

Memorandum



CITY OF DALLAS

DATE May 16, 2022

TO Honorable Chair and Members of the Quality of Life, Arts & Culture Committee

SUBJECT **Proposed WRR 101.1 FM and Fair Park Studio Management Agreement with North Texas Public Broadcasting (d/b/a KERA)**

On June 8, 2022, the Office of Procurement Services and Office of Arts and Culture anticipate bringing the proposed WRR 101.1 FM and Fair Park studio agreement with North Texas Public Broadcasting, d/b/a KERA, to the City Council for consideration. The contract represents a staff recommendation for sustainably continuing WRR 101.1 FM (WRR) as a classical station. WRR currently serves over 200,000 listeners each week on FM and streaming and supports the arts ecosystem by providing free musical experiences for residents across a wide age and socioeconomic range, as well as accessible opportunities for local arts organizations and artists by a providing a mission-driven programming and advertising outlet.

The proposed resolution has three parts to continue sustainable broadcast of classical radio on 101.1 FM and to provide additional services to the arts community and the public, by authorizing: (1) an application to the Federal Communications Commission (FCC) to convert the City's license for 101.1 FM from commercial to non-commercial; (2) the rescinding of Council Resolution No. 78-0309, which provides for radio coverage of City Council meetings on WRR, to discontinue future City Council meeting broadcasts on WRR-FM; and (3) execution of the WRR and Fair Park studio management agreement with KERA.

WRR 101.1 FM is a 101-year-old radio station that is the only classical radio station owned and operated by a municipal government on a commercial bandwidth. The WRR municipal radio enterprise fund's expense appropriation is \$1.8M, and revenues last year were approximately \$1.3M, with forecast revenues this year at \$1.5M.

The Request for Proposals (RFP) was solicited to the public from June 17, 2021 to August 12, 2021, and it received nationwide coverage from media and industry sources. Proposals were submitted by the Dallas Symphony Association and KERA. KERA's proposal was scored highest by the evaluation panel.

Contract Summary

Under the KERA proposal (see attached vendor summary), the City will retain ownership as the station licensee, and KERA will operate the station with the City as Licensee retaining ultimate responsibility for the station's essential functions, including its programming. This proposed public-private collaboration has an approximately seven-year term with two eight-year renewal options. The negotiations covered the first term,

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with additional consideration to be negotiated prior to a renewal in 2029. The major benefits to the City in the first term include:

- 1) Broadcast sustainability: KERA has proven experience to market and operate radio stations and has committed to continuing locally-managed classical programming on 101.1 FM with no request for any taxpayer funds. KERA's scale and experience will enable audience growth, new initiatives, including diversification of the on-air talent and composers played, new services to Dallas-based artists and arts groups, and the expansion of KERA's educational opportunities for children to 101.1 FM.
- 2) Fund sustainability: If approved, the contract seeks to reverse the trend of City losses in the municipal radio enterprise fund; the station has not had an operating profit in nine of the past 10 years, and the pandemic and competing technologies have worsened the forecast going forward. The most recent Annual Comprehensive Financial Report listed WRR's deficit net position at \$5.6 million. Under the proposed agreement, KERA will be contractually obligated to reimburse all City expenses associated with WRR, and the fund's revenues will match or exceed operating expenses each year during the contract.
- 3) New communication assets: KERA will provide to the City 14 to 17 Public Service Announcements every day in peak hours on WRR or KERA's other platforms; if these spots were sold by KERA to other organizations, they would have a value of approximately \$200-250K each year. KERA's platforms reach approximately 2.6 million people each week, and include FM radio stations 90.1 and 91.7, TV channel 13, and multiple online websites and streaming services, including artandseek.org, keranews.org, and learn.kera.org.

These announcements can be used to promote arts organizations in accordance with the Communications Priority of the Dallas Cultural Plan, and to promote City educational and engagement initiatives such as the Comprehensive Environment and Climate Action Plan (CECAP), the developing Racial Equity Plan, and Budget Town Halls.

- 4) Fair Park facility stewardship: Under the agreement, there will be higher utilization and new private maintenance funding of the WRR studio at 1560 First Avenue in Fair Park. KERA will occupy this space and pay for all operating and capital expenses associated with the facility. Currently, WRR has no capital reserves to pay for upcoming capital needs; \$521K was transferred to WRR's operating fund in 2021 to keep a positive cash balance in the fund.

1978 Resolution – Request to Rescind City Council Meeting Broadcast Mandate

In order to expand classical programming hours, KERA has requested that the City Council consider rescinding the 1978 resolution mandating WRR broadcast of City

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Council meetings. Historically, WRR has had the statistical equivalent of zero listeners during 87% of the City Council broadcast times; since the transition to WebEx in 2020, City Council meetings have not been broadcast on WRR due to sound quality insufficient for radio broadcast, and residents have additional dial-in options to listen to the meetings through the WebEx platform. The Office of Arts and Culture, WRR, and the Communications, Outreach, and Marketing Department have received zero complaints about the lack of City Council broadcasts on WRR.

Next Steps if Contract is Approved

Should the City Council approve the management agreement, City staff would begin implementation with KERA, with final transition projected for December 2022. Relating to the new communication assets (daily public service announcements, or PSAs), the Office of Arts and Culture staff would meet with arts organizations and other City departments to understand interest in these PSAs and would bring forth a recommended process for allocating these PSAs to the Quality of Life, Arts and Culture Committee for input. One initial idea on the allocation of these PSAs is to reserve 25% of the PSAs for arts organizations of color, consistent with the intent of Dallas Cultural Plan's Equity priority and Council Resolution 86-2794 that transfers 25% of WRR's profits into the Arts Endowment fund for artists and arts organizations of color.

Valuation of WRR

As an alternative, the City Council could choose to pursue the sale of the WRR 101.1 FM bandwidth. In the event of a sale, the City would have no ability to restrict the station's format per Federal Communications Commission (FCC) regulations. A May 2022 media broker estimate procured by City staff shows that WRR has an estimated sale value of \$13,454,890.

Should City Council choose to sell WRR, an estimated \$7.5M in cash may be available to the City after an 18- to 24- month process. Approximately \$0.4M would go towards the media broker commission, and an additional \$5.6M is recommended by staff to pay down WRR's net deficit in order to abide by accounting standards and best practices. This deficit resolution is contingent on a City Council decision on how to fund the deficit, should the decision be made to close the radio station and the associated enterprise fund.

The City and KERA are planning engagements to receive feedback from arts constituents and a public open house on Monday, May 23, 2022 at the Fair Park Multimedia Center. The City Council will receive invitations to this event in the coming week.

If you have questions, please contact Benjamin Espino, Interim Director of the Office of Arts and Culture.

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M. Elizabeth (Liz) Cedillo-Pereira
Assistant City Manager

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Chris Caso, City Attorney
Mark Swann, City Auditor
Billieae Johnson, City Secretary
Preston Robinson, Administrative Judge
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Jon Fortune, Deputy City Manager

Majed A. Al-Ghafry, Assistant City Manager
Robert Perez, Assistant City Manager
Carl Simpson, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Genesis D. Gavino, Chief of Staff to the City Manager
Directors and Assistant Directors

KERA and WRR

About KERA

For over 60 years, Dallas and North Texas residents have turned to KERA as an essential destination for arts and culture programming. From in-depth reporting on North Texas' diverse arts community, to broadcasting the best arts programs in public media — KERA is a window to the arts for all. At the core of KERA's mission is its belief in diversity, equity and inclusion in all aspects of our work — from services to our audiences, the makeup of our staff and the communities represented in our programming. This is a core priority infused in every action KERA takes.

Vision

KERA is honored to be considered to manage WRR and together expand our shared commitment to the arts and classical music in our community. KERA's commitment to sharing multiple perspectives and celebrating and reflecting the diversity of our region would be extended into KERA's management of WRR.

Together, KERA and WRR will:

- **Keep WRR a classically programmed station.**
This is more than a requirement of the City's RFP — it is KERA's explicit intention.
- **Convert WRR into a noncommercial station.**
This will open up new fundraising and classical programming opportunities that WRR previously has not had access to, ensuring a sustainable future for generations to come.
- **Operate WRR out of South Dallas/Fair Park.**
WRR will continue to operate from its studios in historic Fair Park in Dallas. KERA is excited to invest in and add a location in South Dallas, creating more opportunities for meaningful engagement with Southern Dallas neighbors, organizations and communities.
- **Reach and engage with underrepresented communities in the classical music space.**
KERA will connect WRR to exciting efforts taking place in noncommercial radio focused on inclusivity and equity, including diversifying playlists to reflect diversity in ethnicity, race, gender and gender identity, age, language, sexual orientation, socioeconomic background and physical ability.
- **Increase support of Dallas artists and arts organizations.**
Connecting with KERA means WRR will have more opportunities to serve, amplify and represent artists and arts organizations in Dallas — through sponsorship, arts reporting, inclusion in playlists, the Art&Seek calendar and more.
- **Unlock more channels for communication about the arts in North Texas.**
KERA reaches more than 2.6 million people each week, across its many platforms and broadcast channels. Together, the stations can cross-promote across their platforms, significantly broadening access to the arts in Dallas.

KERA is well positioned to help WRR keep up with industry and technology trends. Radio is KERA's core business, and it is thrilled to be considered to manage such a historic and important pillar of classical music and the arts in Dallas.



Información Sobre KERA

Durante más de 60 años, los residentes de Dallas y el norte de Texas han utilizado a KERA como un destino esencial para la programación de arte y cultura. Desde informes detallados sobre la comunidad Diversa artística del norte de Texas, hasta la transmisión de los mejores programas de arte en los medios públicos, KERA es una oportunidad a las artes para todos. La misión KERA está su creencia en la diversidad, la equidad y la inclusión en todos los aspectos de nuestro trabajo, desde los servicios hasta nuestras audiencias, la composición de nuestro personal y las comunidades representadas en nuestra programación. Esta es una prioridad que influye cada acción que KERA toma.

Visión

KERA se siente honrada de ser considerada para administrar WRR y juntos expandir nuestro compromiso compartido con las artes y la música clásica en nuestra comunidad. El compromiso de KERA de compartir múltiples perspectivas para celebrar y reflejar la diversidad de nuestra región se verá en como KERA administrará WRR.

Juntos, KERA y WRR:

- **Mantenga WRR como una estación programada de música clásica.**
Esto es más que un requisito de la RFP de la Ciudad - es la intención explícita de KERA.
- **Convierta WRR en una estación sin comerciales.**
Esto abrirá nuevas oportunidades de recaudación de fondos y programación que WRR anteriormente no había tenido acceso, asegurando un futuro sostenible para las generaciones futuras.
- **Opere WRR desde el sur de Dallas/Fair Park.**
WRR continuará operando desde sus estudios en el histórico Fair Park en Dallas. KERA está orgulloso en invertir y agregar una ubicación en el sur de Dallas, creando más oportunidades para un compromiso significativo con los vecinos, organizaciones y comunidades del sur de Dallas.
- **Llegar e interactuar con comunidades subrepresentadas en el espacio de la música clásica.**
KERA conectará a WRR con esfuerzos que tienen lugar en la radio sin comerciales centrada en la inclusión y la equidad, incluida la diversificación de las listas de reproducción para reflejar la diversidad étnica, racial, de género e identidad de género, edad, idioma, orientación sexual, socioeconómicos y capacidad física.
- **Aumentar el apoyo de los artistas y organizaciones artísticas de Dallas.**
Conectándose con KERA significa que WRR tendrá más oportunidades de servir, amplificar y representar a artistas y organizaciones artísticas en Dallas, a través del patrocinio, los informes artísticos, la inclusión en listas de reproducción, calendario Art&Seek y más.
- **Desbloquee más canales para la comunicación sobre las artes en el norte de Texas.**
KERA alcanza más de 2.6 millones de personas cada semana, a través de sus numerosas plataformas y canales de transmisión. Juntas, las estaciones pueden realizar promociones cruzadas a través de sus plataformas, ampliando significativamente el acceso a las artes en Dallas.

KERA está bien posicionada para ayudar a WRR a mantenerse al día con las tendencias de la industria y la tecnología. La radio es el negocio principal de KERA, y está encantado de ser considerado para administrar un pilar histórico e importante de la música clásica y las artes en Dallas.

