

## FINDINGS AND RECOMMENDATIONS

# COPPELL ARTS CENTER

AUGUST 2023



## Status as of August 2023

The achievement of building, launching, and programming the Coppel Arts Center is an impressive example of a strong public-private partnership, decades in the making.

Today's vibrant center testifies to the shared vision, generosity, and perseverance of the City of Coppel, Coppel Arts Center management, Resident Company leadership, The Coppel Arts Center Foundation, the Coppel Arts Council, and the citizens of Coppel.

The investment recognizes that the arts build stronger communities, provide essential stimuli for education and enrichment, and help foster economic vibrancy and sense of place.



## Status as of August 2023

In addition to the City, the primary contributors to the development, well-being, and vibrancy of the Center are the following:

- Coppel Arts Center Management
- Arts Council
- Coppel Arts Center Foundation
- Theatre Coppel
- Coppel Community Orchestra
- Ballet Ensemble of Texas
- Coppel Community Chorale
- Coppel Creatives

Together these parties have conceived, advocated for, sought funding for, and provided programming within the Arts Center for the benefit of the students, artists, and citizens of Coppel and the City's guests, friends, neighbors and visitors.

## Status as of August 2023

Today we meet to discuss the path ahead in a spirit of continued partnership, collaboration, and belief in the power of the arts to build and sustain strong communities.

## Status of the Center

Since its opening, the Center has provided a home and world-class meeting, convening, and presenting facilities for a number of entities. Primary amongst its uses have been:

1. The Center has programmed its own “Presents” series, in which the Center contracts with touring artists to come to Coppell and perform for a fee. Typically, the Center retains all ticket, concessions, and other revenue from these performances.
2. The Resident Companies have utilized the Center for rehearsals, performances, exhibitions, and special events.
3. The Foundation has utilized the Center for meetings, fundraising events, and other community-building efforts.
4. The City has utilized the Center for meetings and other public events.
5. The Center has rented rooms and theaters in the building to external parties.

## Status of the Center

At the same time, the Center has sought to find its footing, financially.

According to the Revised 2023 CAC Budget (July 2023), the financial conditions at the Center are the following:

- In FY23, it is estimated that activities of the CAC will cost approximately \$2M more than it will earn or raise (based on budget; actuals may be different, and likely be less).
- This gap will be filled by City appropriation. In other words, the CAC will cost the City approximately \$2M in FY23.

From what activities does the operating deficit result?

- The majority of unfunded costs incurred by the Center in FY23 – approximately \$1.7M – is to support the general operating costs of the Center, including use by Resident Companies and other entities.
- The remainder of unfunded costs – approximately \$350K – is incurred by the Center to support direct costs from the “Presents” series.

## Moving Forward

Moving forward, two key questions arise:

1. Now that the building is open, and in alignment with all parties' commitment to good faith discussion, what fair arrangement can be achieved between the Center, the City, the Foundation, the Council, and Resident Companies that will help sustain both the Center's operations and facilities in perpetuity but that will not unnecessarily or unsustainably impact any of its users, and notably the Resident Companies?
2. What are the most suitable roles of the Coppel Arts Center Foundation and the Arts Council in this effort?

Through resolution of these questions, we aspire to determine a sustainable logic for the role all parties can play to ensure that the Arts Center remains the first-class venue it was conceived to be, and is expected to remain, by all involved.

## **Moving Forward: An accessible, world-class facility**

**This study has aimed, foremost, to consider what will be required to operate and maintain a world-class facility.**

**The current management agreement and the proposed new management agreement both encumber the City to maintain a “first-class” standard.**

**This is not inexpensive!**

**This study recognizes the political and social will to support the Center and ensure it is an accessible, vibrant, and sustainable enterprise.**

**It also recognizes that the Council wishes to achieve as sustainable a balance as reasonable.**



## Goal: A +/- \$1 Million Improvement in Performance over 5 Years

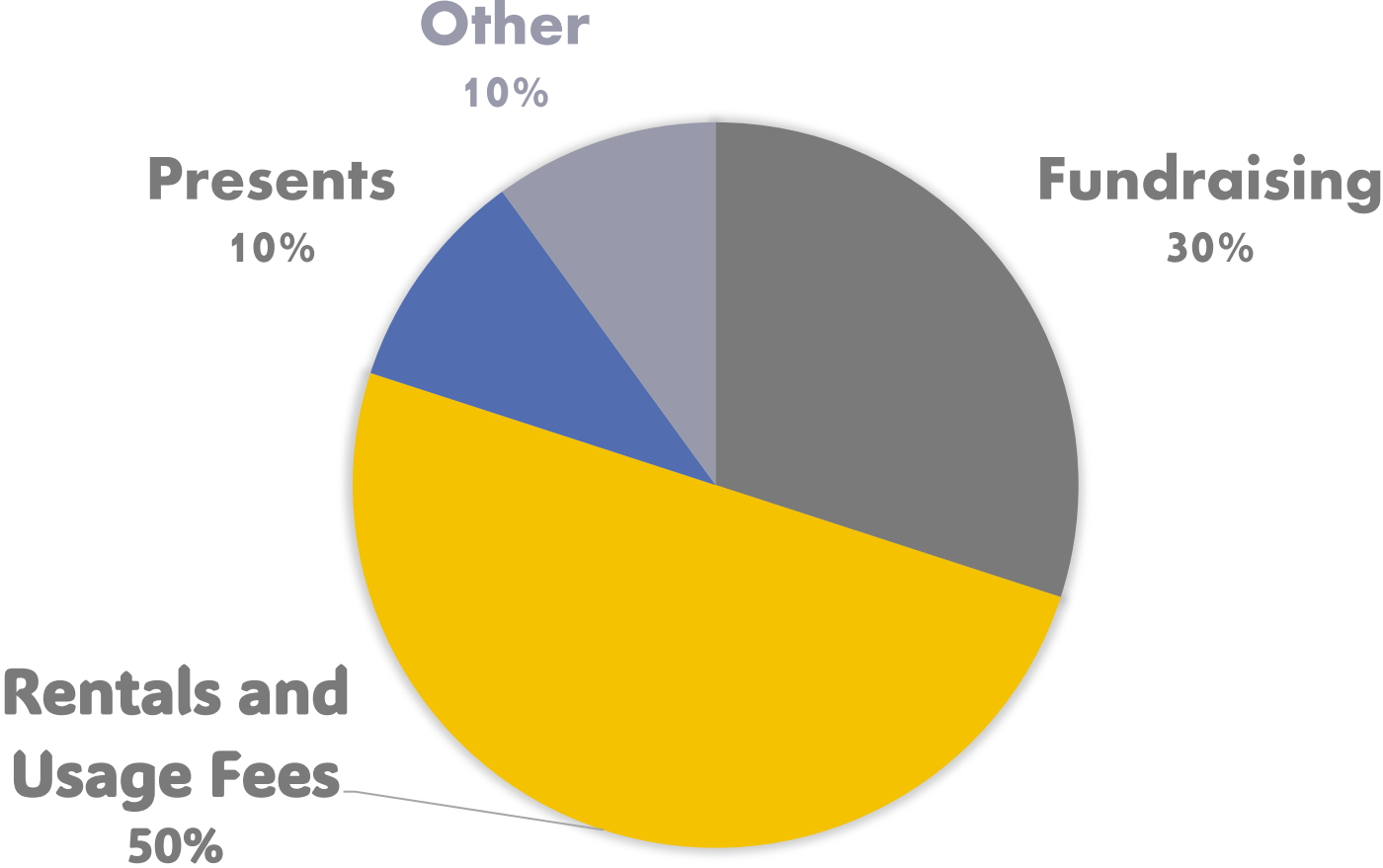
Thus, we ask, what will it take to maintain a world class standard, and work to gradually cover, over a five-year period, approximately half of the 2023 projected operating deficit, or \$1 Million per year?

## **Goal: A +/- \$1 Million Improvement in Performance over 5 Years**

The primary means for CAC to create sustaining revenue in the future are four-fold:

1. Fundraising
2. Rental and Usage Fees
3. Sales of Tickets and Calibrations to Presents Series
4. Other Incomes (“Booth Fees”, Facility Fees, Concessions, Ad Sales, Sponsorships, Grants)

An estimated breakdown of \$1 Million in improved performance, gradually built over a five-year period, may resemble:



## Fundraising

An achievable five-year goal for the Foundation would be to raise \$300,000 annually.

As a frame of reference: In 2022, the CAC sold tickets to 2692 “unique” or individual buyers. (Some “unique” buyers purchased two or more tickets). An average gift of \$125 per 2022 ticket-buyer would be enough to achieve this goal.

In its first year of active fundraising on behalf of the Center (2022), the Foundation raised approximately \$80,000.

Suggested subsequent-year goals are:

- 2024: \$100,000
- 2025: \$150,000
- 2026: \$200,000
- 2027: \$250,000
- 2028: \$300,000



A separate strategy for Foundation fundraising has been developed as part of this scope.

## Rentals and Usage Fees

The current management agreement between the Coppell Arts Center and Resident Companies reflects the City's founding commitment to provide world-class space for performance and exhibition, and Resident Company commitment to provide high-quality entertainment, enrichment, and education for Coppell area audiences.

Two key areas – Scheduling and Usage Fees – in the current management agreement suggest review as we consider a holistic path to increased sustainability:

- 1. Scheduling:** Resident Company usage currently is prioritized over “revenue-producing” events – for both performances/exhibitions and rehearsals. This is loyal to the founding spirit of the Center as a home for Resident Companies but has limited the Center's efforts to book revenue-producing activities such as “presents” performances and third-party rentals.
- 2. Usage Fees:** Resident Companies are, at present, exempt from usage fees, except in the case they exceed a comparatively generous “basic services” package. Resident Companies are also, at present, largely exempt from fees to use Adjacent Spaces.

For these reasons, the current management agreement places considerable responsibility on the City and the Center to sustain operations and maintenance of the Center with limited availability to earned revenue.

## Rentals and Usage Fees

- Depending on the year, the combined annual expenses of the five resident companies is approximately \$250,000-300,000. In this context, while reasonable usage fees are likely needed as part of a long-term compromise to ensure sustainability, the path forward is not likely to rely in significant measure on usage fees paid by resident companies.
- Because Resident Companies are not charged for usage of CAC space – either for rehearsal or performance – and only charged for “above business as usual” usage of CAC labor, equipment or other services, in FY23, it is estimated that the combined payments of Resident Companies to the Center will total approximately \$7,800.
- A significant change to usage fees – such as increasing them to market rates charged to external parties – would represent a meaningful shift in the relationship between the CAC and the Resident Companies. At the same time, it is critical that CAC is able to drive additional revenues.
- Before we look at any additional fees to Resident Companies, let’s take a look at alternatives.

## Rentals and Usage Fees

- **The primary source of meaningful additional revenue in coming years can be from market-appropriate rental and usage fees charged to outside parties. If successful, these revenues will significantly improve conditions, for both CAC and Resident Company benefit.**
- **However, this will require ensuring that sufficient additional rental “inventory” is available for this purpose.**
- **At present, the building is activated – through CAC, Resident Company, and third-party usage – 344 of 350 “usable” days per year.**
- **The two primary venues – the Wilson Theater and the Main Hall – are the most “rentable” venues and form the focus of this discussion. In FY23:**
  - **The Wilson Theater will be used for 219 days per year by Theatre Coppell.**
  - **The Main Hall will be used for 107 days per year by Resident Companies (Ballet, Orchestra, Chorale)**
  - **CAC Presents will use the halls for 43 days per year**
  - **The facilities will be rented by CAC to third parties for 89 days per year**
  - **The City of Coppell uses the CAC for 36 occasions per year (including the Chamber)**
  - **The Coppell Arts Foundation uses the CAC on 6 occasions per year**

## Rentals and Usage Fees: External Rentals

For example, renting 100 additional days of inventory in each the Wilson and Main Theaters each year would yield approximately \$600,000 (when averaged between performance and rehearsal uses). While an additional \$600,000 is neither needed nor likely feasible, **a version of this path can form revenue focus #1 but is only possible if additional “inventory” is available for this purpose – specifically in the Wilson Theater and Main Hall.**

Rental Fees		Performance	Rehearsal
Wilson Theater		3000	1500
Main		5000	2500
If Rented Externally for:			
50	Days		
Wilson Theater		150000	75000
Main		250000	125000
100	Days		
Wilson Theater		300000	150000
Main		500000	250000
150	Days		
Wilson Theater		450000	225000
Main		750000	375000



## Rentals and Usage Fees: Resident Companies

Secondly, we can look at a sensibly and sustainably modified arrangement between Resident Companies and the Center.

In 2022-23, the combined Resident Company usage of the Main Hall, Wilson Theater, and Reception Area(s) had a value of \$832,500.

On a moving forward basis, if CAC charged Resident Companies just 5% of this value (or, in other words, subsidized usage by 95%), assuming the same level of usage, Resident Companies would pay approximately \$41,750 in the aggregate each year (based on 2023 dollars).

If this policy were adopted, this nominal usage fee would be billed on a per-usage basis.

This would represent an average per-day usage fee of \$150 (or \$18.75 per hour on an 8-hour day). (This is an average of Wilson and Main Hall rates.)

To decrease need for Resident Company usage of the Theater and Main Hall, the Council is considering making available a comparable space for rehearsals: the Hangar.

## Sales of Tickets and Calibrations to Presents Series

- Over time, the Presents Series administered by the CAC can also achieve additional cost effectiveness and revenue enhancement. The following tactics can be pursued:
  - Revenues
    - Increase total ticket sales;
    - Increase average ticket price; and/or
    - Charge an additional or increased facilities usage fee on each ticket sold.
      - In year one of operations, CAC and Resident Companies sold approximately 15,000 tickets.
      - An additional facilities replenishment fee of \$2.50 per ticket would, in this case, yield approximately \$40,000 in revenue.
  - Expense Reductions
    - CAC is “finding its footing” but early indications illustrate an ability to perform better than budget on the expense side.

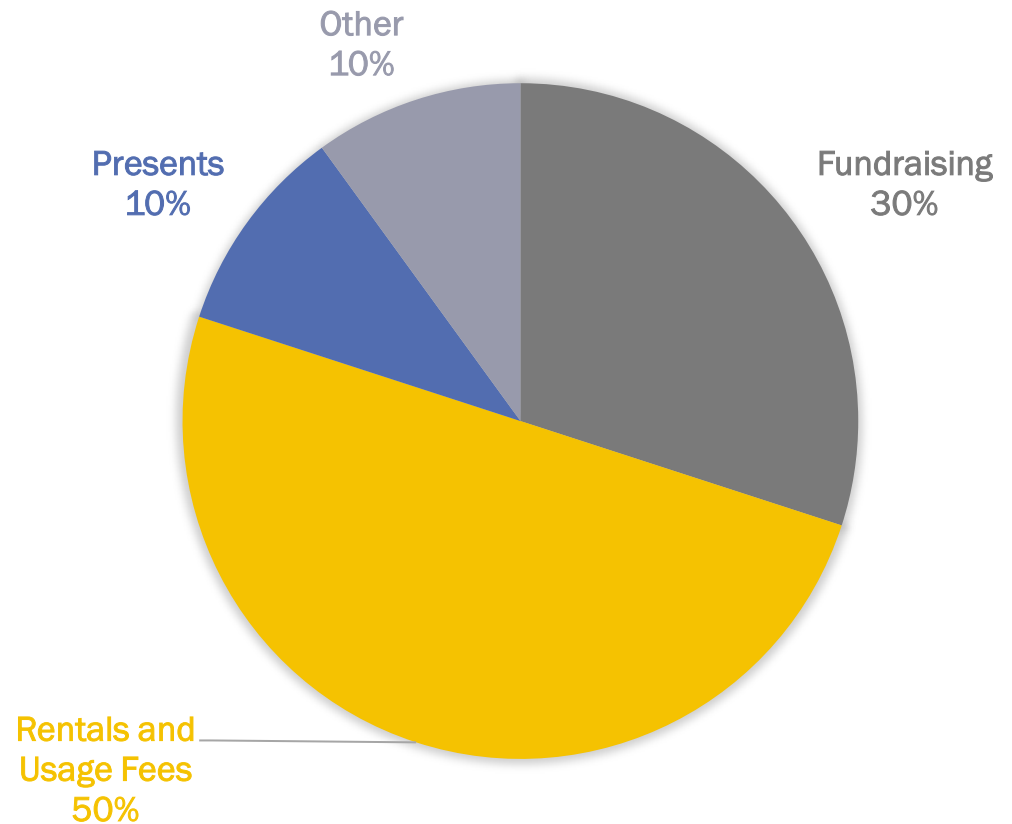
Between these efforts, an additional \$100,000 can be sought.

## Other, Ancillary Income

- Other means of new, ancillary revenues can include:
  - Sponsorship Sales
  - Grants
  - Advertisement Sales: on-site, program book
  - Modify the “basic services” package, charging additional for above-standard usage of equipment and/or labor.

In summary, then, CAC can look to create a +/- \$1M improvement in performance (increased revenues or decreased expenses) through the following measures:

- Approx. \$300,000 in new fundraising
- Approx. \$470,000 in increased rental and usage fees
- Approx. \$30,000 in usage fees paid by Resident Companies
- Approx. \$100,000 in increased revenues and/or decrease costs from Presents
- Approx. \$100,000 in new revenues from Ancillary efforts



## **The execution of this strategy will require the following:**

- 1. Access to comparable rehearsal facilities for Resident Companies currently “in residence” at the CAC for a majority of the year – encouraging off-site rehearsals to free more inventory for rental sales**
- 2. A revised scheduling protocol that enables the CAC to offer dates to prospective renters in advance of Resident Company booking of season dates, while maintaining a best-faith effort to supply Resident Companies with preferred dates**
- 3. A focused fundraising effort by the Foundation, with ability to provide access to the performances and special events of the Resident Companies, the Presents series, and other CAC functions. It is likely this fundraising effort will ultimately require staff support.**
- 4. Coordination of messaging between Arts Council and Foundation regarding fundraising. The Foundation is ready to assume the role of the primary fundraising arm for the Center, while respecting and supporting the Arts Council’s fundraising for public art (e.g. Sip and Stroll), and its advocacy for the Coppell Arts Sector.**
- 5. Enhanced direct fundraising or other means of revenue production (or cost decreases) by the Resident Companies to offset the 5% rental usage fee.**

It is likely this strategy will require time to implement. For instance, a five-year trajectory might resemble:

	2024	2025	2026	2027	2028
<b>Fundraising</b>	100,000	150,000	200,000	250,000	300,000
<b>Rentals / Usage Fees</b>	100,000	200,000	300,000	400,000	470,000
<b>Resident Company*</b>	30,000	30,000	30,000	30,000	30,000
<b>Presents Revenue / Savings</b>	25,000	50,000	75,000	100,000	100,000
<b>Other Incomes</b>	25,000	50,000	75,000	100,000	100,000
	280,000	480,000	680,000	880,000	1,000,000

\*Estimate for aggregate usage by all Resident Companies.



## To support this transition, proposed Key Changes to Management Agreement include:

- A nominal charge for the usage of space billed to Resident Companies. This nominal fee will represent a **95% subsidy** against market rates charged to third party renters.
- Block Booking is billed at a Daily Rate; requests for Dedicated and Flexible Use outside of Block booking are billed at Hourly rates.
- Scheduling Process:
  - There will be an Annual Request Period each year for the Resident Companies to submit their dates for up to 6 Block Booking Periods and other Dedicated and Flexible Use Requests as defined in the User Agreement.
  - The Center will review and confirm Resident Company requests in keeping with past organizational practices and booking patterns. However, it is understood that conflicts between Resident Company booking requests and the Center's revenue-generating bookings (either third-party rentals or "Presents" series), will require good-faith consideration by both parties, and that in the event of an irreconcilable conflict, preference may be provided to revenue-generating rentals and bookings.
  - On March 1<sup>st</sup> of each year the Resident Companies' reservations will be confirmed, and after that, only a Flexible Date request can be revoked for a revenue-generating request.

## **Proposed Key Changes to Management Agreement to support this process include:**

- **Contracts will have one auto-renewal term for three years. After that, the City may opt to renew again or ask the Resident Company to reapply to be a Resident Company of the Center.**
- **Users of the building will be asked to cover the cost of any damages to the building or its property resulting from usage.**
- **No subletting will be permitted.**
- **Cancellation fees and change fees will be assessed.**
- **Deadlines will ensure that the Center receives marketing and event execution details from Resident Companies in time to be of service.**
- **Resident companies are permitted to sell their own concessions and keep 100% of the proceeds or hire the Center's concessionaire for a reduced rate.**
- **There have been minor changes to the Basic Services package allotted to each rental.**



## Summary of Recommendations

1. **Recognize and value the work that has been contributed by a broad set of stakeholders in pursuit of a common goal, and the success that work has achieved. Proceed in a similar good faith basis.**
2. **Pursue a four-part strategy to achieve approximately \$1 Million in performance improvement in the next five years.**
3. **Adopt a phased approach, pursuing this goal incrementally over the period.**
4. **Make modifications to the user agreement that at once honor the founding commitment to Resident Companies and provide a path to long-term sustainability. Foremost: a.) Scheduling and b.) 5% of Market Rate Usage Fees**
5. **Recognize and value the complementary roles of the Foundation (Fundraising for the Center) and the Council (Sip and Stroll; Public Art; Advocacy).**
6. **Plan a one-year review of implementation (2025) to maintain a pattern of good faith dialogue and collaboration to achieve mutually-desired ends of a sustainable path forward.**

**END**