



CITY OF KIRKLAND
Department of Parks & Community Services
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MEMORANDUM

To: Kurt Triplett, City Manager
From: Jennifer Schroder, Director
Date: September 22, 2011
Subject: KIRKLAND PERFORMANCE CENTER PRESENTATION

RECOMMENDATION:

That the City Council receives a presentation on the Kirkland Performance Center operations by Executive Director, Dan Mayer.

BACKGROUND DISCUSSION:

Attached is the annual report from Dan Mayer, which provides a summary of the 2010-2011 season, an overview of the upcoming 2011-2012 season, and a financial report.

In 2008, the City renewed the 10 year lease with Kirkland Performance Center (KPC) for operation of the performance center. The City contributes to the operation of KPC in several ways:

- As the landlord of the facility, the City has certain obligations with respect to the structural components of the facility. These obligations are primarily limited to maintenance of the roof, exterior walls, foundation, the facility's HVAC system and elevator, as well as testing and repair of the theater's fire suppression system.
- The City incurs costs related to annual property insurance.
- The City returns to KPC all funds derived from the admission tax collected from KPC ticket sales. This was granted for the first 10 year lease with KPC. Additionally, this was granted for the first five years of the second 10-year lease agreement signed in 2008. This stipulation will expire at the end of 2012 unless extended by Council. The admission tax rate is 5% of ticket sales. The refund for 2010 was \$25,795.
- The City allocates one-time funds each year to assist in program operations of KPC. These funds assist the KPC operating budget and ability to program the facility. The City has contributed one-time funds of \$50,000 for the years 2004-2009 and in 2010 this

amount was reduced to \$34,000. For 2011-2012, Council approved the same level of \$34,000 per year. This allocation is considered Outside Agency Support. KPC applies for these funds every biennium.

- The City provides the lease to KPC rent-free, similar to the leases the City currently has with YMCA to operate the Kirkland Teen Union Building, and Youth Eastside Services, operating out of the Forbes House at Juanita Beach. The City has historically recognized the leveraged value of leasing City facilities for minimal or no cost, in exchange for services to Kirkland citizens.

When the City waived the rent requirement in both the initial lease and the renewal in 2008, the value of KPC's contributions to the development of the performing arts, along with KPC's cost to maintain and operate the building, was considered to provide community benefit sufficient to waive any rent requirement. KPC not only provides a venue for performing arts for citizens, it has a regional draw which impacts the economics of downtown restaurants and businesses.

Attachments

Attachment A: Letter from Dan Mayer/KPC Annual Report

Attachment B: List of Board of Directors

Attachment C: 2011 Year To Date Financial Summary



September 23, 2011

Mayor Joan McBride and the Kirkland City Council
City of Kirkland
123 Fifth Ave.
Kirkland, WA 98033

Dear Mayor McBride and City Council Members:

On behalf of myself as Executive Director and our whole Board of Directors, thank you for the opportunity to present our annual update to you on Kirkland Performance Center. This has been a year of adaptation for the organization as we are changing to reflect a new economic reality and a community that has grown and diversified over that last few years. As I begin my third year as executive director I reflect on KPC's clarity of vision and our role in the community.

While I am grateful for the consistency of purpose of all the supporters of Kirkland Performance Center I am also acutely aware that the market has changed for arts and entertainment throughout our country and in Kirkland. The arts are available 24/7 on iPods, streaming live on the web, through NetFlix in your mailbox, and on high definition on a movie screen or in your living room. We must engage audiences and distinguish what is special and unique about live performances and work to integrate new technologies into the performing arts experience.

At our October board meeting, the Board of Directors will review the final draft of a new strategic plan that board committee members and staff have been working diligently on for the past year. The plan addresses these issues and moves KPC in exciting new directions to remain a vigorous force advocating and promoting the performing arts in our community.

Retrospective on our 2010-2011 Season

During the 2010-2011 Season Kirkland Performance Center hosted a record 41 presented artists coming to KPC from across the country and around the world. Part of the reason we were able to present this wealth of artists is that the presenting industry is shifting and we are responding by booking more artists on a shorter time frame. This puts more strain on our staff but enables us to present a wider range of artists at more reasonable artist fees. This greater flexibility in booking artists is allowing us to bring a greater diversity of artists to our stage and is making our social marketing more visible as we use our webpage, Facebook presence and dedicated e-newsletter lists to announce newly added artists and last minute opportunities to catch new artists at KPC.

The recent 2010-2011 Season featured many highlights including:

- Globally recognized trumpeter and *The Tonight Show's* bandleader for thirty years, Doc Severinsen & El Ritmo de la Vida
- A smash-hit vocal performance by singer-songwriter Paula Cole
- Oregon artists Hanz Araki & The Celtic Conspiracy performing a non-traditional holiday concert celebrating the Winter Solstice
- Harmonica master Lee Oskar and his band
- American Idol contestant Melinda Doolittle singing classic rhythm and blues
- Geoff Castle's Celtic Celebration, a true perennial favorite here at KPC

Our Upcoming 2011 - 2012 Season

The 2011-2012 Season began on September 11th with a very special sold out performance by the Brothers Four who returned to KPC to wrap up their 50th Anniversary Tour. This season resembles past seasons with a mix of well known names, new emerging musicians and dancers who will amaze with their voices and talents.

The upcoming 2010 – 2011 Season features many highlights, including:

- The Manhattan Short Film Festival, a global event happening in 250 cities simultaneously
- World-beat superstar Jesse Cook
- Romantic piano sensation Jim Brickman
- Science comedian and children's entertainer Doktor Kaboom!
- The Northwest Premiere of *The Rambler* by famed dance company Joe Goode Performance Group from San Francisco
- Jazz bassist and soundtrack composer Kyle Eastwood

Partnerships with Local Arts Organizations

One of the tenets of KPC's mission is to provide a home for other Eastside and regional arts organizations. We have also continued to maintain strong relationships with the local and regional arts community by providing a high quality venue and professional support services, allowing a dozen producing partner companies to present their work in our theatre. Partners appearing over the past year include:

- Seattle International Film Festival (SIFF)
- Kirkland-based Studio East's StoryBook Theater
- Seattle Repertory Jazz Orchestra
- Jim French's Imagination Theatre
- Lyric Light Opera (presenting *The Music Man* this month)
- Master Chorus Eastside
- Washington Wind Symphony

Our partnership with SIFF is growing in size and depth with each successive Season. Some of the highlights at this past festival included a sold out SIFF Eastside Opening Night, a preview evening

that included live Russian translation by our community partner the Russian Community Support Group and a special display by electric car enthusiasts coinciding with the documentary about electric cars. Attendance this past June was up over 2010 and we have a tentative commitment that SIFF will be back for June 2012.

In November of 2010, KPC hired our first-ever Education & Outreach Director. With this new staff position, KPC is now able to proactively reach out in new ways to fellow non-profits, educational institutions, and other community organizations to form new partnerships. For example, KPC worked with the Eastside Domestic Violence Program to host a toiletry drive in conjunction with our concert by Paula Cole (herself a passionate advocate for victims of domestic violence). We are thrilled to broaden and deepen our community engagement in the coming years.

Education Programs

As part of its organizational mission, Kirkland Performance Center provides discounted matinee tickets for Eastside school children, with free tickets for those on free and reduced lunch programs. Subsidized by KPC's "Field Trip Fund" and support from corporate and foundation funders, these performances by national and international presented artists fill a true educational gap in our community; there is no equivalent professional program in the Kirkland area. During our 2011-2012 Season, KPC will offer School Matinee performances by Doktor Kaboom!, Seattle Shakespeare Company, Galumph, Foothills Brass and Book-It Repertory Theatre.

Additionally, Kirkland Performance Center has served more than 23,000 students since 2001 through our In-School Programs. This program brings presented artists to predominately Eastside schools for on-site performance and in-depth workshop experiences. KPC believes that these face-to-face interactions with working artists offer students a rare view into the world of a professional artist, often for the first time in their lives, which in turn, can increase their understanding of their world in general.

During our 2010-2011 Season, KPC served more than 400 students through our In-School Programs and 1,100 students through our School Matinees. Kirkland schools served include Lake Washington High School, BEST High School, Peter Kirk Elementary, Totem Preschool, Carl Sandburg Elementary, Lakeview Elementary, Eastside Preparatory School, Environmental & Adventure School, Northstar Junior High, Holy Family Parish School, and Kamiakin Jr. High. As always, students enrolled in the free or reduced lunch programs were not charged admission.

"For many of my students, [Romeo and Juliet] was their first play. They loved it. One student who cried during the performance is a student who's been suspended multiple times and is failing many classes. He was moved – they all were.

The majority of my students are economically disadvantaged. All are immigrants, some refugees. Thank you so much for giving us this opportunity. In particular, the free tickets for students on free/reduced lunch made this trip possible for us. Thank you." – Ruth S., high school teacher

Financial Report

Financially, 2010 was a year of financial stability, transparency, and opportunity. Recovering from the unparalleled economic decline of 2008 and 2009, KPC strengthened its FY2010 operating budget, artistic programming, and community impact. In an economy that has seen such estimable organizations like the Intiman Theater, Giant Magnet (Seattle International Children's Festival) and the Bellevue Philharmonic cease operations or close their doors, KPC has shored up its balance sheet and is on track in FY2011 to balance its budget for the first time in three years.

Audited financial statements for FY2010 are currently being finalized and should be available for distribution within the next few weeks. KPC realized a significantly lower deficit in FY2010 than FY2009. A large one-time bequest moderated increased operating expenses to establish our Spotlight! education program and to bring our development staff back up to levels necessary for an organization of our size. To put it another way, KPC was investing in its future and already in FY2011, we have seen impressive dividends.

Through June 30, 2011, KPC's income is up slightly over the same period last year, due in large part to an 11% increase in our contributed income. Additionally, expenses are down 5% demonstrating the success of our continual efforts to operate more efficiently and effectively. With a strong 2011-2012 season already begun, we anticipate income to be significantly higher than FY2010 while expenses will remain flat or slightly less leading to a positive net operating surplus for FY2011. Such financial strength paves the way for expansion and program development which we are undertaking as directed by our nearly finished strategic plan, one goal of which is to continue to build financial strength. In FY2012 we again expect to realize an operating surplus with which we will begin retiring our line of credit and building cash reserves. This more stable financial foundation are necessary for our ongoing work to serve the community meaningfully and imaginatively.

Board

KPC is proud of its growing and diverse Board of Directors. Headed by Board President Jeff Twersky, this group of 31 dedicated community leaders is very active in overseeing the financial, fundraising and operational activities of the organization. This has been a very active year for the board working with staff on strategic planning towards a new plan that will be adopted this Fall. This effort will create a blueprint that guides our organization and provides momentum for changes coming to KPC.

Also, this year we have had a very active Special Event Committee that has worked tirelessly planning our upcoming Gala and Auction on October 29th at the Hyatt Regency Bellevue. This evening will be emceed by Andy Wappler of Puget Sound Energy and John Curley returns as our auctioneer. It promises to be a wonderful gathering of community in support of the performing arts and arts education.

A roster of Board Members is attached.

City Support / Conclusion

The operational support that the City of Kirkland has steadfastly provided to Kirkland Performance Center has been a major reason why our organization has remained strong over the past twelve years. As stated previously, despite tremendous support and attendance from our constituency of

patrons, contributed income remains a challenge for our organization, and the City of Kirkland's operational support is more important now than it has ever been.

The past year has been one of great organizational stability but we are also shaking things up and changing our business model to reflect a Kirkland that is growing and shifting. We are completing a new strategic plan that does not assume "business as usual" but rather answers the issue of how we can build on the track record of service that KPC has in the community and strives to serve even more people and continue to be a vital hub for entertainment, economic development, and inspiration for the entire region.

Thanks for all you have done for our theatre and organization, and we look forward to many years ahead of a successful partnership with the City of Kirkland.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Mayer", with a long horizontal flourish extending to the right.

Daniel Y. Mayer
Executive Director

enclosures

KIRKLAND PERFORMANCE CENTER

2011 Board of Directors

Officers

President

Jeffrey Twersky

Partner, Miller Kadish

Immediate Past President

Lauret Ballsun

President, LBC Pharmaceutical Professionals, LLC

President Elect

Kristin Olson

Shareholder, O'Shea Barnard Martin & Olson PS

Vice President

Bill Schultheis

Investment Counselor, Soundmark Wealth Management

Treasurer

Mike Nelson

Community Leader

Secretary

Srivani Jade

Musician

Officers At-Large

Dodi Briscoe

Career Coach, UW Foster School of Business

Doreen Marchione

Councilmember, City of Kirkland

Susan Raunig

Community Leader

Mike Ward

Sr. Director Intellectual Property, Intellectual Ventures

Members

David Alskog

Partner, Livengood, Fitzgerald & Alskog

Matthew C. Bueser

Director – 737 Program Business Operations, The Boeing Company

Jeff Cole

Director of Corporate Real Estate, Parkplace

Santos Contreras

Owner, Contreras & Associates

Kathy Feek

Art Consultant, Evergreen Hospital

David Feller

*Senior Vice President, Investments
Wells Fargo Advisors*

Kathe Fowler

Community Leader

G.G. Getz

Broker, Windermere Real Estate

Stephen L. Gomes

COO, Creative Motion Control Inc.

Kevin Harrang

Director, Business Development MetaJure, Inc.

Kevin M. Hughes

Government Relations, Hughes and Associates

Ben Lee

Senior Project Manager, The Boeing Company

David Mangone

Partner, WattsMedia

Lee Oskar

President, Lee Oskar Productions

Joyce Paul

Artistic Director, Arpan

Deborah Rice

Owner, Direct Mailing Solutions

Annette Seats

Community Leader

Elsa Steele

Managing Librarian, Kirkland Library

Beth M. Strosky

Attorney, Housing Justice Project, KCBA

Kay Taylor

VP Marketing & Communications, Evergreen Healthcare

Cindy Zech

Physical Therapist & President, PEP, Inc.

**Kirkland Performance Center
YTD 2011 Financial Summary (Jan 1 - Jun 30, 2011)**

P&L - Budget vs. Actual	Actual	Budget	\$ Var	% of Annual Budget
Income				
Earned Income				
Rentals & Partners	109,785	77,200	32,585	62%
Ticket Sales	131,802	144,855	(13,053)	38%
Other	50,980	49,115	1,865	40%
Total Earned Income	292,567	271,170	21,397	45%
Contributed Income				
Individual	179,499	182,500	(3,001)	76%
Corporate	34,912	28,500	6,412	48%
Foundation	34,296	30,000	4,296	86%
Government	73,538	65,110	8,428	75%
Events	-	-	-	0%
In-Kind	8,275	13,000	(4,725)	34%
Total Contributed Income	330,520	319,110	11,410	51%
Total Income	623,087	590,280	32,807	48%
Expense				
Personnel	319,827	317,123	2,704	53%
Administration	52,619	53,912	(1,293)	53%
Marketing	50,219	62,934	(12,715)	38%
Presenting	132,225	102,175	30,050	44%
Theater (non-presenting)	53,601	43,888	9,713	56%
Fundraising	4,827	7,700	(2,873)	8%
Total Expense	613,318	587,732	25,586	47%
Net Operating Income (NOI)	9,769	2,548	7,221	122%

Balance Sheet	Dec 31, 2011	May 31, 2011	Jun 30, 2011	% change from May
ASSETS				
Current Assets				
Cash	83,049	59,246	27,594	-53%
Accounts Receivable, net				
Earned	3,426	15,274	17,116	12%
Unearned	92,700	168,758	173,184	82%
Total Accounts Receivable	96,126	120,303	190,300	25%
Advances & Prepays	19,394	15,947	16,229	-18%
Undesignated Funds	134,687	35,058	35,065	-74%
Total Current Assets	333,256	223,784	269,188	-33%
Long-Term Designated	91,575	78,401	78,401	-14%
Endowment	652,382	688,899	688,899	6%
Fixed Assets, net	2,068,532	2,008,612	2,008,612	-3%
TOTAL ASSETS	3,145,745	2,999,696	3,045,100	-5%
LIABILITIES & NET ASSETS				
LIABILITIES				
Accounts Payable	106,898	59,706	59,706	-44%
Other Payables	29,985	54,314	54,314	81%
Accrued Expenses	1,164	1,376	1,376	18%
Deferred Revenue	107,372	94,211	94,211	-12%
Line of Credit	94,184	100,000	100,000	6%
TOTAL LIABILITIES	339,603	309,607	309,607	-9%
NET ASSETS	2,806,142	2,690,089	2,735,493	-4%
TOTAL LIABILITIES & NET ASSETS	3,145,745	2,999,696	3,045,100	-5%