BUDGET & FINANCE COMMITTEE SPECIAL MEETING 3-3-2009 SUMMARY

All committee members were present with Feigel and McChord attending as non voting members. The meeting was called to order at 10:02 am.

The purpose of today's special meeting is a continuation of the 2-24-09 Budget & Finance Committee allowing for further review, discussion and public participation of the proposed Lyric Theater business plan and reimbursement resolution.

Stinnett, introduced Susan Hill, from the architect firm of Tate, Hill, Jacobs, who was back at today's meeting to address questions

James and Gorton opened the discussion with questions about on-site parking.

Hill said the Lyric property itself is less and ½ acre and there is a maximum of 2 parking spaces within the property boundary. She said there are spaces on 3rd Street and Elm Tree Lane that could be used for either car or bus drop off or parking spaces.

Gorton referring to the theatre design asked about museum space for artifacts and a specific space on the blueprint. She wanted to know what other uses for this space the design called for.

Hill responded there that space is a 750 sq. ft. work & storage room which is dedicated to the museum. The entire second floor would be dedicated to the museum.

Lane asked about zoning of the property in reference to parking, saying the ordinance required a certain number of parking.

Hill was not sure about the question, saying she was aware only of a zero set back on the property.

Shay Rabold, Mayor's Office responded telling the committee she spoke with the Law Department and Building Inspection about the zoning/parking ordinance. She also passed out a drawing as an exhibit. She said there is 10,000 square foot located directly north of the Lyric, adding zoning requirements state, parking must be within certain proximity of the property.

Lane said based on his interpretation of the ordinance, parking space is tied to an amount of setting and from his calculations the number of spaces required could be as much as 500.

Raybold said the ordinance gives an "either or" scenario. She mentioned a memo for the law department which address parking and would get a copy to committee members. She said according to the Law Department, the number of calculated parking spaces required was approx. 33. She said the ordinance also stated parking spaces had to be available during hours of operation or during an event at the facility. She mentioned additional parking at university lot being available during evening hours.

Lane said in his many years of experience with commercial real estate, parking is a critical aspect of any project and suggested buying land for additional parking. When building a 29,000 sq. ft. facility, in order to be successful, we must clearly understand the parking requirement.

Rabold stated if the intent of the council was to authorize more spending for parking lot property, but she felt it could be make to work with the current parking opportunities available.

Lane again reiterated, putting $6 million into property with inadequate parking facilities did not make sense adding this was unlike other downtown facilities that had walk-ways, parking garages and other methods of access.

Gorton mentioned the possibility of raising public money for parking accommodations, referring to parking for the dog park. Perhaps private support should be pursued for assistance.

James said there are already existing UK parking spaces available after hours. She added in order to thrive economically there needed to be creative ideas about parking and urban space. She said the area around the Lyric had the lowest vehicle ownership in Lexington. There is a need to encourage connectivity and not let parking be a barrier.

Myers said this was an opportunity for change and asked Rabold to comment on parking accommodations at The Opera House.

Rabold could not comment on parking at the Opera House, but did note some parking areas in close proximity.

Myers asked if the Parking Authority may have identified other parking opportunities. He added people are willing to forego walking distance for certain venues.

Beard stated it would interesting to know what parking in Lexington was like in 1950;s. and perhaps a study parking during peak occupancy when headliners appear might be helpful.

Rabold replied she anticipated never having more occupancy than 500 at any one time.

Stinnett asked committee members if they had further questions for Ms. Hill who had to leave the meeting.

Blues referred to parking space at the MKL facility in Columbus, Ohio and was told there was plenty since it used to be an elementary school with a park next door.

Stinnett recognized Juanita Peterson, Lyric Theatre Task Force member who introduced other task force members in the audience and stated its mission.

Rabold distributed a copy of Ms. Peterson, bio to each committee member. Ms. Peterson told members there was a need for this project using attendance to the annual Roots and Heritage Festival as an example.

Stinnett introduced Phillip Greenburg, AMS Consultants to cover the Lyric Theatre business plan, which was provided to each committee member.

Greenburg highlighted elements of their scope of work, giving key demographic measurements; user needs analysis, prospective usage. He gave industry standards for" rent willing to pay", stating the average rent for a performance was approximately $450.00.

He presented model case studies of venues with similarities, the Gem Theater, Kansas City, Mo., Morton Theater, Athens, Ga. The MLK Art Complex, Columbus, Ohio among others.

Mr. Greenburg covered a list of assumptions which the business plan was based on and covered different expense scenarios.

Stinnett asked Mr. Greenburg for a quick wrap up since several committee members had questions. Mr. Greenburg's final issue of the presentation was management and governance ideas.

Gorton started discussion by asking Greenburg if the property for the MLK Arts Complex was donated by the school system. He replied he was not aware of the history of that facility. She also wanted to know if the Lyric Theatre Task Force Mission Statement was taken into consideration when preparing the business plan. He replied his firm was given a concept work with but a mission statement does not drive the work of a consulting firm. Gorton asked for his thoughts on the vision for the Lyric Theater.

Mr. Greenburg said the vision to use the facility as a museum or exhibit space, did would not require hiring a curator. The business plan provided for a permanent exhibit and if there were traveling exhibits, there would only be a need for staff to load and unload crates. However, there is no need for staffing as in a traditional museum. He also told the committee the type of exhibits needs to be considered as a capital expense and not an operating expense.

Gorton asked if the marketing and development position could be staffed the work be shared by another LFUCG owned entity like at the History Museum.

Greenburg replied the intent for this position was for only the Lyric, this model did not plan for the set up referred to by Gorton. He did agree that at some point in time it would be a good idea to look at some type of centralized division of cultural affairs, much like the Norfolk, Va. Model he presented.

Myers asked if analysis of the Kentucky, State Theatre, Downtown Arts Center or Opera House were used in their model. Mr. Greenburg said only the seat count or competitive standpoint was considered, but the contract was to develop a business plan for only the Lyric. Myers also asked about consideration of staff in conversations with the task force. Greenburg replied they were not contracted to do that type of analysis, but the task force is aware of staff issues.

McChord asked if comparisons were made with potential renters, about where & what times they currently use space. He stated he was concerned taking revenue from meetings or events already being held at LFUCG sites. Greenburg replied meeting places, times varied. He confirmed the charts included are surveys for those interested in renting the Lyric; it was not part of their contract to gather that type of info.

McChord talked about the investment, saying there is no question everyone would like to put money into this project, but that we need to be realistic and do all possible to insure it will work. He said this matter must be reviewed in a very calculated manner to be as sure as possible of its success.

Blues referred to a footnote on a page of the presentation, saying it was important to note this was not a feasibility study only a business plan. He wanted to know for the types of business plans they prepare is it usual to comment on feasibility. Greenburg said yes, business plans are usually followed by feasibility studies and a core percent of their work is to comment on feasible, but not in this case. Greenburg stated the assumption he heard was the Lyric Theater was going through, and the question of feasible had not been posed to him.

James said we are under a mandate to do something, referring to something like a consent decree regardless of the current economic situation. She referred to past action and agreements by the council. She added many around Lexington are excited about completing this project. She referred to prospective usage saying there is some concern about taking business from other venues. She would like to make a motion to create a task force to have joint conversations with other art, cultural, and business experts in the community, about the business plan for the Lyric Theater.

Rabold suggested not calling it a task force in an effort to keep the work of the original task force and this proposed group separate. Perhaps a small working group. She said the Lyric Theater Task Force is still in existence.

Blues added he would also like to see the work group consist of business, industry, arts and cultural expertise and the scope of the work group be very well defined.

James agreed the work group's mission should be very specific and should also include experts in fund raising and the performing arts.

Stinnett asked James if the motion would incorporate all other arts and culture entities in the community and perhaps establish a future model for these types of endeavors.

James responded she did not want to see progress delayed while looking at other art/cultural and entertainment operations or projects. She asked if other art organizations have business plans and if so, would they too be subject for review and recommendations. She suggested a two part committee.

Henson agreed the Lyric issue not be delayed, but also agreed to the need for a collective effort in looking at all art and cultural center projects. She suggested looking at all entities and having one small group to oversee all art/entertainment and cultural issues.

<u>Motion by James to ask the Vice Mayor to appoint a work group to review and develop the Lyric Theater business plan, seconded by Myers, passed without dissent.</u>

At this point, Stinnett turned over meeting chair to Lane.

It was decided to continue the meeting and allow audience members who had signed up, time to speak.

Mr. Clark, Downtown Arts Center/Arts Place spoke to the committee, saying his role was mainly to answer any questions, adding he would be glad to participate in the working group to review the business plan. Lane asked Mr. Clark for a brief summary of the Arts Council. He told the committee the various art entities all have different agreements and different operation methods.

Lane also asked Clark to explain how individual art groups find sources of revenue, such as grants, fund raising. Clark said many organizations rely on tuitions others reply on sponsorships or individual ticket sales. He said the norm is non-profit is about 60% subsidized, however her that norm is flip-flopped.

Myers referred to the newly formed Facility Management asking if this would fall under their guise. Clark said you would need to have someone dedicated. When sharing staff for marketing and development, there should be a variety of cultural and performing arts who might share resources. Myers agreed with James, don’t delay Lyric. We could introduce other art/culture projects into a work or focus group.

Howard Stovall, Kentucky Theater operation spoke briefly on working with LFUCG, which is like a landlord/tenant relationship. LFUCG receives a percentage of revenues and since they opened in 1992 years of loss and profit equally balance each other. Some observations he made of the business plan were: full time staff assumption for the Lyric seems very high. He cautioned concerts are a very high risk venture and talked about revenue differences of showing films and having a concert, but said the limited number of seats does not allow for high ticket prices. He stated the average is approx. $40.00/ticket but anything past that would be considered high. He recommended the council to spend the extra money up front to invest in parking, which was essential.

Dick Decamp, former LFUCG council member spoke about observations he has of the project. He said the business plan was more about estimates than actual. He said Lex Arts and local arts professionals need to be a part of the plan. He said the Lyric project could not stand alone and needed collaboration with other cultural/arts entities. He recommended tabling the $6 million bond issue since eth cost is too much of an unknown and needed to have more transparency before obligating funds. He added the Downtown Arts Center should be completed before proceeding with the Lyric. He cautioned on moving too fast, being smart and not wasting funds especially in these economic times.

James said the resolution coming forward for consideration on March 12, 2009 will only approve proceeding with a bid. If that bid comes in over or under $6 million other conversations and considerations would have to take place at that time. Giving this a vote does not approve any construction just to proceed with obtaining bids.

Rabold clarified what a reimbursement resolution was, saying it would allow spending of the $6 million for the purpose of the Lyric Theater to start and any money spent from the general fund would be reimbursed and allowing the process to proceed.

Martin asked Rabold if we are obligated to spend more then $6 million if the bid comes back higher. He wanted to confirm this is not writing a blank check in the future. He wanted to know if approval of bonds required a separate action and to insure council knows the scope of the project before committing. She said yes, if that was the council's request. She said if that were the case, before bonds would be issued, council approval would be required. Any commitment would be when the bonds are sold. We can use general fund dollars then use bonds to repay the general fund.

Beard asked if there was a way to request bids for this project without doing a reimbursement resolution. He also remarked it currently looks like a blank check and we must define costs first.

Rabold stated the intent is to get direction from council if they intend to proceed or not. She said a construction bid is the first step to get cost.

Beard reiterated we need to know costs before stating intent.

Motion by Beard to seek bids without doing a reimbursement resolution, motion failed for lack of a second.

Myers responding to Mr. Decamps earlier comments said if the reimbursement resolutions the routine way all other government projects are handled, why the need to amended it. He wanted to clarify if the bid is above $6 million the council will have a chance to review and if not the process proceeds like any other government capital project.

Blues referred to Beards motion saying although he agreed it had merit; he did not want to delay the process. He felt the best option is to obtain construction cost, review the business plan and coordinate actions to consider after that information is known.

Lane summarized today's meeting and explained why the Lyric Theater matter was referred to the Budget & Finance Committee. He reminded the public about the intent of the business plan and to review the budget impact of operating cost and the potential for huge liability. He said he does support the MOU (Memorandum of Understanding) but wants to insure cost effectiveness of tax payers' dollars.

Motion to adjourn, passed, meeting adjourned at 12: 43 pm