



This Item has been removed from consideration at the request of the Foundation for the Performing Arts Center (FPAC) who requested additional time to review the proposed changes and potentially consider other revisions

Department: Administration
Cost Center: 1001
For Agenda of: 1/14/2025
Placement: Consent
Estimated Time: N/A

FROM: Greg Hermann, Deputy City Manager
Prepared By: Natalie Harnett, Policy and Project Manager

SUBJECT: APPROVAL OF UPDATED OPERATING AGREEMENT FOR THE PERFORMING ARTS CENTER

RECOMMENDATION

Approve the updated operating agreement between the Foundation for the Performing Arts Center, the City of San Luis Obispo, the California State University Board of Trustees on behalf of Cal Poly, and the Central Coast Performing Arts Center Commission for the operation and governance of the Performing Arts Center.

POLICY CONTEXT

The City of San Luis Obispo is a partner in the operation of the Performing Arts Center (PAC) located at Cal Poly, and the changes to the operational agreement are subject to approval by all parties. The PAC benefits the City by attracting audiences from the local community and beyond. The events generate tourism and increase the area's appeal as a cultural destination, in alignment with the City's [Economic Development Strategic Plan](#) Pillar 2.4 – Cultural Vitality.

DISCUSSION

Background

The PAC was a joint venture between the City of San Luis Obispo (City), the State of California acting through the Trustees of the California State University on behalf of California State Polytechnic University, San Luis Obispo (Cal Poly), and private fundraising through the Foundation for the Performing Arts Center (FPAC) to create a large community performance space. Located on the Cal Poly campus, the PAC is a world-class event venue that hosted 300 events and over 100,000 visitors in 2023-24¹. More than a dozen local arts organizations perform at the PAC each year, along with national and international touring acts presented by Cal Poly Arts and other event promoters.

¹ Performing Arts Center – 2023/24 Year in Review: https://issuu.com/pacslo/docs/year-in-review-23-24_final_reduced

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The PAC primarily relies on revenue generated from events to support its operations. However, as a partner, the City contributes funding to cover expenses not fully offset by event revenue. In accordance with the agreement and as established when the agreement was first approved in 1993 and amended in 2002 (Attachment B), the annual funding contribution is assessed two-thirds to Cal Poly, one-sixth to the FPAC, and one-sixth to the City. This funding formula is based on the City's original contribution of approximately \$5 million, or one-sixth of the cost to construct the \$30 million facility, in 1996. One of the public benefits from the City and FPAC contribution is that approximately one-third of the PAC's occupied dates are reserved for use by local arts and community organizations such as Opera SLO, Ballet Theatre SLO, SLO Symphony, and SLO Master Chorale. Because the City is a partner, these community organizations receive a discounted rate for events at the PAC. It also hosts a School Matinee Program that welcomes over 9,700 local students to the PAC to experience free performances.

The Central Coast Performing Arts Center Commission (CCPACC) was established under the original operating agreement to advise Cal Poly and the PAC Manager on operating policies, scheduling, and maintenance policies. The CCPACC, with the concurrence of the Cal Poly president, adopts the annual operating budget and amendments. The CCPACC is governed by a nine-person board of directors, two of whom are appointed by the City. The City's representatives on the CCPACC are the Mayor and the City Manager.

Updated Operating Agreement

The current operating agreement has not been amended since 2002. Since January 2023, Cal Poly, the FPAC, and the City have been collaborating on changes to update the agreement, and the final version is included as Attachment A.

The changes were collaboratively drafted and reviewed by all of the parties and CCPACC subcommittees (see Concurrences). While there are not any major changes, the updates aim to align the agreement with current operations and ensure that the Center is operated cooperatively for the mutual benefit of Cal Poly and the local community. Attachment C includes a red-lined version that includes most of the edits and notes significant changes. Included below is a summary of the changes which are accompanied by various minor clarifications and language changes:

1. Budget and reserves: The annual subsidy for the PAC's operations and reserves will continue to be divided the same, but the updated agreement introduces new sections to clarify the types of projects that should be funded by reserves. The current agreement broadly states that "reserves shall include but not be limited to, operations, major maintenance, replacement, and repairs". In the current agreement, the PAC Manager is responsible for presenting quarterly financial reports and setting reserves in consultation with the CCPACC. This has allowed the CCPACC to review upcoming projects and put aside funding in the *Major Maintenance/Repair and Replacement Reserve Program (MMRRP)* fund for anticipated replacements and repairs. The MMRRP was established by the CCPACC shortly after the PAC was completed and when it experienced a malfunction of the lighting control system. Since that time, the reserve has funded major maintenance projects without needing ad hoc funding requests from each of the partners.

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The new agreement formally defines this reserve fund, the annual contributions, the types of projects that should be funded under it, and the procedures for managing projects that exceed the threshold of \$250,000. The new agreement states that such projects will be addressed on an as-needed basis, with costs divided among the partners using the same distribution as the annual operating budget (two-thirds, one-sixth, one-sixth). This approach is similar to the agreement between the City and County for major maintenance projects at the City/County Library.

2. Risk Mitigation Fund: A new section formally introduces the Event Presentation Risk Mitigation Fund, which is designed to help cover potential losses from events. This existing fund is replenished using net revenue from subsequent events before those funds are directed toward normal operations. The current balance of the fund is \$50,000, and the CCPACC can decide whether additional funds should be allocated from the Operating Reserve as needed.
3. Event Presentation Priority and Scheduling: The agreement clarifies the order of priority for presenting events at the PAC. Cal Poly Arts will have the first opportunity to propose events, and Cal Poly will retain the venue for key university events. Additionally, two-thirds of the schedule must support the Cal Poly's educational mission. One-third of the event dates are reserved for local arts and community organization use and will be charged at a lower rate than other groups. The City also receives a lower rate for any City events at the PAC.
4. Commission Policies: The existing commission policies and procedures that are not relevant to the operating agreement are removed and established as a separate "bylaws" document (Attachment D), which will be adopted concurrently by the CCPACC with the updated operating agreement.

Previous Council or Advisory Body Action

The initial agreement for constructing the PAC at Cal Poly was approved by the Council on [November 13, 1989](#). The Operating Agreement was later approved on [March 31, 1993](#), and was subsequently amended on [April 15, 2002](#).

Public Engagement

Notice of this agenda item was provided through the meeting's posted agenda. The public may submit comments in writing before the meeting or share their input during the public comment portion of the meeting.

CONCURRENCE

The updated agreement has been thoroughly reviewed by the CCPACC Budget and Finance Subcommittee, the Facilities Subcommittee, the City Attorney's Office, FPAC legal counsel, and Cal Poly's legal team. Recommended changes from these reviews were incorporated into the agreement, and all parties concur with the final version. The agreement is scheduled for presentation to the FPAC at the January Board Meeting. Once the updated agreement is approved by both the City Council and FPAC, it will proceed to the CCPACC for final approval and be signed by all parties, with the City Clerk attesting to the document.

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ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) does not apply to the recommended action in this report because the action does not constitute a “Project” under CEQA guidelines Section 15378.

FISCAL IMPACT

Budgeted: Yes

Budget Year: 2024-25

Funding Identified: Yes

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$342,652	\$	\$	\$342,652
State				
Federal				
Fees				
Other:				
Total	\$342,652	\$	\$	\$342,652

This recommendation has no fiscal impact, as the City's share of the costs remains unchanged, and the updated agreement does not increase the annual operating expenses. The City includes its portion of the annual operating cost in the base budget, which increases by approximately 3-5% annually to align with the CPI. For FY 2024-25, the budgeted amount is \$342,652.

Based on the existing and amended operating agreement, the City is responsible for covering one-sixth of the PAC’s budget requirements including major maintenance projects. While not included in this recommendation, Cal Poly has recently submitted a funding request to the City for significant roof and gutter repairs at the PAC. The PAC has had consistent and invasive water intrusion issues due to a deteriorating roof and gutter system for over a decade, and repairs need to be made as soon as possible.

The total cost of the project is about \$1.6 million, which exceeds the Major Maintenance Reserve threshold of \$250,000 and under the new agreement, would be split between the partners. The City’s share of this cost would be \$263,797, which represents one-sixth of the total project cost. Cal Poly plans to finalize a contract in spring 2025 and complete the work in summer 2025. Since this is not included in the City’s current budget, staff plans to recommend that the Council appropriate this one-time funding during the mid-year budget review in February 2025 using the year-end fund balance, consistent with the City’s policy on the use of those funds to maintain infrastructure.

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ALTERNATIVES

1. ***Council could decide not to approve the updated operating agreement.*** This action is not recommended by staff because the current agreement is outdated and should be updated to reflect current operations.
2. ***Council could advise staff to return to the PAC Manager with recommended changes to the agreement.*** Any directed changes would be subject to the review and negotiation with the other parties to the agreement.

ATTACHMENTS

- A - Updated PAC Agreement
- B - Current PAC Operating Agreement (2002 Amended Version)
- C - Red-lined Version of Operating Agreement Changes
- D - Copy of CCPACC Bylaws