

Proposed 5th Amendment to the Use Agreement for the Morton H. Meyerson Symphony Center

Public Meeting Briefing
March 6, 2019

Office of Cultural Affairs
City of Dallas



City of Dallas

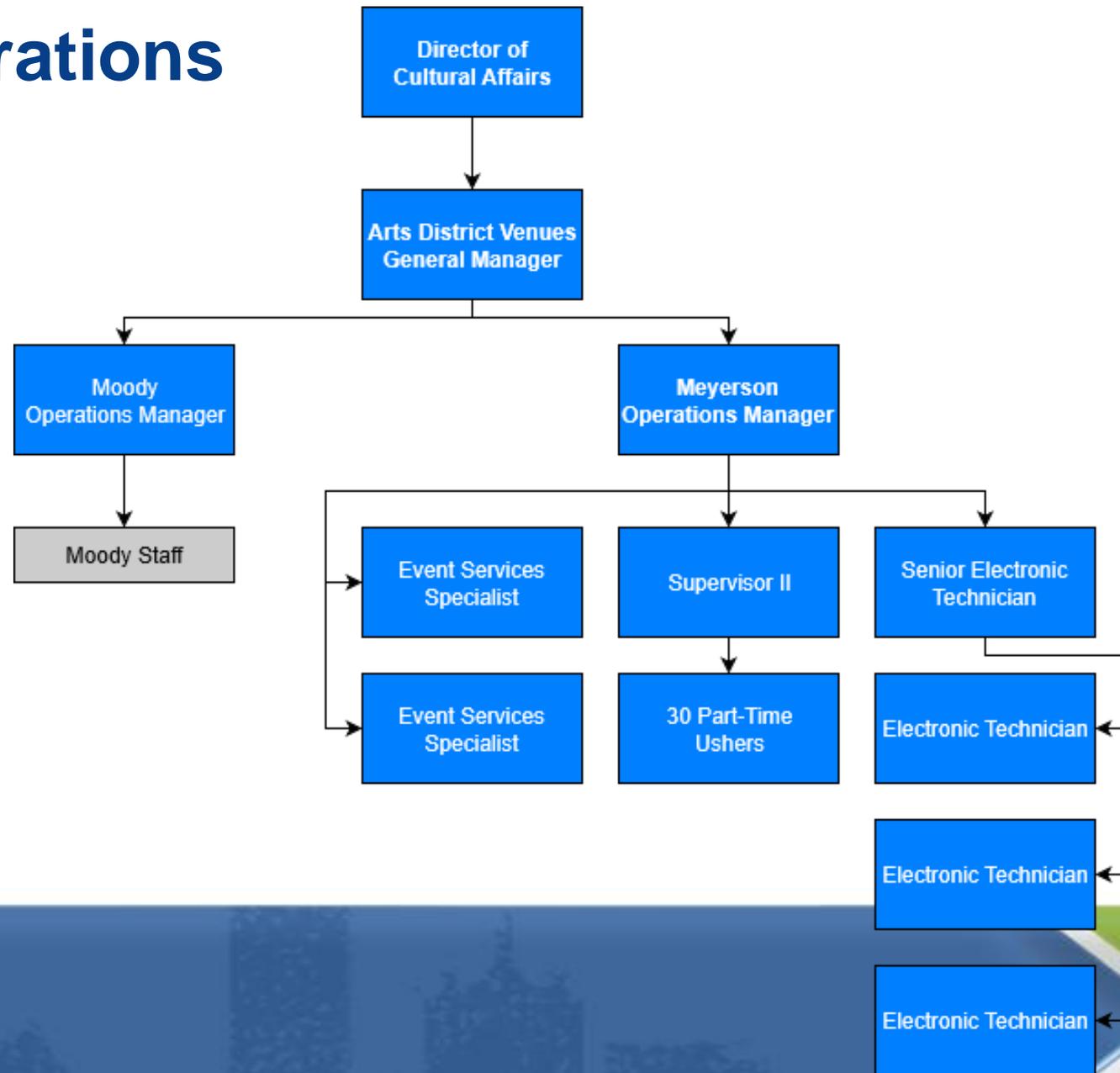
Existing Use Agreement Summary:

- The Morton H. Meyerson Symphony Center opened in 1989, and was built through a public/private partnership, with the Dallas Symphony Association (DSA) raising over \$54 million in private sector support to match the City's bond contribution of \$49.3 million
- The City and the DSA entered into a Use Agreement for the Meyerson on September 18, 1985, subsequently amended in 1995, 1999, 2004, and 2009
 - 1st Amendment changed the funding model by eliminating DSA's rental fees for use of the Meyerson, and ended their major cultural support funding
 - 2nd Amendment provided for the DSA to design, construct and install improvements to the Meyerson
 - 3rd Amendment clarified the proportionate utility payments by the City and DSA, updated insurance requirements and extended the term of the agreement to August 31, 2019
 - 4th Amendment adopted a plan for scheduling between the Meyerson and Annette Strauss Square, and extended the term of the agreement to August 31, 2049

Current Operations

- The Use Agreement sets the terms under which the DSA uses and occupies the Meyerson as the primary user and also establishes the City's responsibilities for the operation and management of the facility
 - The City provides staffing, maintenance, security and utilities
 - The DSA reimburses the City for a portion of the utilities, based on the number of days they use, not the number of days they hold
 - The DSA provides a year-round season of classical music concerts, outreach and school programs, and other special concerts at the Meyerson
 - DSA is not exempt from facility use fees for events they book that are not related to their orchestral performances
 - Scheduling of the venue is the responsibility of the City, and done in advance with priority given to DSA events
 - By September 30 of each year, the DSA holds dates for the Sept 1 – Aug 30 starting the following year
- City works with other local cultural organizations and commercial entities to book events at the Meyerson for dates not held for use by DSA

Current Operations

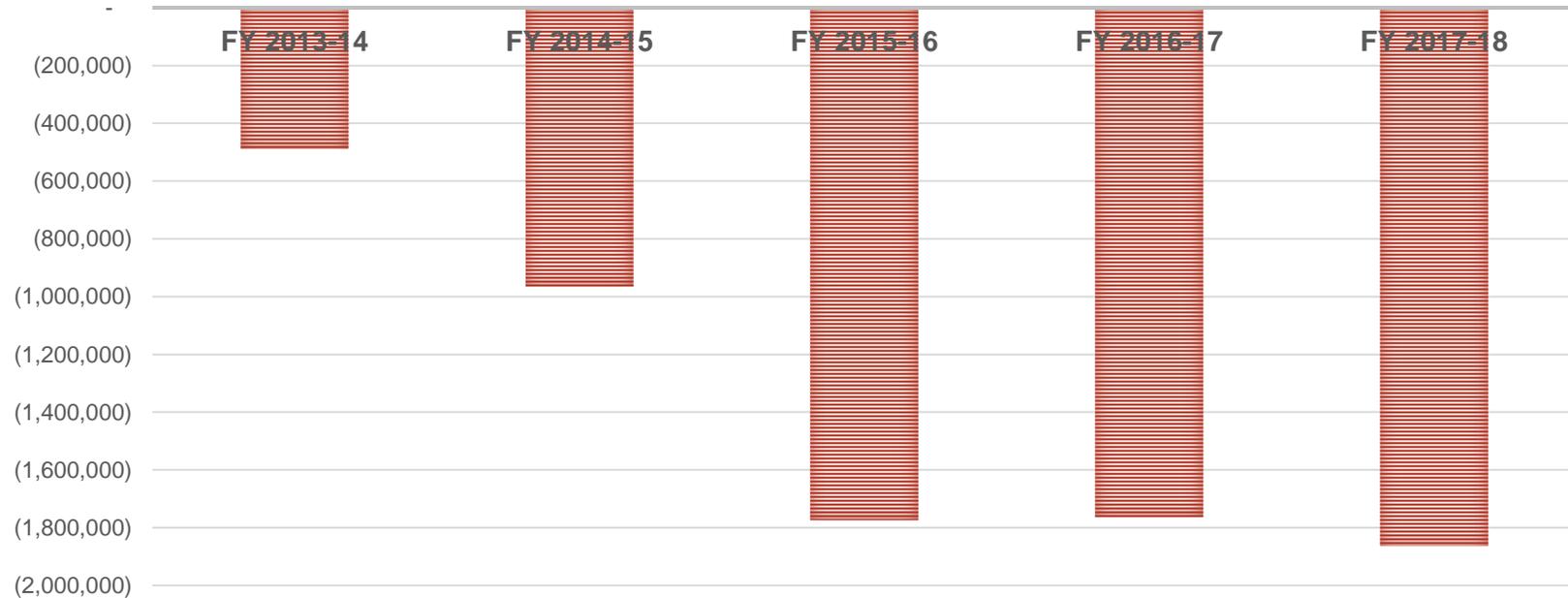


Current Operations

- Over time City expenses have increased and revenues have decreased
 - When DSA date-holds increased, City was unable to book other revenue generating events (example: SOLUNA in May displaced graduation events)
 - Additional DSA events increase City expenses across the board
 - Personnel costs – City staff overtime for coordinators and technicians
 - Security – additional contract security officers/hours
 - Custodial – additional custodial service during events and after for recovery
 - Utilities – additional electricity and gas usage
 - Maintenance – additional wear and tear on the facility
 - Other facility users pay the City for the above costs, DSA does not
 - Competition for events rentals has increased as well (Winspear, Perot, etc.)

5-Year City Profit (Loss) For Meyerson Operations

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Expense	1,479,980	2,013,183	2,722,726	2,618,575	2,898,492
Revenue	990,328	1,046,053	948,265	854,923	1,034,428
Profit (Loss)	(489,653)	(967,129)	(1,774,461)	(1,763,652)	(1,864,064)



Deferred Maintenance

- The DSA estimated \$11.9 million in major deferred maintenance in 2018, including the following items:
 - Elevator modernization
 - Plumbing and restroom ADA compliance
 - Roof replacement*
 - Fire systems*
 - HVAC repairs
 - Canopy lighting and sound systems in the McDermott Concert Hall
 - Reverb doors*
 - Power washing and sealing of the building exterior
- Additional items include prominent “cosmetic repairs” such as replacing the original carpeting throughout and painting the interior

(*) Denotes bond projects

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Proposed 5th Amendment: Overview

- Amend use agreement to become a 99-year lease of the Meyerson land and improvements, subject to a reverter
 - DSA will use the Meyerson primarily for orchestral music-related events, and for other music and cultural events
 - If the DSA fails to use the Meyerson in that manner, the City would have to terminate this agreement and renegotiate
- DSA will become responsible for all operation and maintenance costs of the property following a six-year wind-down of City financial support for such costs
 - This transition period shall allow the DSA to ramp up their earned income and address long-deferred maintenance issues during this time

Proposed 5th Amendment: City Obligations

- City commits to expending dedicated capital funds for deferred maintenance approved by voters in 2006 and 2017 bond programs
- City will financially support DSA's transition to operating the Meyerson over six years in order to transition into its new role of managing a major performing arts venue
 - Years 1 and 2 - \$3 million
 - Year 3 - \$2.5 million
 - Year 4 - \$1.5 million – by Year 4, the City is saving money each year
 - Years 5 and 6 - \$750,000
- Following wind-down of City operation and maintenance support, DSA will be eligible to apply for cultural programming funds through the Cultural Organizations Program
- Public art (Ellsworth Kelly panels) will remain City property on display at the Meyerson, and City will continue maintenance obligations for this artwork
- City will follow established policy and protocol for existing employees

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Proposed 5th Amendment: DSA Obligations

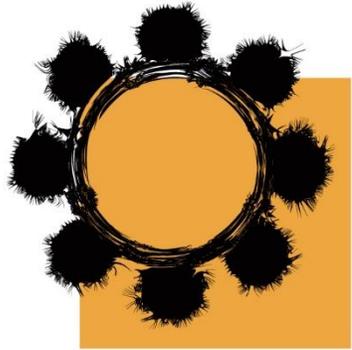
- DSA commits to raising \$5 million privately over the next five years and to completing at least \$5 million of capital improvements by 2029
- DSA Events
 - DSA and its musicians are expected to perform 150 concerts per year
 - DSA may present and promote additional events at the Meyerson, including community-oriented, commercial and non-commercial bookings
- Existing City bookings for 2019 and 2020 will be honored by the DSA
- Events for grandfathered not-for-profit users will be at preferred rent rates
 - Grandfathered users: Greater Dallas Youth Orchestra, Dallas Children's Chorus, Dallas Winds, Dallas Bach Society, Fine Arts Chamber Players, The Black Academy of Arts and Letters' MLK Celebration and Dallas-based public high school graduations, Turtle Creek Chorale
- Comply with monthly and annual reporting in line with COP reports
- Free rent for up to 6 City event dates annually, and for up to an additional 10 event dates for community-oriented events requested by the City
- Free tickets for Dallas public school students to at least 50 concerts and free Parks Concert series

Case Statement:

- Following a year-long community input process for the *Dallas Cultural Plan 2018*, it is apparent that the current use agreement no longer fits within the mission, values and strategic direction of the Office of Cultural Affairs
 - One of the early Phase 1 findings was that the OCA spends almost twice as much on facilities as on cultural contracts for arts production and management
- The DSA shares our values of Equity, Diversity, Space, and a Sustainable Arts Ecosystem and can manage the building to better serve the community, both in the Meyerson and via outreach programs
- The DSA can better utilize the Meyerson if they control the building and have clear incentive to best manage the available dates calendar and grow earned revenue and net bottom line
- The DSA is committed to raise private funds to address current deferred maintenance and to leverage the building for earned income, meaning public dollars can be reduced
- The City is relieved of its increasing financial and maintenance obligations, which may save taxpayers up to \$65 million over the life of the existing agreement
- Estimated annual savings of up to \$1.8 million not put into a physical building will support artists and cultural organizations citywide in fulfilling goals of the *Dallas Cultural Plan 2018*

Timeline and Next Steps:

- Arts and Culture Advisory Commission – March 21, 2019
- Briefing to Quality of Life Committee – March 25, 2019



Office of Cultural Affairs

CITY OF DALLAS

Appendix



Reminder: Cultural Plan (FY2016-17 OCA budget)

CITY SUPPORT FOR THE ARTS



\$14.8M Budget



\$6.7M Budget



\$548K Budget

OCA supports the diverse cultural ecosystem in Dallas - including artists, arts organizations, cultural places, and cultural visitors.



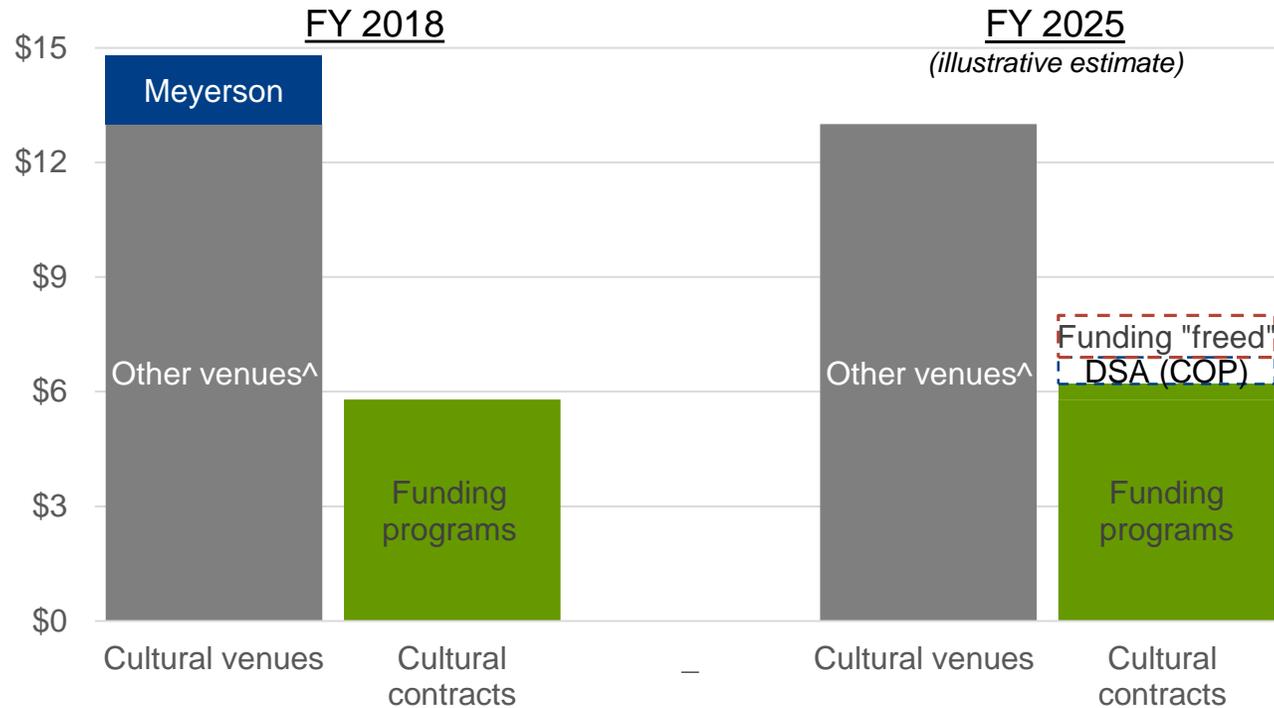
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The City spends about twice as much on venues as it does on cultural contracts

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Meyerson Symphony Center: Estimated Fifth Amendment effect on OCA budget

OCA budget*, in \$M



If amendment proceeds, the impact after the six-year wind-down on OCA budget is estimated to be:

- Up to \$1.8M in funding “freed” from cultural venue obligations to be distributed via funding programs
 - Implies that funding program budget would go from ~\$6M to almost \$8M
- Percentage of OCA budget tied up in venues to decrease from ~70% today to ~60% in 2025

(*) Excludes Public Art for simplicity; (^) Other venues includes cultural centers, partner-managed venues, Moody Performance Hall, and the Majestic

Key assumptions: Assumes constant dollars in venue and contract budgets for simplicity, except for anticipated FY2019-20 addition of ~\$400K in pop-up cultural programming; Meyerson net expense was approx. \$1.8M in FY2018 (2017-18), with the FY2025 (2024-25) transfer to cultural contracts being split at some portion between DSA’s success in entering the COP program and the remainder being transferred to funding programs

Symphony Hall Comparisons Nationwide

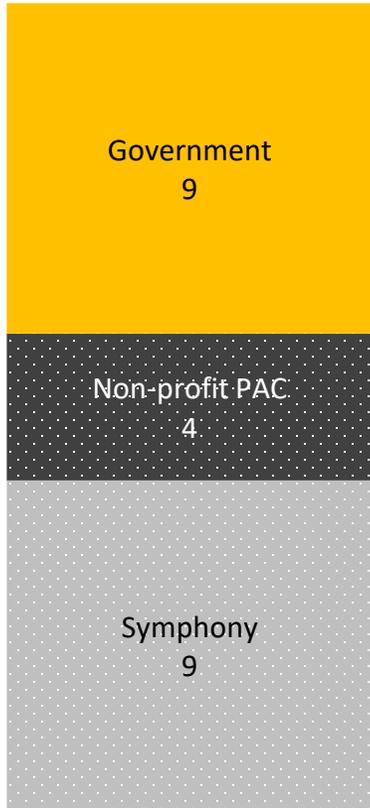
- Of 22 similarly-sized peers, only 3 other symphonies (Houston, San Francisco, Utah) are in government-owned and government-managed venues
 - These peer symphonies share more costs with the government/owners than in Dallas
 - Houston's financials show rent payments of ~\$1M per year for the last few years
 - San Francisco and Utah symphonies pay rent per performance and rehearsal days, as well as reimburse usher costs or employ ushers directly; relative government subsidy is ~40-70% per performance (vs. almost 100% per performance in Dallas)
- For non-profit managed symphony halls, earned revenue offsets costs of managing and maintaining the venue
 - In 2016, Boston Symphony was able achieve rental revenue of ~\$1.7M to offset venue maintenance and management expenses
 - Dallas has averaged about \$400-500K per year in rental revenue for the past 5 years

Source: publicly available documents, interviews

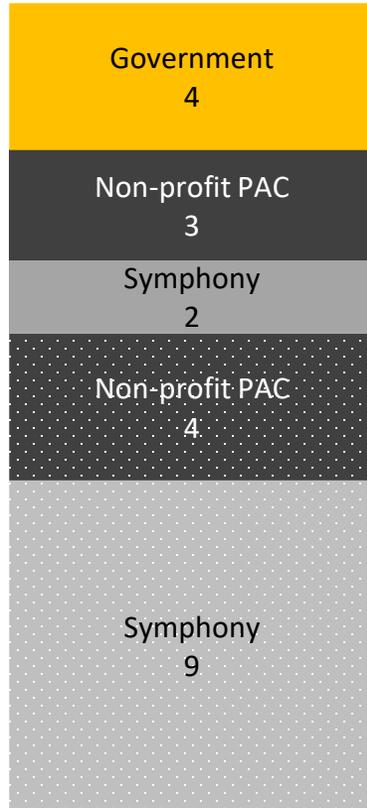
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Of DSO peers (LAO Group 1), only 3 others are in facilities owned and managed by the local government

Owned by:



Managed by:



Gov't owns and manages

San Francisco (city)
Utah (county)
Dallas (city)
Houston (local government corporation)

Gov't owns/non-profit PAC manages

Cincinnati
Milwaukee
National Symphony Orchestra (DC)

Gov't owns/symphony manages

Baltimore
Indianapolis

Non-profit PAC owns/manages

New York
Seattle
Philadelphia
Saint Paul

Symphony owns/manages

Atlanta (division of WAC)	Pittsburgh
Boston	San Diego
Chicago	St Louis
Detroit	Cleveland
Nashville	

LAO = League of American Orchestras; Source: publicly available documents, interviews