

MOTION BY SUPERVISOR SHEILA KUEHL

December 11, 2018

Earned Revenue Board Motion

On October 4, 2016, the Board of Supervisors adopted a motion separating the Ford Theatres from the Los Angeles County Arts Commission as a step toward realizing the Ford’s full potential as “one of the County’s great cultural facilities.” On November 1, 2016, the County appointed an Interim Executive Director, Olga Garay-English, to lead the Ford Theatres into its next phase of development.

The Ford Theatre Foundation was created by the Board in 1994 as a non-profit organization to fundraise for and support the Ford Theatres. After assessing the Ford Theatres operations, Ms. Garay-English is proposing that the Ford Theatre Foundation be designated as the receiver of all Ford Theatres’ earned revenue streams. Currently, the proceeds from ticket sales, concessions and rental revenues taken in by the Ford Theatres are deposited into a County escrow account and transferred to a County Special Fund. After the Ford Theatres’ monthly transactions are processed through the County’s eCAPS system, the County forwards the proceeds from the Special Fund to the Ford Theatre Foundation. These funds are then used to pay artists, seasonal staff

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and other production related contracts which are all held by the Ford Theatre Foundation. This process can take upwards of three months during the busy summer season, effectively crippling the Ford's cash flow. Depositing these funds directly with the Ford Theatre Foundation would have no impact to the County General Fund, except for the loss of under \$20,000 in cash pool interest earnings, but would provide the following benefits to both the County and the Ford Theatres:

- (1) Operations during the close of each fiscal year would be more efficient. The County closes its fiscal year in the middle of the Ford Theatres' summer season, which makes doing business and paying vendors challenging during the most critical period of the theatres' year. It also means that earned revenue projections straddle multiple seasons and create confusion rather than clarity for planning and budgeting purposes.
- (2) All revenues would flow into a single entity allowing for a clearer picture for budgeting, financial analysis, and fiscal planning. Currently, ticket sales and other earned revenues are reported through the County eCAPs system, which is not optimized for reporting and reconciling revenues for a performing arts center, making reconciliation and analysis challenging and time-consuming for both the Ford and County staff.
- (3) Keeping ticket and rental revenues, which, in some years exceeds \$1 million, in an interest bearing account until needed, would create a revenue stream for the Ford Theatres.
- (4) Ford Theatres ticketing website could employ a credit card processing company other than the one that has a master agreement with the County. The current company does not authorize donors to make automatically

recurring monthly donations, which is a rudimentary tool of fundraising for nonprofits and something the Foundation could easily activate by using a different credit card processing company.

In light of the rationale provided above, it is important to assess the feasibility of having all earned revenues deposited directly with the Ford Theatre Foundation, creating a more efficient and productive theatre. Furthermore, all revenues deposited in a Ford Theatre Foundation account would be subject to an annual examination of the financial records, accounts, business transactions, accounting practices, and internal controls through the Ford Theatre Foundation's annual independent audit. For years, the County audited the Ford Theatre Foundation's books annually, and the Ford Theatre Foundation has undergone an independent audit since 2005. Ford staff is fluent in County fiscal procedures and would adapt its existing County internal cash control protocols to ensure the Foundation's financial transparency.

I, THEREFORE, MOVE that the Board of Supervisors Direct the Executive Office of the Board, in consultation with the Chief Executive Officer, Auditor-Controller, and County Counsel to conduct an assessment of the budget, fiscal, and contract impacts, and potential legal exposure of depositing all earned revenues realized by the Ford Theatres' activities directly to the Ford Theatre Foundation, and to report back with findings within 120 days.

S: VV/Earned Revenue Board Motion