



**BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR**

M E M O R A N D U M

TO: Honorable Joe A. Martinez, Chairman
and Members, Board of County Commissioners

FROM: Charles Anderson, CPA
Commission Auditor

DATE: July 16, 2012

**SUBJECT: Status Report - Adrienne Arsht Center for the Performing Arts of Miami
Dade County**

As part of the requirements of Ordinance No. 07-83 and Resolution R-141-08 approved by the Miami-Dade County Board of County Commissioners (BCC), the Office of the Commission Auditor (OCA) conducted a review of the Adrienne Arsht Center operated by the Performing Arts Center Trust, Inc. (PACT). As part of our oversight of PACT, OCA has attended PACT Finance Committee Meetings and Board meetings to monitor the progress.

The following information is based on the PACT's Financial Report for the Fiscal Year 2012 through May 31, 2012.

The table below and additional comments detail information on the PACT's Occupancy Costs as of May 31, 2012:

	Actual FY 2010-11	YTD as of May 31, 2011	YTD as of May 31, 2012	FY 2011-12 Budget	FY 2011-12 Projection
Building Maintenance & Cleaning	\$ 3,081,384	\$ 1,892,267	\$ 1,875,706	\$ 3,149,839	\$ 3,229,839
Utilities	\$ 1,990,117	\$ 1,270,675	\$ 1,052,369	\$ 1,850,000	\$ 1,850,000
Insurance	\$ 585,390	\$ 607,416	\$ 353,110	\$ 630,000	\$ 550,000
Security	\$ 1,511,737	\$ 994,228	\$ 859,740	\$ 1,509,600	\$ 1,509,600
Police (County & City)	\$ 476,374	\$ 352,771	\$ 266,120	\$ 510,000	\$ 510,000
Total	\$ 7,645,002	\$ 5,117,357	\$ 4,407,045	\$ 7,649,439	\$ 7,649,439

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- Occupancy cost as of May 31, 2012 was \$4.4 million, which is 14% below budget (approximately \$692,000). When comparing the year-to-date May 31, 2011 and May 31, 2012, the occupancy costs show a favorable variance of \$710,312.

The table below displays selected amounts from the year-to-date PACT's Statement of Activities and the Operating Projection for Fiscal Year 2012 (in 000's).

	Month Budget May 2012	Month Actual May 2012	Actual YTD May 31, 2011	Budget YTD May 31, 2012	Actual YTD May 31, 2012	Budget FY11-12	Projection FY11-12
Revenue (excluding Subsidy- Foundation & MDC Founding)	\$ 5,697	\$ 3,754	\$ 15,531	\$ 19,692	\$ 21,641	\$22,002	\$ 27,477
Subsidy- Foundation	\$ 593	\$ 85	\$ 4,586	\$ 4,740	\$ 2,649	\$ 7,111	\$ 6,195
MDC Funding	\$ 638	\$ 571	\$ 5,116	\$ 5,100	\$ 4,408	\$ 7,650	\$ 7,650
Total Revenue	\$ 6,928	\$ 4,410	\$ 25,233	\$ 29,532	\$ 28,698	\$36,763	\$ 41,322
Expenses (excluding MDC Commitment, Funding & Depreciation)	\$ 5,711	\$ 3,302	\$ 18,497	\$ 21,744	\$ 24,091	\$27,338	\$ 32,817
MDC Commitment (Sunshine loan)	\$ 125	\$ -	\$ 750	\$ 1,000	\$ 325	\$ 1,500	\$ 325
Depreciation Expenses	\$ 23	\$ 49	\$ 281	\$ 183	\$ 406	\$ 275	\$ 610
Occupancy Cost (MDC Funding)	\$ 637	\$ 571	\$ 5,117	\$ 5,100	\$ 4,408	\$ 7,650	\$ 7,650
Total Expenses	\$ 6,496	\$ 3,922	\$ 24,645	\$ 28,027	\$ 29,230	\$36,763	\$ 41,402
Operating surplus(deficit)	\$ 432	\$ 488	\$ 588	\$ 1,505	\$ (532)	\$ -	\$ (80)

The additional comments from PACT statement of activities and the operating projections for fiscal year 2012 are as follow:

- The actual operating surplus for May 2012 was \$488,000, which is 13% greater than budget. As of May 31, 2012, the year-to-date operating deficit was \$532,000, of which \$406,000 was the year-to-date depreciation expenses. Depreciation expense was over budget because the budget was prepared without considering last year's acquisitions.
- The FY 2011-12 PACT budget for the contributions from the Foundation is \$7,111,000. As of May 2012, the projection was \$6,195,000, a deficit of \$916,000.

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- The FY 2011-12 PACT Projection excludes additional payments for MDC Commitment (Sunshine Loan). On April 25, 2006, the BCC adopted Resolution R-480-06 stipulating that as of October 1, 2007, the PACT would transfer \$1.5 million annually to MDC for a period of twenty years to assist with the funding of the Adrienne Arsht Center for the Performing Arts Acceleration/Recovery Construction Plan. This amount was amended to \$1.3 million annually (by management memo dated September 8, 2011).
- On May 20, 2012, extensive water damage occurred at the Adrienne Arsht Center. In agenda item no. 8(C)(1), scheduled for the July 17, 2012 BCC meeting, the Mayor recommends that the BCC authorize the allocation of up to \$5 million to reimburse the PACT for repairs to the Adrienne Arsht Center. Currently, the County provides a subsidy of \$7.65 million from the Convention Development Tax (CDT) to support the facility on an annual basis, and additional funding (\$344,000 in FY 2011-12) to support education programs, capital expenditures and an endowment, depending on the amount of funding available. Staff anticipates that portions of this subsidy may be available to fund some of the repair costs.

According to the Mayor, the County and the PACT continue to aggressively pursue reimbursement options from our respective insurance carriers. The \$5 million allocation requested represents the value of the County's deductible and will be accessed only as needed and subject to a strict review of all proposed project expenditures.

We thank the staff of the PACT for their cooperation. Please let me know if you need further information.

c: Honorable Carlos Gimenez, Mayor
Ed Marquez, Deputy Mayor, Office of the Mayor
Lisa Martinez, Senior Advisor, Office of the Mayor
Michael Spring, Director, Cultural Affairs Department
John Burnett, Vice President of Finance & Chief Financial Officer PACT