

Memorandum



CITY OF DALLAS

DATE June 3, 2022

TO Honorable Mayor and Members of City Council

SUBJECT **Upcoming Agenda Item Number 23: WRR 101.1 FM Management Agreement with North Texas Public Broadcasting, dba KERA**

On June 8, 2022, the City Council will consider the WRR 101.1 FM and Fair Park studio agreement with North Texas Public Broadcasting, d/b/a KERA. This item was briefed by memorandum to the Quality of Life, Arts and Culture Committee on May 16, 2022. The following Monday, a public input meeting was hosted by the City at the Fair Park Multimedia Studio. More than 50 people attended the meeting, and written feedback was received from 24. The comments were categorized into the following categories, and more information is available on the Office of Arts and Culture website [here](#):

Topic	# of comments
Support the KERA management proposal	13
Keep the station classical	5
Do not sell the station	3
General comment	2
Sell the station	1

During the Quality of Life, Arts and Culture Committee meeting, City Council members inquired about the estimated station sale valuation of \$13.5M, investment of the net proceeds in the Arts Endowment, and the potential value in 7 years at the end of the initial contract term on the proposed agreement with KERA. A City Council member also asked KERA's CEO and President Nico Leone if the organization would be interested in purchasing the station. Updates on each of these items is below.

Based on the fiscal year 2021 Annual Comprehensive Financial Report (ACFR), net proceeds to the City from a sale will be reduced to approximately \$5.3M to \$5.7M after payment of outstanding liabilities reviewed since the May 13, 2022 informational memorandum. Additional liabilities may occur prior to the sale that will potentially reduce the estimated net proceeds from the sale. On September 30, 2021, WRR had approximately \$0.9M in cash and accounts receivable, offset by the net pension liability of \$6.1M, WRR's share of the pension obligation bonds of \$1.9M, and other liabilities of approximately \$0.3M. During the estimated 18-to-24-month sale process, the City will need to maintain broadcasts in order to stay in compliance with Federal Communications Commission regulations and retain the 101.1 FM license. Should WRR exhaust its reserves, a loan from the General Fund or other City sources of approximately \$200-400K each year will be necessary to continue operations.

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Should City Council choose to invest the net proceeds in the Arts Endowment portfolio, the interest earnings will be approximately \$88,000 per year, based on the May 2022 interest rate of 1.6 percent on Arts Endowment investments,

City Council additionally asked for the potential value of the station sale in seven years, after the first term of the proposed management agreement. A media broker opinion procured by City staff states that the projection is highly dependent on economic factors, with two key variables: DFW metropolitan area population, and sale value per person. DFW's population has been increasing, with the growth projected to continue through the 2029; in the radio industry, sale value per person has been decreasing. Due to the unpredictability of these variables, the media broker provided a range of potential values for the sale of WRR in seven years, from a low of \$6.7M to a high of \$17.0M.

In response to the query about KERA as a potential purchaser of the WRR bandwidth, KERA's board met on June 1, 2022, and indicated that they had no interest in purchasing the station at this time.

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



Liz Cedillo-Pereira
Assistant City Manager

- c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Deputy City Manager
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