



**City Goals:** Create an environment that maximizes economic development opportunities within Minneapolis by focusing on the city's physical and human assets. Preserve and enhance our natural and historic environment and promote a clean, sustainable Minneapolis.

**Comprehensive Plan:** N/A

**Zoning Code:** N/A

**Living Wage/Job Linkage:** N/A

### **Background/Supporting Information**

This report provides information about the revised 2004 and projected 2005 Theatre Operating Account budgets and requests approval of these budgets.

### **General Overview**

The Operating Account is used by Historic Theatre Group (HTG) to conduct the day-to-day business of managing the theatres. Revenues are received from theatre rentals, box office income, concessions and merchandise sales. These revenues are used to pay for expenses including utilities, capital repairs and purchases, theatre employee salaries and training, office equipment, theatre management fees, office space rental, and other day-to-day expenses incurred in the operation of the theatres. While these funds are not represented in the FISCOL system, they are nonetheless City funds that are budgeted and audited annually.

The financial condition of the Operating Account depends on the number of shows that are presented at the three theatres. HTG plans for concerts, Broadway and other shows as far as eighteen months in advance of their anticipated occurrence. Typically there are adjustments made to the performance schedule. As a result, all of the budget revenue categories and many of the non-fixed expense categories are impacted. Exhibit A shows the Operating Account's actual budget for 2003 and compares it to the projected 2004, revised 2004, and projected 2005 budgets.

### **Revenues**

The revised 2004 revenues increased slightly over the actual 2003 revenues. The 2005 projection shows a significant increase in all revenue items from 2004, resulting in an approximate 14 percent increase in total revenues. This projection is based on the strong booking for 2005 which includes the return of *The Lion King*. Total 2005 revenues are projected to be a historic high.

### **Expenditures**

Expenditures are also projected to increase in 2005 over 2004 (approximately six percent). The increase is not out of the ordinary and is in part inflationary and in part a result of increased activity. It should be noted that capital improvements to the theatres are tracked on a different financial sheet and are not included in the maintenance and repair line item in the Operating Account budget. Therefore, attention will need to be

paid to revenues in fund STH to ensure adequate transfer to cover capital expenditures from bond proceed funds.

HTG and the City continue to try to find ways to make the theatres more profitable despite the large amount of fixed expenses (over 80 percent) associated with running the theatres.

### **Fund Balance**

Since 1996 the MCDA has been contractually obligated to maintain a minimum fund balance of \$100,000 in the Operating Account. This provides the account with sufficient cash flow to meet monthly obligations. Contributions to the Operating Account are made from MCDA Fund STH, which receives its revenues from restoration fees generated by the theatres.

By the beginning of 2002, Fund STH had contributed a cumulative net amount of \$445,752.09 to the Operating Account. This was the outstanding balance owed to Fund STH. During 2004, an additional \$100,000 was contributed. By the end of the year, the \$100,000 will be reimbursed from the Operating Account to Fund STH.

**Exhibit A: State, Orpheum and Pantages Theatres Operating Account  
2003, 2004 & 2005 Annual Budget Comparisons  
6-Dec-04**

	<b>2003</b>	<b>2004</b>	<b>2004</b>	<b>2005</b>
	<b>Actual</b>	<b>Projected</b>	<b>Revised</b>	<b>Projected</b>
Revenues:				
Net Ticket Revenue	518,098	472,218	540,789	584,255
Interest Income	9,852	9,750	12,104	12,450
Net Concession & Merchandise	433,667	455,853	448,096	505,317
Gross Use Fees	1,141,980	1,318,685	1,183,355	1,390,138
<b>Total Revenues</b>	<b>2,103,597</b>	<b>2,256,506</b>	<b>2,184,344</b>	<b>2,492,160</b>
Expenditures:				
Maintenance and Repair	95,070	90,000	109,732	99,600
Utilities	403,633	412,295	413,603	411,795
House Expenses	375,383	341,500	409,849	429,500
Insurance	8,047	18,000	5,568	7,800
Administration	582,580	614,810	562,350	601,140
Capital Purchase	13,520	12,000	4,604	9,000
Equipment Rental & Repair	6,105	7,800	11,739	9,000
Professional Services	22,862	18,000	19,163	21,000
Licenses and Fees	5,796	6,000	4,608	6,000
Other	5,877	12,000	14,257	12,000
Management Fee	617,369	670,040	648,737	731,468
<b>Total Expenditures</b>	<b>2,136,244</b>	<b>2,202,445</b>	<b>2,204,210</b>	<b>2,338,303</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(32,647)</b>	<b>54,061</b>	<b>(19,866)</b>	<b>153,857</b>