5-year contract, commencing October 1, 2010 through September 2015. In Year One of the contract, the Paramount Theatre hosted eighteen (18) Immigration Ceremonies in FY 2010/2011, and eighteen (18) Immigration Ceremonies in FY 2011/2012.

Promoters new to the theatre were Sony Pictures, Indus, John Low, J&R Adventures, JAM Theatricals, KALW Radio, Living Jazz, Rick Bartalini Presents, and The Wiggles Live, USA.

The Oakland Ballet returned to the Paramount in December 2011 with five (5) performances of "Graham Lustig's The Nutcracker".

The Paramount Theatre hosted two (2) family shows with two (2) performances of "The Wiggles Live" in August 2011 presented by The Wiggles Live, USA, and two (2) performances of "Phineas & Ferb Live Tour" in January 2012 presented by Feld Entertainment.

The Paramount hosted one (1) theatrical stage production -- "What My Husband Doesn't Know" with three (3) performances in November 2011 presented by What My Husband Doesn't Know, LLC.

Other major events during the 2011/2012 fiscal year were, the premiere of the movie "Moneyball", "Bollywood Berkeley", Anthony Bourdain lecture, Smiley & West lecture, the silent film "Napoleon" with four (4) performances, and the film "Dark Girls".

The number of graduations this year totaled eight (8). The schools with graduating classes were Samuel Merritt University (2), Moreau Catholic High School, Bishop O'Dowd High School, Oakland High, Oakland Tech, San Lorenzo High School, and John F. Kennedy University.

PARAMOUNT MOVIE CLASSICS

During fiscal year 2011/2012, the theatre presented thirteen (13) Classic Movies.

FACILITY FEE

The ticket surcharge, known as the Facility Fee remained at \$2.00 and was applicable on all tickets sold. The amount collected in FY 2011/2012 was \$234,900 and was credited to the Endowment Fund. The amount collected in FY 2010/2011 was \$152,434.

HOUSE TICKET SURCHARGE

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The house ficket surcharge of \$10 is applied to each house ticket ordered by the Board of Directors, VIP's, and clients of the Paramount Theatre. The amount credited to the Endowment Fund for FY 2011/2012 totaled \$1,150, compared to last fiscal year's total of \$970.

DONATIONS

Donations to the Endowment Fund for FY 2011/2012 totaled \$225 compared to last year's number of \$708. This amount was comprised of individual unrestricted donations only.

BEVERAGE SALES

The Paramount Theatre ended FY 2011/2012 with gross beverage sales of \$367,991 compared to last fiscal year's gross beverage sales of \$240,284. The per head cap for FY 2011/2012 was \$2.66 compared to \$1.75 in FY 2010/2011.

The 53% increase in beverage sales was directly related to the increased concert and event activity in FY 2011/2012. It should be noted that over the past ten (10) fiscal years, gross beverages sales ranged from a low of \$172,000 to a high of \$472,724 in FY 2007/2008.

The Paramount Theatre ended FY 2011/2012 with a \$34,520 gross in food (assorted snacks) sales. This represented an 83% increase over FY 2010/2011 in which gross food sales totaled \$18,888. The increase may be attributed to the hiring of the bar manager who has increased types of product, and has added assorted snacks to the menu of items available.

MERCHANDISE

Merchandise is comprised of 2 categories –

a) Artist merchandise sales

The Paramount Theatre receives a share of artists' merchandise sales. The published rates at the Paramount Theatre comply with industry standards. If the artists' vendor sells, the split is 75/25 in favor of the artist. If the artist requires vendors, which the theatre is able to provide, the split is 70/30 in favor of the artist. The extra 5% is retained in order to pay the sellers.

Recordings such as CD's and DVD's are currently at a 90/10 split in favor of the artist. In all cases, regardless of who vends, the theatre assumes the responsibility of collecting and remitting the CA sales tax on behalf of the artist as the venue is considered a withholding agent.

The Paramount Theatre closed FY 2011/2012 with gross merchandise sales of \$300,508. Net income to the Paramount Theatre after sales tax and vending payment was \$56,939. In comparison the gross merchandise sales in FY 2010/2011 were \$100,312. The net income to the Paramount Theatre was \$19,785. This equates to a 188% increase in net income from FY 2010/201 to FY 2011/2012.

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b) In-house merchandise sales

The Paramount Theatre sells its own line of limited merchandise and will launch a line of new items in FY 2012/2013. Although limited, sales are comprised of Paramount Theatre hardcover books, dec-0-win magnets, the Anthony Holdsworth watercolor prints, and Jim Riggs, House Organist CD's. In-house sales for FY 201/2012 totaled \$1,411 remained on par with FY 2010/2011 in which gross sales were \$1,405.

TOURS (PUBLIC AND PRIVATE)

Public tours of the Paramount Theatre are held on the 1st and 3rd Saturday of each month with an admission fee of \$5.00 per person. Income from the public tours in FY 2011/2012 was \$2,465 for 21 public tours, as compared to FY 2010/2011 in which there were 18 public tours with income of \$2,215.

Private tours are booked through the administration offices. Income from the private tours in FY 2011/2012 was \$3,470 for 36 private tours, as compared to FY 2010/2011 in which there were 40 private tours with income of \$3,535.

BUDGET

This was the thirteenth (13th) fiscal year in which the Paramount Theatre operated without a city subsidy. The 2011-2012 Fiscal Year at the Paramount ended with an operating surplus of \$245,918. Last fiscal year, 2010/2011, the operating surplus was \$420. This amount represents revenues over expenses before depreciation and before investment income and expense.

Fiscal year 2010/2011 yielded an operating surplus of \$420.
Fiscal year 2009/2010 yielded an operating surplus of \$ 67,005.
Fiscal year 2008/2009 yielded an operating surplus of \$221,067.
Fiscal year 2007/2008 yielded an operating surplus of \$426,299.
Fiscal year 2006/2007 yielded an operating surplus of \$135,962.
Fiscal year 2005/2006 yielded an operating surplus of \$368,037.
Fiscal year 2004/2005 yielded an operating surplus of \$ 41,455.
Fiscal year 2003/2004 yielded an operating surplus of \$ 79,471.
Fiscal year 2002/2003 yielded an operating loss of (\$163,676).
Fiscal year 2001/2002 yielded an operating surplus of \$251,050.
Fiscal year 2000/2001 yielded an operating surplus of \$261,461.
Fiscal year 1999/2000 yielded an operating surplus of \$ 48,488.

BUILDING IMPROVEMENTS

During the 2011/2012 Fiscal Year, the theatre continued with analysis and preparations for a number of capital improvement projects including re-roofing, exterior painting and waterproofing, and restoration of the outside mosaic tiles. The City of Oakland has not added the expense of the new roof and/or exterior painting/waterproofing to their budgeting cycles, based on the city's financial shortfall.

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In addition, the project of original furniture re-upholstery, drapery replacement, and artwork has been ongoing taking care to adhere to the 1931 photographs which documented the original furniture and fixtures. As the original artwork cannot be found and is assumed to be in private collections or lost, the theatre's restoration specialist, Mr. David Boysel has found reproductions and prints of the original artwork. All restoration work has been done in an effort to be historically correct to the 1931 documentation.

The Paramount Theatre Management and Board of Directors was chosen by the Oakland Heritage Alliance as a 2012 Partners in Preservation Award winner for Stewardship of the Paramount Theatre and was honored at their annual ceremony on June 14, 2012.

SAFETY

The neighborhood in which the Paramount Theatre exists continues to experience safety issues. Graffiti to the theatre's exterior continues to be a regular occurrence. With the employment figures reaching double digits, there has been an increase in the amount of homeless people sleeping in the outside doorways to take protection from the elements especially during the rainy season. However, vigilant daily security staff has been able to maintain a safe environment along with the assistance of the Downtown Oakland & Lake Merritt/Uptown Ambassador Program.

OVERALL SUMMARY

The number and types of events along with ticket prices substantially affected the Theatre's overall operating budgets and year-end results. In addition, staffing costs, rental rates, and flexibility in providing promoters with downside protection and assistance with marketing assistance adds to viability of financially successful business for the artist, the promoters, and the venue. The popularity of the events and the guests' buying decisions/habits along with economic conditions, affect the event-related revenue streams such as facility fees, ticket agency income, and beverage and merchandise sales.

In terms of revenue generating performances, 2011/2012 closed with a 23% increase as compared with 2010/2011. In particular, five (5) significant areas with the greatest increases were theatre rent income, food and beverage revenues, merchandise revenues, and ticket agency income.

As the concert business is cyclical as we know from the last thirteen (13) years, there will be years when many acts are touring smaller venues such as the Paramount Theatre and other years when the majority of acts are performing in larger venues such as arenas.

THE FUTURE

The Paramount Theatre acts as a rental house only. In order to meet its expenses and generate a breakeven position or a surplus, the theatre relies heavily on commercial bookings coupled with prudent and conservative spending practices.

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With the re-opening of the Fox Theatre in January 2009 (under the management and operation of a local promoter, Another Planet Entertainment), the Paramount Theatre has lost and will continue to lose events which ordinarily had or would have performed at the Paramount Theatre.

Live Nation as a publicly-traded company has re-thought their position not to perform in third party venues and has become an active presenter of shows at the Paramount Theatre.

In addition, with a greater presence in the Bay Area and having, this year, taken over management of Oakland's Oracle Arena and O.co Coliseum, AEG has been increasing usage of the Paramount Theatre.

It should be noted that Live Nation, Another Planet Entertainment, and AEG are all competitors vying for the same artists, and their priority is to book the venues they operate before booking venues not under their control.