
2003-2004 MARIN COUNTY GRAND JURY

TITLE OF REPORT: MARIN CENTER – At What Price Culture?

Date of Report: May 25, 2004

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MARIN CENTER – At What Price Culture?

SUMMARY

Marin Center (Veterans' Auditorium, Exhibit Halls, Showcase Theatre, Fairground and meeting rooms) is a superb cultural and social asset to the county. However, Marin residents need to know that this jewel does have a price. The cost of operating Marin Center has grown each year, and the revenues generated have not kept pace. The cost to county taxpayers now exceeds \$1,000,000, an increase of 167% in six years, and planned improvements and expansion are likely to exacerbate this deficit in future years. No cultural venue operates without some sort of subsidy from the public, either in the form of taxpayer dollars or private charitable support. However, in light of the budget problems that the county is experiencing, the Board of Supervisors (BOS) needs to balance its support of Marin Center with the requirements of other county operations.

Operation of the Marin Center is in the hands of one talented individual. With that person eligible to retire this year and no person within the organization possessing his unique skill set, the Grand Jury believes the effective operation of the Marin Center may be at risk if this person elects to retire.

Marin Center's financial status is far from transparent to the observer. Many significant financial transactions do not appear on the county's budget summary, and the Grand Jury could find no persuasive reason for this. Neither did anyone in county management appear to have a comprehensive status report on the Center's financial picture to which they could refer. Nor does the County Auditor perform a complete review of the Center's accounts. All of this suggests to the Grand Jury that Marin Center's financial health is not a management priority. The Grand Jury believes it should be.

BACKGROUND

The Marin County Civil Grand Jury (Grand Jury) reviewed the proposed Marin County Budget for Fiscal Year 2003-2004, which showed progressively higher net county costs from Marin Center operations. The net county cost was just under \$700,000 in FY 2000-01, rising to a proposed cost of over \$1,100,000 in four years. The Grand Jury questioned why the cost to the county was so large and was increasing so rapidly. In addition, Marin Center was identified as not having been investigated by the Grand Jury for several years. Therefore, an investigation into the Center's management and finances was conducted.

METHODOLOGY

The Grand Jury conducted interviews with representatives of:

- Marin Center
- Marin Parks, Open Space and Cultural Services Department
- Marin County Auditor/Controllers Office

- Marin Parks, Open Space and Cultural Commission

The Grand Jury reviewed extensive documentation:

- Marin Center Renaissance Project Report
- Marin Center Magazines
- Marin Center Renovation Visions Research Report (April 30, 2001)
- Marin Center Master Plan Architect Selection (June, 2003)
- Marin Center memorandum "Deferred Maintenance Report" from Deputy Director (January 14, 2003)
- Marin County Fair Budget memorandum to the Board of Supervisors (November 4, 2003)
- Marin County Budget Report 2003-2004
- Audit Report of Parks, Open Space & Cultural Services Department by Marin County Auditor/Controller (January 16, 2004)
- Marin County Grand Jury Reports, 1983-1984 and 1999-2000
- "Fairs: Exploring A California Gold Mine" by State of California Division of Fairs and Expositions
- Web Sites: Marin Center, Marin Theatre Company, Luther Burbank Center for the Arts (Santa Rosa), Flint Center (Cupertino), Mountain View Center of the Performing Arts, Leshner Regional Center for the Arts (Walnut Creek)

DISCUSSION

Marin Center is a focal point for cultural and social activities in Marin County. As the premier location for large group events in Marin County, it is a nexus between Marin residents and county government. Hosting over 500,000 event attendees per year and the Marin Center's appearance and operation are a reflection of county government performance. The Marin Center, located adjacent to the Marin Civic Center, consists of five separate venues:

- Veterans Memorial Auditorium, a 2000-seat auditorium that is home to the Marin Symphony and a wide variety of productions. While the Marin Veterans' Memorial Auditorium echoes design elements of the Frank Lloyd Wright designed Civic Center, it was actually built fifteen years later. The auditorium was designed by Taliesin Associates, based upon Wright's conceptual plans.
- Exhibit Hall, a 22,500 square foot space for specialized events such as the Antiques and Collectors' Fair, Doll Show, Quilt Show, and Fly Fishing Show
- Fairgrounds and Lagoon Park, primarily used for the County Fair each July, is also used as an outdoor venue for events such as the Human Race and for enjoyment by the public
- Six meeting rooms and a conference room, used for small events
- Showcase Theatre, a 340-seat site for concerts, plays, lectures, and similar presentations both professional and amateur

Marin Center's primary mission is to present a diverse mix of cultural and community events for the benefit of Marin residents. It does this in three ways:

1. Rental of facilities to individuals and organizations for public and private events. Any of the facilities may be rented. Rental rates are reviewed and are based upon comparison with other venues and what the market will bear. Rates are typically adjusted every two years. The vast majority of renters are Marin County based organizations.
2. Cultural and entertainment events arranged for and produced by the Marin Center staff as an entrepreneurial venture. These performances are known collectively as Marin Center Presents (MCP).
3. The County Fair, an annual event subsidized by State of California pari-mutuel betting receipts. A single admission charge provides admission to all entertainment, rides, and other fair attractions. The fair averages about 100,000 paid admissions over the five-day event, drawing from other Bay Area Counties as well as Marin.

Marin Center Management

Marin Center is managed by the Marin Parks, Open Space and Cultural Services Department (Department). Direction to the Department is provided by the BOS, which approves the budget. An advisory body, the Marin Parks, Open Space and Cultural Commission (Commission), is appointed by the BOS to provide the Department with guidance and feedback. A Commission subgroup, the Cultural Development Committee, gives detailed review to Center operations.

Within the Department, the Deputy Director for Cultural and Visitor Services (henceforth referred to as the Center Manager) manages the Center and the County Fair, as well as the Convention and Visitors Bureau, and the Gift Shop. Sixteen and one-half permanent positions are assigned to Center operations. In addition, the Center relies heavily on volunteers, who provide usher services, office support, and assistance at the Fair.

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Table 1. Marin Center Budget

Category	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	Total Change
	Actual	Actual	Actual	Actual	Actual	Actual	Approved (as of 4/27/04)	
Regular Staff	\$490,539	\$528,215	\$527,383	\$556,874	\$703,958	\$771,705	\$812,552	
Change		8%	0%	6%	26%	10%	5%	66%
Other Salaries & Benefits	\$652,030	\$662,158	\$817,578	\$907,764	\$876,906	\$973,245	\$999,244	
Change		2%	23%	11%	-3%	11%	3%	53%
Utilities	\$137,870	141,440	119,143	149,408	192,361	208,392	\$220,000	
Change		3%	-16%	25%	29%	8%	6%	60%
Services & Supplies	\$206,818	\$227,182	\$272,171	\$323,706	\$329,707	\$366,943	\$373,532	
Change		10%	20%	19%	2%	11%	2%	81%
Machinery & Equipment	\$12,205	\$12,205	\$41,350	\$12,834	\$22,193	\$10,360	\$6,740	
Change		0%	239%	-69%	73%	-53%	-35%	-45%
General Insurance	\$68,242	\$65,765	\$75,173	\$59,164	\$61,373	\$154,403	\$243,061	
Change		-4%	14%	-21%	4%	152%	57%	256%
Allocated Expenses	\$131,809	\$124,792	\$119,297	\$119,056	\$167,071	\$172,129	\$214,028	
Change		-5%	-4%	0%	40%	3%	24%	62%
Total Expenditures	\$1,699,513	\$1,761,757	\$1,972,098	\$2,128,806	\$2,353,570	\$2,657,178	\$2,869,157	
Change		4%	12%	8%	11%	13%	8%	69%
Total Revenues	\$1,273,781	\$1,296,659	\$1,418,430	\$1,429,103	\$1,427,010	\$1,595,304	\$1,734,000	
Change		2%	9%	1%	0%	12%	9%	36%
Net Cost to County	\$425,732	\$465,098	\$553,668	\$699,703	\$926,560	\$1,061,874	\$1,135,157	
Change		9%	19%	26%	32%	15%	7%	167%

Marin Center Finances

The Grand Jury began its investigation into Marin Center finances by examining the proposed county budget for the current fiscal year. In that hefty inch-thick document, only a few pages detail Budget Center 780, which is exclusively for Marin Center operations. It is the only mention of Marin Center in the budget, and its finances seem straightforward. As will be discussed in subsequent sections, this is misleading. The Grand Jury noted the Center's rising cost to the county, looked into earlier budgets, and found the expenditures listed in Table 1. The percentage change from the previous year is indicated for each category.

These figures raised some immediate red flags. Why had expenses risen 69% during the six-year period shown in Table 1, while revenues had risen less than 36%?

Interviews with staff and managers did not answer these questions to the Grand Jury's satisfaction. The upward spiral of costs was most commonly attributed to skyrocketing insurance costs and utility charges. The Center is covered by a blanket insurance policy, which covers many County operations. A charge is allocated to Marin Center based upon a formula developed by the County Auditor-Controller's office. It should be noted that during our investigation a recalculation of the insurance formula reduced the amount allotted to Marin Center. None of the interviewees made mention of the steep rise in Staff and Other Salaries & Benefits costs, which increased over 60% during the six-year period.

As the Grand Jury sought answers to questions about the Center's widening deficit, it instead uncovered more issues.

Dazzled by Numbers

Interviews revealed that the Budget Center 780 is only part of the financial picture of Marin Center. The Grand Jury identified four sets of accounting records that are needed to provide a comprehensive view:

- Budget Center 780 -- This account includes all salaries and benefits of employees of the county assigned to Marin Center, except for those people hired specifically for the Fair. It also includes all direct expenses of the Center plus allocations from commingled County expenses such as insurance. Revenues from facility rentals reduce the overall cost of operation. This account is what is reviewed by the BOS in its annual budget review.
- Marin County Fair – An entirely separate set of accounts is maintained for the annual fair. All county fairs in California are basically state operations and subsidized by state pari-mutuel receipts. The accounting is separate from Marin Center operations and is reported to the state on a calendar year basis as opposed to a July 1 to June 30 fiscal year. It can readily be seen that the allocation of expenses for shared facilities and personnel will have an important effect on the bottom line results of Budget Center 780 subsidy and Marin County Fair Net Cost to the county. For example, the Center Manager's salary is split between the Center and Fair on a fifty/fifty basis.
- Marin Center Presents (MCP) Enterprise Account – Sometimes known as the "promo" account or the "reserve" account, this account is used to provide MCP with working capital to produce shows. Net box office receipts for MCP shows are credited to this account and direct charges for the production and rent of Marin Center facilities are also charged to this account. This account is not included in the annual budget sent to and

approved by the BOS. The “promo” account, originally funded with \$5,000, has grown to over \$160,000 owing to either the successful operations of MCP or the under-allocation of charges for personnel and use of the facilities. The Grand Jury could not determine whether all costs were properly allocated to MCP, which could have the effect of reducing the “profit” of MCP. For example, the Center Manager spends much of his time producing the MCP shows, but a portion of his salary and benefits do not show as debits to this account.

- Marin Center Box Office Account – Known as the 97M account, this is a suspense account¹ holding funds for events in progress. When an event is scheduled, a column is added to a spreadsheet to account for all moneys for that event including box office receipts as well as charges. When an event is complete, final accounting is done and the net is transferred to the 780 account for outside promoters or to the “promo” account for MCP.

Not all the above accounts are carried in the county budget, nor are they tracked in the same computer system. Furthermore, no one we spoke to could produce a simple “snapshot” of Marin Center’s finances that included all the accounts the organization uses. The County Auditor-Controller’s office acknowledged that its recent audit of the Department did not include a comprehensive review of all of these accounts, but rather a spot check of potential trouble spots. We were told that future upgrades to the County’s financial management computer system would remedy this situation within a few years. The Grand Jury is concerned that the Marin Center financial management situation is not an isolated example.

Another endemic problem at the Marin Center is that the costs of the five different venues have not been calculated based upon labor, utility, insurance, and other factors. Thus, rental prices are primarily based on prevailing charges at other locations. While this is not a critical issue, it would be useful to have cost-benefit figures available when considering future options. For example, would it make financial sense for conference rooms to be converted to some other use?

The Grand Jury’s concerns about this financial picture are twofold. First, it does not understand how the finances of Marin Center can be overseen without a consolidated budget and accounting system. The BOS and the Commission are entrusted with the responsibility for stewardship of public money. It is much more difficult to fulfill this responsibility without a consolidated balance sheet. The Grand Jury viewed ample evidence of management on the micro scale, but little evidence of management on the macro scale.

Second, while the Grand Jury wants to emphasize that it has no reason to question the honesty or integrity of any individual involved in Center finances, it believes that having significant dollar amounts “off the budget” and accounted for on a desk-top PC-based system is courting abuse. Incidents elsewhere in the Civic Center should have motivated County managers to comprehensively improve financial safeguards and eliminate temptation.

¹ A suspense account is an accounting term describing an account into which revenues and expenses are aggregated until the conclusion of a specified period, event, or activity; after which these aggregations are transferred to one or more designated accounts related to that period, event or activity.

Marin Center Facility Maintenance and Upgrade

It was reported several times that the Marin Center facilities had in the past been the victim of “deferred maintenance” issues. In other words, the budget provided for needed repairs and upgrades to the property had been inadequate. The Department is now in the position that it has a lengthy list of problems to correct. As of January 2003 there were about eighty projects, with an estimated cost of \$1.9 million, awaiting funding. These range from simple painting and carpeting jobs to structural repairs of foundations and walls. A citizens’ group, Friends of the Marin Center, has raised funds to aid in financing some of these projects.

Maintenance issues aside, a facility over thirty years old may need to be significantly upgraded or expanded in order to meet the needs of today’s Marin citizens and today’s performances. The Marin Center Renaissance Project is currently developing plans to renovate and modernize the Center. Proponents have indicated that public funds would not be used in the renovation, and that private grants and donations would secure a bond issue to fund the project. Center management has worked industriously to form a Renaissance Committee to aid in this funding effort.

The Grand Jury cannot speculate on what will emerge from the master planning process, but does have some concerns about the financial impact of the Renaissance Project on county taxpayers. The Grand Jury would be surprised if maintenance, staffing, and utility costs do not increase with an expanded Marin Center and exacerbate the Center’s cost to the county. Arguments that revenues would be enhanced by a modernized Marin Center are inconsistent with statements that the Center’s facilities are utilized to a near maximum extent. Something has to give – if rental rates are raised significantly after facilities are improved, some of the non-profit users of the Center may be driven out. While entirely new revenue streams (such as a tenant restaurant) could help, the future financial picture of the Center should be studied just as closely as the cultural needs of the county. The Grand Jury is also concerned that a protracted construction program would negatively impact not only Marin Center’s finances but also the finances of charities that use the Center for major fund-raising events.

Keeping the Center Running

The day-to-day management of Marin Center is provided by the Center Manager. The current Manager has worked at the Center for decades, gradually acquiring responsibility for the operation of the County Fair and the direction of MCP production ventures. As far as the Grand Jury could determine having a single person in charge of a County Fair and a major cultural venue is unique. The manager personally selects presentations for both the MCP series and the Fair, negotiates contracts, provides liaison to external groups such as the Friends of Marin Center, and supervises other operations of the Center facilities and the Fair. Marin is fortunate to have someone who can perform this wide variety of duties.

The unfortunate corollary to having so many duties in one person’s hands is that when that person is gone, a major disruption can occur. The Center Manager will be eligible for retirement this year, and interviewees indicated that finding a successor is a concern. Owing in part to longstanding vacancies within the Center staff, there is no established career path within

the county that leads to the acquisition of the skills needed to succeed the incumbent. The Department needs to make some tough choices to deal with this issue. The alternative is a significant downturn in Center revenues as the operation attempts to operate without a Manager. Possible solutions include:

- Hiring a manager-in-training to be mentored by the current Center Manager.
- Dividing the Center Manager job in two. While the natural tendency might be to revert to the past, when there was a Fair Manager and a Center Manager, in light of other findings in this report, the Department should consider having a financial manager as well as a person responsible for bookings and operations.

Conclusions

Interviews highlighted that financial goals are not considered to be a major factor in the operation of Marin Center. The Grand Jury was consistently told that positive community feedback was of paramount concern to the Board, the Commission, and the Department. Cultural excellence and diversity were rated nearly as highly. The Grand Jury has no issue with the importance of these factors in managing Marin Center.

The Grand Jury understands that operations of this kind are rarely profitable. The county is making a justifiable expenditure in subsidizing cultural activities. The Grand Jury is concerned that the magnitude of that subsidy has not been well defined by the BOS and that Marin Center's cost to the county has been allowed to balloon. The Grand Jury urges that a better balance be found between cultural excellence and sound financial management.

FINDINGS

- F1. Marin Center's primary mission is to present a diverse mix of cultural and community events for the benefit of Marin residents.
- F2. Evaluation of the performance of Marin Center by the BOS, the Department; and the Commission is primarily based on reaction from the user community.
- F3. All-inclusive reports on Marin Center's finances are not routinely produced.
- F4. Marin Center's Net Cost to the County has risen 167% in the past six years.
- F5. The amount of the Net Cost to the County is not reported in the County budget.
- F6. There is no evidence that the MCP account is reported either to the Commission or to the BOS.
- F7. Marin Center has not calculated the actual costs of operating each of its facilities.
- F8. Marin Center facilities are priced, generally biennially, based upon comparison with other venues and what the market will bear.

- F9. Marin Center operation is at risk because of the lack of a succession plan for the Center Manager.

RECOMMENDATIONS

- R1. The MCP enterprise account should be integrated into Budget Center 780.
- R2. The MCP enterprise account's size and purpose should either be clearly limited and specified by the BOS, or the account should be eliminated.
- R3. A long-range development plan to reduce and stabilize Marin Center's cost to the County should be produced, maximizing the use of private funds to underwrite operating costs.
- R4. The Marin Center Renaissance master plan should clearly delineate the short- and long-term impacts of renovation on operating and capital costs.
- R5. The Commission should increase its scrutiny of Marin Center's overall financial management and ensure that a balance exists between cultural excellence and fiscal prudence.
- R6. A plan for recruiting and training a successor to the Center Manager should be developed immediately.

REQUEST FOR RESPONSES

Pursuant to Penal code section 933.05, the Grand Jury requests responses as follows:

- The Marin County Board of Supervisors to all Findings and Recommendations.