

# Memorandum



CITY OF DALLAS

DATE March 22, 2019

TO Honorable Members of the Quality of Life, Arts & Culture Committee: Sandy Greyson (Chair), Mark Clayton (Vice Chair), Rickey D. Callahan, Jennifer S. Gates, Scott Griggs, B. Adam McGough, Omar Narvaez

SUBJECT **Proposed 5<sup>th</sup> Amendment to the Usage Agreement for the Morton H. Meyerson Symphony Center**

On Monday, March 25, 2019, you will be briefed on the Proposed 5<sup>th</sup> Amendment to the Usage Agreement for the Morton H. Meyerson Symphony Center.

The briefing materials are attached for your review.

Please feel free to contact me if you have any questions or concerns.

A handwritten signature in blue ink, appearing to read 'Joey Zapata'.

Joey Zapata  
Assistant City Manager

c: T.C. Broadnax, City Manager  
Chris Caso, City Attorney (I)  
Carol Smith, City Auditor (I)  
Billierae Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager

Majed A. Al-Ghafry, Assistant City Manager  
Jon Fortune, Assistant City Manager  
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer  
M. Elizabeth Reich, Chief Financial Officer  
Laila Alequresh, Chief Innovation Officer  
Directors and Assistant Directors

# **Proposed 5<sup>th</sup> Amendment to the Use Agreement for the Morton H. Meyerson Symphony Center**

**Quality of Life, Arts and Culture  
March 25, 2019**

**Jennifer H. Scripps, Director  
Office of Cultural Affairs**



**City of Dallas**

# Purpose

- Review the Proposed 5<sup>th</sup> Amendment to the Use Agreement for the Morton H. Meyerson Symphony Center to foster increases in the facility's utilization, maintenance and improvements, and gradually reduce the City's costs
- Request the Committee's support for City Council action and approval



# Background: Existing Use Agreement Summary

- Opened in 1989, the Morton H. Meyerson Symphony Center was built through a public/private partnership with the Dallas Symphony Association (DSA) raising over \$54m in private support to match the City's bond contribution of \$49.3m
- 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
  - 1<sup>st</sup> Amendment changed the funding model by eliminating DSA's rental fees for use of the Meyerson and ended their major cultural support funding
  - 2<sup>nd</sup> Amendment provided for the DSA to design, construct and install capital improvements
  - 3<sup>rd</sup> 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
  - 4<sup>th</sup> Amendment adopted a plan for scheduling between the Meyerson and Annette Strauss Square (AT&T PAC) and extended the term of the agreement to August 31, 2049

# Background: Current Operations

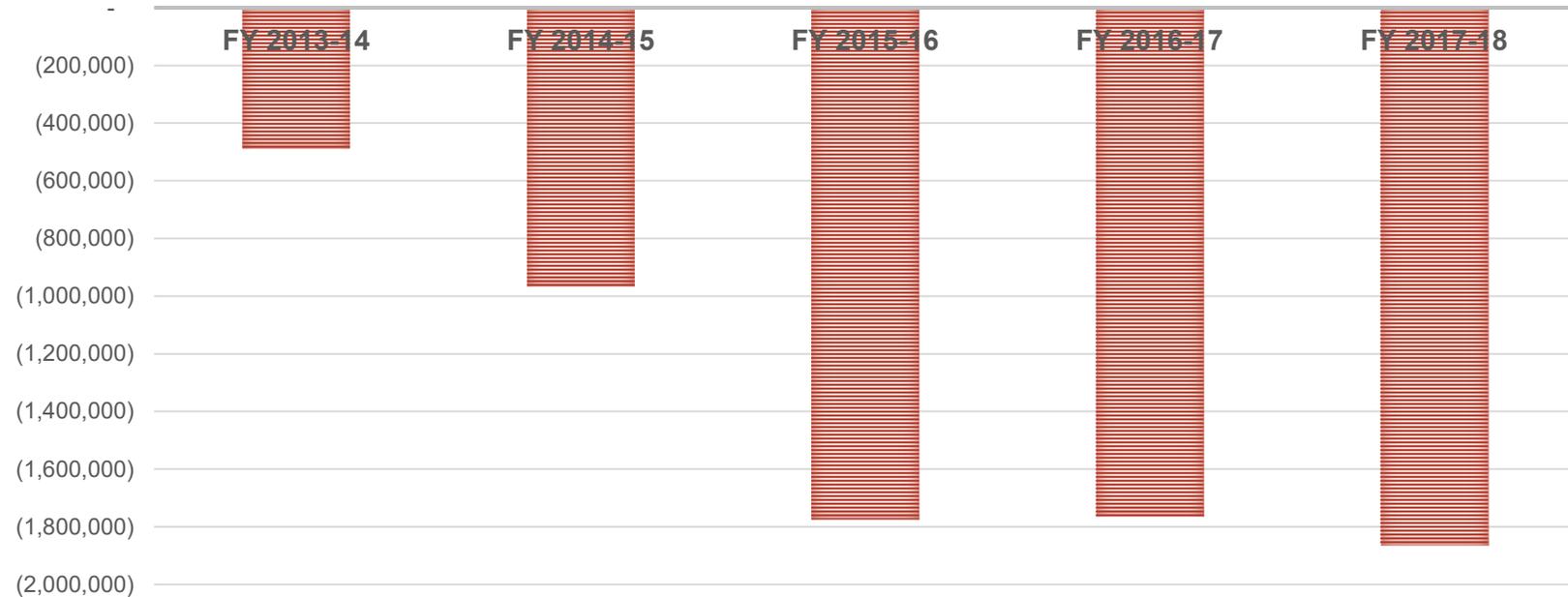
- The Use Agreement sets the terms under which the DSA uses and occupies the Meyerson as the primary user and the City's responsibilities for the operation and management of the facility
  - City funds staffing, maintenance, security and utilities
    - DSA reimburses the City for a portion of the utilities, based on the number of days they actually use
  - 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 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 books other local cultural organizations and commercial entities for revenue-generating events for dates not held for use by DSA

# Background: Current Operations

- In recent years, the City's expenses have increased and revenues have decreased
  - City booked less revenue-generating events due to more DSA date-holds
  - Additional DSA events have increased City operating expenses, which are offset by fees paid by other facility users' (but not DSA)
    - 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
  - Competition for events rentals has increased as well, e.g. Winspear, Perot

# 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
<b>Profit (Loss)</b>	<b>(489,653)</b>	<b>(967,129)</b>	<b>(1,774,461)</b>	<b>(1,763,652)</b>	<b>(1,864,064)</b>



# 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\* used for acoustic tuning
  - 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

7

## Prior Public Input Opportunities:

- Dallas Symphony briefing to Arts and Culture Advisory Commission – January 17, 2019
- Briefing to Arts and Culture Advisory Commission – February 21, 2019
- Public meeting at Meyerson attended by ~100 people – March 6, 2019
- Briefing to Arts and Culture Advisory Commission – March 21, 2019

# Proposed 5<sup>th</sup> 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 the City's 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 5<sup>th</sup> 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 over six years the DSA's into its new role of managing a major performing arts venue
  - Years 1 and 2 - \$3m
  - Year 3 - \$2.5m
  - Year 4 - \$1.5m – by Year 4, the City is saving money each year
  - Years 5 and 6 - \$750,000
- After Year 6, 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
- City will follow established policy and protocol for existing employees

# Proposed 5<sup>th</sup> Amendment: Strauss Square

- Annette Strauss Artists Square is addressed in the 4<sup>th</sup> Amendment of the current DSA agreement (and the 2<sup>nd</sup> Amendment to the ATTPAC management agreement)
  - These amendments were added during construction of Strauss Square to mitigate sound bleed issues between the Meyerson and the outdoor performing arts venue
  - The role of the City is both as Manager of the Meyerson, and as a party to the Booking Process Guidelines, which allows for the scheduling of Strauss, based on a hierarchy of date permissions
- This scope of the City's commitment at the Meyerson is not assignable to the DSA; doing so could hamper and impede the usage and optimization of Strauss Square and the business of ATTPAC
  - However, technological and acoustical improvements mean that these date provisions need revisiting in order to allow for greater usage of Strauss Square
- All parties need to agree to future work to update the 2008/2009 Booking Process Guidelines (in-process)

# Proposed 5<sup>th</sup> Amendment: DSA Obligations

- DSA commits to raising \$5m privately over the next five years and to completing at least \$5m of capital improvements by 2029
  - DSA will guarantee this investment via its Foundation or a donor guarantee
- 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 public school students in Dallas to at least 50 concerts and free Parks Concert series



# Provisions for “Grandfathered” User Groups:

- The Meyerson is the home to many of Dallas’ performing arts groups, many of which have performed there since its opening:
  - The “Grandfathered” user groups are all Dallas-based nonprofit arts organizations and include: Greater Dallas Youth Orchestra, Dallas Children’s Chorus, Dallas Winds, Dallas Bach Society, Fine Arts Chamber Players, TBAAL MLK Celebration, the Turtle Creek Chorale, and select Dallas-based high school graduations
  - The North Texas Metroplex Children’s Choirs will also enjoy these benefits

# Provisions for “Grandfathered” User Groups:

- In order to best serve as a steward of the Meyerson’s mission, the DSA has agreed to extend certain benefits and assurances to these key partners, which include but are not limited to:
  - Preferred rent rates locked in through 2029, based on 2018 rental rates, plus no more than a 2.5% annual rate increase thereafter
  - Permission for these groups to use their own in-house ticketing services or the DSA ticket service for no charge
  - DSA will provide 12-month advance notice of any pending rate increases for space or services (usher, custodial, etc.)
  - \$500 per-performance pipe organ use fee, including one gratis tuning of the organ for each performance/recording rental
  - Gratis piano usage agreement
  - No fee increases or the use of Chorus Rehearsal Room and Hart Symphony Suites
  - No increase in the fees for the use of sound mixing racks, microphones, and sound system supplemental fill speakers to remain unchanged
  - DSA and/or approved in-house caterer to honor current policy of providing gratis draped display tables, easels, crowd control stanchions/ropes in lobbies and public areas
  - 15% fee for the sale of novelty items
  - (Facility) Preservation Fees remain in effect and are also locked in until 2029. Thereafter, increases cannot be more than \$0.50 every two years, and the 12-month advance notice applies. All users, including the DSA, will deposit those fees into a common, annually audited account, whose funds are dedicated solely to facility preservation
  - Grandfathered users allowed the option to employ their own, non-union stage hands/technicians, in-lieu of IATSE personnel at the MHMSC
  - No increase to fees for technical support from in-house staff or use the DSO staff at no additional cost
  - No charge for DSO to strike/restore its musical instruments & stage properties
  - As part of any new food and beverage contract, DSA to do its best to negotiate a discount for grandfathered users for catering rates for event

# 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*

# Next Steps

- Request the Committee's support for City Council action and approval



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**Jennifer H. Scripps, Director  
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# Appendix: Current Operations

