

TRCC Advisory Board
October 24, 2011
Salt Lake County Government Center, N2003
10:00 AM

Board Members

Present: Kelvyn Cullimore – Chair
Vasilios Priskos
Zeke Dumke
JoAnn Seghini
Andrew Stephenson
Darrel Smith

Absent: Kent Money
Russ Wall

Also Present: David Delquadro, Brad Kendrick, Council Office; Peter Corroon, Darrin Casper, Linda Hamilton, Rob Jeppsen, Mayor’s Office; Erin Litvack, Phil Jordan, Cami Munk, Lori Okino. Community Services Department and Lance Brown Auditor’s Office



Board Member Kelvyn Cullimore, Chair, presided.



Welcome/Introductions

Board Chair Kelvyn Cullimore introduced Mayor Darrel Smith as the newest member of the TRCC Advisory Board.



Approval of Minutes

Board Member JoAnn Seghini, seconded by **Board Member Zeke Dumke**, moved to approve the minutes as amended from the June 6, 2011, TRCC Advisory Board meeting. The motion passed unanimously.



Letter to Salt Lake County Recommending Strategic Plan

Board Chair Cullimore stated the TRCC Advisory Board is tasked with making recommendations to Salt Lake County on TRCC Fund allocations. At the last meeting, this Board agreed to send a letter to the County Mayor and Council. The letter recommended the County reduce the amount of operational subsidy given to Parks and Recreation to 40% of the TRCC Fund, prioritize deferred capital maintenance and focus on projects within the County's Cultural Arts Master Plan. There were also recommendations regarding the proposed park bond but because the bond failed those recommendations are not as relevant.

The letter was drafted and then sent to county staff for fact checking. Afterwards it was sent to TRCC Advisory Board members for review. After receiving feedback from most of the Board members, the letter was mailed on June 11, 2011.

Mayor Peter Corroon, Salt Lake County Mayor, stated he appreciated and agreed with the recommendations made by the Board. He stated that while he was not able to incorporate the recommendations into the budget for 2012 he will be able to accomplish all of the proposed changes for 2013. He indicated there would be more detail available during the review of the proposed Salt Lake County Budget later in the meeting.

Board Member Darrel Smith asked how the money in the TRCC Fund was allocated and if there was a specific formula that was used.

Board Chair Cullimore replied the money is allocated through the budget process. There is no set formula that is used. The money is divided between Parks and Recreation, cultural art organizations, convention centers and various interlocal agreements. A portion of Parks and Recreation's operational budget is generated by program fees while the rest is from the TRCC Fund.



Review of Proposed Salt Lake County Budget and its Effect on TRCC

Darrin Casper, Chief Financial Officer, stated the 2012 proposed budget has some very positive news overall. One of the goals outlined in the letter sent by the TRCC Advisory Board was to redirect back to the General Fund \$1.25 million per year for the next three years totaling \$4.5 million. The County was not able to meet this goal in the 2012 budget and actually increased the amount of subsidy instead. The reason for this is that the County's General Fund had a \$17 million structural deficit that needed to be addressed. This deficit included county employees being paid at 2008. Through talks with the County Council it was realized the deficit would not be solved for 2012. While the 2012 proposed budget does not address the structural deficit it does provide a balanced budget and includes a plan to address the structural deficit in 2013. As proposed the 2012 budget does not include a reduction in the subsidy given to Parks and Recreation but does instead include a plan to fully meet the reduction goal set in the letter for 2013.

There are three items typically funded out of the TRCC Fund not included in the 2012 proposed budget; these items are instead to be funded out of the Visitor Promotion Fund using Transient Room Tax (TRT). These items are: \$2.5 million for the Salt Palace operating subsidy, \$1 million for the Salt Palace capital reserve and \$500,000 for South Town. This gave the TRCC Fund approximately \$4 million more than usual but the operational subsidy given to

the County's General Fund from the TRCC was increased by \$2 million. This change left the TRCC Fund with a net gain of approximately \$2 million.

In addition, there are also a number of one-time cultural projects that the County Mayor is recommending to be funded from the TRCC Fund. Among these projects is an \$8 million deferred capital maintenance project for the Capitol Theatre. If the one-time cultural projects are taken out of the projections, the TRCC Fund will have an annual structural surplus of \$5 million. With this structural surplus the TRCC Fund will have the capacity to bond for approximately \$65 million; this is back to the estimates given in 2007. The projections take into account a \$4.5 million reduction in the operational subsidy given to Parks and Recreation starting in 2013.

Board Chair Cullimore asked how does the County plans to achieve the \$4.5 million reduction in operational subsidies and what the implications to the County's General Fund are.

Mayor Corroon replied there is plan to generate new revenue in 2013 through a tax increase.

Mr. Casper stated for the past few years the County has cut budgets and a revenue increase will be needed. If a revenue increase is not approved for 2013 then the TRCC Fund will become structurally balanced, with a small surplus of \$500,000 a year. If the Board does not approve the proposed TRCC budget for 2012 and instead requests the operational subsidy be reduced, Parks and Recreation will need to make cuts and one of the first things on the list would be to close the Marv Jensen Recreation Center.

In 2011 and 2012 the operational subsidies for the Salt Palace and South Towne convention centers were suspended and instead, were able to use to fund balance as well as TRT funds. These entities were able to use TRT funds because of a Utah state statute that splits the revenue in the Visitor Promotion Fund into two parts. Almost 50% of the fund is directed towards marketing while the remainder was previously used to pay for debt service. Refunding the Salt Palace's Municipal Building Authority (MBA) bonds to General Obligation (GO) bonds freed up money in the Visitor Promotion Fund for operational subsidies for the Salt Palace and South Towne convention centers. In the future it is expected that this TRT money will be dedicated towards renovations and possibly even a headquarters hotel but because none of these projects are ready for funding this money was available for the operational subsidies.

Board Member Dumke asked if Mr. Casper knew of any concerns the Council may have with the proposed budget.

Mr. Casper stated he was unaware of any concerns right now and thought the Council would be pleased they were able to balance the budget. The concerns are most likely to revolve around whether or not a tax increase will be needed for 2013.

Board Chair Cullimore stated he is comfortable with the budget as proposed but is cautious in knowing that balancing the 2013 budget will rely heavily on a tax increase. He stated he would also like to have further discussion on the \$8 million allocation for the Capitol Theatre when Phil Jordan gives his presentation on the Cultural Arts Master Plan Proposals.

Board Member Vasilios Priskos stated he is also comfortable with the proposal but is uncertain how future policy makers will look at the \$5 million proposed annual surplus and

whether they will want to use that for their own projects rather than its intended purpose as laid out by this advisory board.



Cultural Arts Plan Proposals

Board Member Seghini stated the advisory board that reviewed the applications was outstanding. There were professionals from a number of different fields that came together and donated their time to review the applications and make difficult decisions in recommending projects for funding.

Mr. Phil Jordan, Director, Center for the Arts, stated in 2009 when the County completed the Cultural Arts Master Plan there were over a 100 projects that were identified. It was then realized, there needed to be some way to review and evaluate these projects. A process was then created that would involve a project review team and an advisory board that would evaluate projects brought forward through an application process; 2011 was the first year in which projects have gone through this process. The County received a total of 16 applications which were reviewed. The review team was comprised of County staff that reviewed applications for eligibility and technical feasibility. After the review team finished their evaluation, the applications were then forwarded to the advisory board. The advisory board then reviewed the applications for good use of public funds and submitted their recommendations to the County Mayor and Council.

Mr. Jordan reviewed the following applications:

Draper City Cultural Arts Center – requested funding \$40,000*
Midvale Outdoor Amphitheatre Study – requested funding \$30,000*
Granite High School Performing Arts Center – requested funding \$20,000*
Utah Film & Media Arts Architectural & Archive Studies – requested funding \$125,000*
Utah Performing Arts Center Consulting Study & Construction Funds – requested funding \$32,500,000
Capitol Theatre – Ballet West Project – requested funding \$11,269,424**
Draper Historic Theatre Expansion – requested funding \$453,000
Living Planet Aquarium New Facility Construction – requested funding \$1,000,000
Seating for Midvale Performing Arts Center – requested funding \$12,500*
Murray City Performing Arts Center – requested funding \$11,998,143
SLCC Center for New Media – requested funding \$485,000
Grand Theatre Renovation – requested funding \$175,000
West Jordan Storage & Rehearsal Space – requested funding \$499,999
Beverley Taylor Sorensen Arts & Education Complex – requested funding \$300,000

*Included in the Mayor's proposed budget.

**\$8 million for the Capitol Theatre – Ballet West Project was included in the Mayor's proposed budget.

The advisory board forwarded all of the applications to the Mayor and Council with favorable recommendations except for the Draper Historic Theatre, Living Planet Aquarium and West Jordan Storage & Rehearsal Space.

Board Member Seghini stated the Draper City Cultural Arts Center project when first proposed was not fully formed. The city had originally submitted a request for approximately \$11 million to build a facility and upon review it became apparent that further study was needed. The advisory board worked with Draper City to modify the original application into a project that would provide the necessary consulting work.

Board Member Darrel Smith asked what the next step of the process was and if an organization were to receive funds for a facility who would be responsible for paying operations and maintenance.

Mr. Jordan replied operations and maintenance would be paid for by the organization responsible for the facility. It would not be paid for through this process. The next step will be to present the applications and recommendations to the Council. If during this process an application is recommended by the advisory board but not funded, the application will go into a holding pool for when funds become available in the future. There is no prioritization of the projects, first in does not mean first funded.

Board Member Dumke stated the responsibility of the TRCC Advisory Board isn't to establish what projects will receive funding but rather to determine how much funding will be available to fund the pool of projects.

Ms. Erin Litvack, Director, Community Services Department, stated Salt Lake County partnered with Ballet West to put together the Capitol Theatre project. There is a Memorandum of Understanding (MOU) in negotiations that will outline the parameters of the partnership. Salt Lake County has purchased the property immediately west of the Capitol Theatre to build an addition. The project will consist of increased lobby space and additional restrooms. A portion of the new addition will be owned by Ballet West and will consist of rehearsal space for their dancers. Ballet West needs to have a commitment from Salt Lake County to go forward and raise the money needed for their portion of the project. The Mayor has proposed funding in the 2012 budget for \$8 million of the \$11 million needed for the County's portion of the project. The remaining \$3 million is expected to be generated through naming opportunities; the proceeds of which will be split with Ballet West. There is also \$7 million in New Market Tax credits built into the funding structure of this project.

Mr. Jordan stated the property for the addition was purchased for approximately \$3.4 million and \$500,000 was later spent on demolition. A separate building on that parcel was then sold for \$1.3 million; which was returned to the TRCC Fund. The net expense for the property was approximately \$2.6 million.

Board Chair Cullimore asked if the \$8 million would be used immediately to start renovations or if it would be put aside until all of the money was available. He also asked if there was a chance of completing only a portion of the project if the entire project couldn't be completed.

Ms. Litvack replied yes it is possible for only a portion of the project to be completed. Salt Lake County could go forward with the interior renovations and expanded lobby if Ballet West were unable to secure the funding they need.

Mr. Jordan stated there is \$7 million in New Market Tax Credits that have a limited window of availability. The longer it takes to start this project the greater the chance of that funding source disappearing. The interior portion of project is expected to take place in 140

days and will displace two programs of ballet and opera. The new addition is not part of the 140 days and will not cause the theatre to close.

Board Member Priskos stated according to the site plan it looks like Rocky Mountain Power will be giving up a portion of their land. He owns a parcel of land next to this site and has been in talks with Rocky Mountain Power about using that same land. It is doubtful Rocky Mountain Power will give up their land for a long period of time. If Rocky Mountain Power does allow Capitol Theatre to use the land it would be better for the land to be used for semis to load and unload rather than be used as a drop off point for patrons. He asked if he should abstain from the voting because of the conversation he has had with Rock Mountain Power.

Mr. Jordan stated a drop off zone was planned rather than a loading zone for semis because the best interests of the patrons and their overall experience was considered to be the top priority. Even if Rocky Mountain Power will not allow use of their land the project will still move forward.

There is a deeded easement along the backside of the building and the County has considered using that easement to build a ramp that would allow two semi-trucks to be unloaded but the current easement agreement would not allow that use. There are other options that are being considered.

Ms. Litvack presented a PowerPoint on the Community Services Department budget. The department did take cuts in order to help minimize the impact to the TRCC Fund. Every division, in the budget, has their capital projects outlined. Some of the capital projects are identified as being funded by the Preservation Fund. There is preservation fee that is levied on every ticket sold. Every year a committee meets to decide what projects should be funded by the revenue generated from this fee. There is also a recommendation to use Center for the Arts' fund balance to complete a few energy efficiency upgrades. There is \$136,000 in rebates expected for these upgrades. The projects to be funded out of the TRCC fund are also listed.

Board Member Priskos asked if there was a desire to take the money available now and bond against that to create a revolving fund for projects.

Mr. Casper stated there are a couple of concerns with doing that, one concern would be the spend down time. When the revenues are received from a bond there is a three year window in which the funds must be spent. The second concern is with the New Market Tax Credits, if a project involving the New Market Tax Credits is not started by April the County will lose the credits.

Board Chair Cullimore stated he would keep in mind the TRT money as well as the bonding capacity but the main issue that needs to be decided now is the cultural project recommendations. He is willing to support the projects but would like to see the funding for the Capitol Theatre come back to the TRCC Fund if the project somehow doesn't go through.

Board Member Seghini seconded by Board Member Dumke moved to support the cultural project recommendations on a one year basis providing the money will come back to the TRCC Fund if not used. Board Member Priskos declared a conflict with his ownership and interest in property adjacent to the Capitol Theatre project. Motion passed unanimously.



Future Meetings

The next meeting to be determined.



Meeting adjourned at 12:20 P.M.