

Strathmore and the Arts in Montgomery County

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OLO Report 2019-12

September 10, 2019

Executive Summary

Montgomery County Government (MCG) owns eight arts-related properties, each operated by an organization under contract with the County. The largest property – Strathmore – opened in 1983 and includes the Mansion at Strathmore and the Music Center at Strathmore, a 1,976-seat world-class concert hall and education center that opened in 2005.

The nonprofit Strathmore Hall Foundation (SHF) manages and operates the property. The Music Center houses several resident partners – nonprofit arts organizations renting office, educational, and performance space.

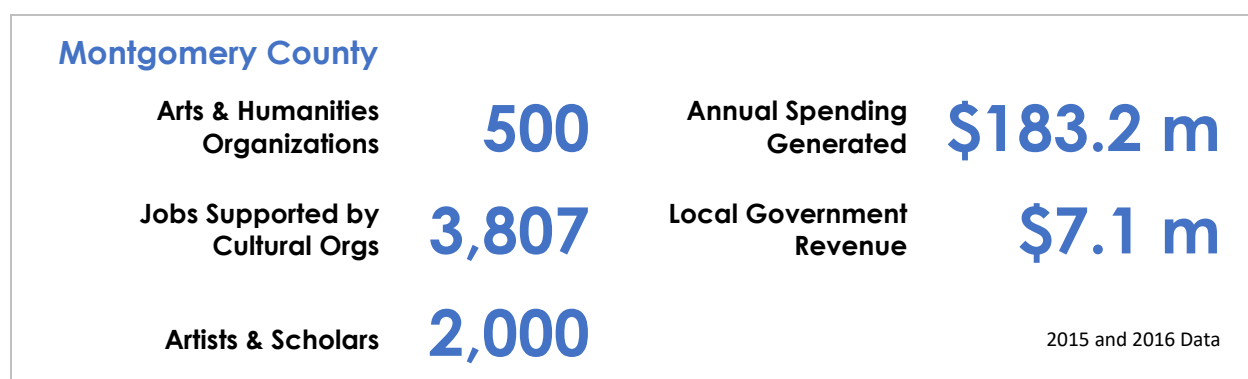
This Office of Legislative Oversight (OLO) project stems from the County Council’s interest in information about the Strathmore property, the County Government’s relationship with the Strathmore Hall Foundation, the Foundation’s operation of the Strathmore property, and the Foundation’s relationship with its resident partners.

The Arts

In the United States, annual funding of arts organizations comes from three primary sources:

- Earned income (e.g., ticket sales)
- Private sector contributions and sponsorships
- Government funding.

National research shows that arts organizations cover 6-7% of expenses with government support. MCG supports the arts through direct funding for local artists and arts organizations, facilitating development of public art, and capital funding of arts facilities. In turn, arts organizations and artists drive local economies in several ways: generating economic activity, providing jobs and household income, and providing government revenue.



Montgomery County Cultural Plan

In 2001, the County’s arts community was experiencing dramatic growth in arts and humanities organizations, increased demand for County Government funding, and need for strategic direction. The Arts and Humanities Council of Montgomery County, Inc. (AHCMC) and a 35-member Steering Committee of local government and arts community stakeholders guided creation of a cultural plan, *Creative Montgomery – A Vision for Arts and Humanities in Montgomery County, MD*, to help focus the County Government and the Arts and Humanities Council in their efforts to help the arts thrive in the County. The County Council endorsed the plan’s recommendations in a Council resolution. *Creative Montgomery’s* recommendations guide much of AHCMC’s work today. Key findings of the cultural plan include:

Capital Funding	The County lacked a system to strategize or systematically evaluate arts-related capital funding
Fundraising	Local cultural organizations were competing for funding with national organizations
Diversity	Embracing diversity was essential to creating a mature cultural system in the County

Montgomery County and Strathmore

A 2004 Lease Agreement defines the relationship between the County Government and the Strathmore Hall Foundation, outlining property ownership and use, maintenance, artistic content of programming, and secondary use of the property. The lease expires in 2023. If either party wants to renegotiate provisions in the lease, the party must give the other party at least three years written notice – before September 30, 2020. The SHF leases the property from the County for \$1 per year.

The County and the State of Maryland jointly funded construction of the \$100 million Music Center at Strathmore, with the SHF raising \$10 million for furnishings and fixtures. The Music Center opened to the public in 2005. The SHF, its resident partners, and other organizations produce, on average, 178 performances each year in the Music Center's Concert Hall. The Music Center building also includes office, educational, and rehearsal space. The Mansion at Strathmore provides gallery space where the Foundation hosts art exhibitions and the SHF has offered afternoon tea in the Mansion for over 30 years. Multiple venues on the property are available for rental by private groups and individuals.

The SHF provides numerous educational offerings for adults and children. One example is the East County Initiative – a program of community partnerships providing arts programming to lower income areas of the County. The SHF also provides use of the Music Center and Mansion either free of charge or at a reduced rent for a variety of non-partner groups and organizations, including Friends of the Library, Young Artists of America, and area school choruses and ensembles.

Strathmore Hall Foundation			
Founded	1983	FY18 Gross Income	\$16.8 m
Employees	284	FY18 Expenses	\$12.9 m
Attendance at Strathmore Presents Shows in FY19	70K	FY18 and FY19 Data	

The County Government is not involved in the day-to-day operation of the property nor does it have decision-making authority related to artistic content, programming, operations, or secondary uses (e.g., renting space to others). The County Government has funded most ongoing maintenance and utility costs since purchasing the property in 1978. The Department of General Services provided the following cost data.

MCG's Strathmore Property Maintenance Costs		MCG's Strathmore Property Utility Costs		MCG's Capital Spending & Cost Sharing	
	\$		\$		\$
FY13	\$333,809	2013	\$939,879	FY11	\$34,272
FY14	\$840,388	2014	\$894,977	FY12	\$2,791
FY15	\$785,368	2015	\$943,509	FY13	\$454,167
FY16	\$882,736	2016	\$1,022,187	FY14	\$51,481
FY17	\$978,403	2017	\$997,798	FY15	\$69,430
FY18	\$807,164	2018	\$901,182	FY16	\$1,855,487
	\$4,627,868		\$6,673,014	FY17	\$1,356,035
				FY18	\$965,343
				FY19	\$494,029
					\$5,283,033

Resident Partners at Strathmore

The Music Center at Strathmore was built with educational, rehearsal, and office space to accommodate use of the venue by resident partners – other arts organizations. The Baltimore Symphony Orchestra was Strathmore’s original founding partner – working with the Foundation to conceptualize and build the Music Center as a second home for the Orchestra.

The Strathmore Hall Foundation currently has partnerships with six organizations as resident partners, listed below. These organizations have “license agreements” with the SHF establishing the logistical terms (times and spaces used, use of box office to sell tickets, parking, etc.) and financial terms (e.g., cost for use of space, use of SHF employees, ticket printing fees, credit card fees, etc.), of the relationships.

Organization	Focus	Performance/ Rehearsal Space	Teaching Space	Office Space
Baltimore Symphony Orchestra	Orchestra	✓		✓
National Philharmonic	Orchestra	✓		✓
Levine Music	Music School		✓	✓
CityDance	Dance School	✓	✓	✓
Washington Performing Arts	Arts Presenter	✓		
interPLAY Orchestra	Orchestra	✓		

National Philharmonic

The National Philharmonic (NP) is a Montgomery County-based orchestra and chorale based at the Music Center at Strathmore. NP leases office and rehearsal space in the Music Center and the Concert Hall for performances, presenting 15-21 performances annually between FY14 and FY19 and an additional seven concerts annually for all MCPS 2nd grade students.

NP’s annual revenue ranged from \$2.3 to \$2.5 million between FY13 and FY17. In FY15 and FY16, the National Philharmonic’s expenses exceeded its income by approximately \$60K and \$40K, respectively. The County Executive recommended and the Council approved direct County funding for NP in FY16, FY17 and FY18, of \$250,000, \$150,000, and \$150,000, respectively – to provide operating support and help fund development of a long-term strategic plan. Although requested by NP, the County Executive did not recommend direct funding for NP in the County’s FY19 or FY20 operating budgets.

National Philharmonic has cited its perception of factors that have impacted its finances in recent years. One is the cost of rent and associated fees for use of the Concert Hall, rehearsal space, and office space at the Music Center. NP also cites a change in the Arts & Humanities Council’s grant funding formula, basing grants on organizations’ budget size, with NP experiencing reductions to its annual grant as it cut its budget to cut costs.

The National Philharmonic’s financial issues have resulted in NP becoming behind in payments to Strathmore. The Strathmore Hall Foundation reports that it has provided financial assistance to NP in the past several years, including extending NP an annual line of credit for five years and leniency on a schedule for payment of back rent and fees to SHF. National Philharmonic’s continued financial issues have strained the relationship between the philharmonic’s management team and the Strathmore Hall Foundation.

The National Philharmonic issued a press release on July 16, 2019 indicating that it had requested but not received \$150,000 in needed funding from the County Government to preserve its 2019-2020 season and was preparing to close its doors. NP leadership publicly stated that NP needed to raise \$150,000 before July 31st to continue operations.

On July 29, Jim Kelly, co-owner of Potter Violins in Silver Spring and a six-year member of the NP orchestra, reported to the NP Board and publicly that he had gathered \$275,000 in pledges from donors and that the funding was contingent on replacing the current President and Chair of the Board of the National Philharmonic. On July 30, the Chair of NP’s Board announced that NP had successfully raised an additional \$200,000 since its July 16th announcement. Ultimately, on August 10, 2019, the Board of the National Philharmonic voted to accept the proposal from Jim Kelly.

All County Government-Owned Arts Venues

Montgomery County owns eight arts-related properties, and each is operated by a nonprofit or a for-profit organization under contract with the County, similar to the County's lease with Strathmore.¹ The properties include various types of arts-related spaces, including theater space with resident theater companies, performance space for rent, gallery space, and cinemas, among others. The properties are listed below. The County Government currently is in the process of developing a new arts facility as part of Wheaton's redevelopment.

Property	Operated By	MCG Pays for	
		Maintenance	Utilities
AFI/Silver Theater	American Film Institute, Inc.	✓	✓
Black Box Theater	Theater Consortium of Silver Spring, Inc.	✓	✓
BlackRock Center for the Arts	Germantown Cultural Arts Center	✓	✓
The Filmore	Live Nation Worldwide, Inc.		
Imagination Stage	Imagination Stage, Inc.		✓
Round House Theatre	The Round House Theatre, Inc.		✓
Strathmore	The Strathmore Hall Foundation, Inc.	✓	✓
Writer's Center	The Writer's Center		✓

Management of County Government arts-related functions, data, and funding is distributed across MCG and across the County's budget, including in the Department of General Services, Department of Recreation, Office of Management and Budget, Regional Services Centers, and Office of the County Executive, among others. In addition, the Arts & Humanities Council of Montgomery County distributes several million dollars in County grant funding (for operations and capital projects) annually to local artists and organizations. The total dollar amount of the County's funding for the arts is unclear.

Recommendations

Recommendation #1: Ask the Executive to gather, analyze, and present data regarding the County Government's arts-related spending and functions.

Compile, review, and update data and information on the County Government's arts-related spending and functions. Use these data to facilitate a conversation about the future of the County Government's investments in, support for, and funding of the arts. Pertinent questions include:

- How does the County Government distribute responsibilities among departments for management of the arts?
- What process(es) does the County Government use to evaluate and distribute arts-related funding?
- What portions of the 2001 *Creative Montgomery* cultural plan are relevant to today's discussion of the arts?

Additionally, compile data in the FY21 budget that will allow the Council to see all County Government arts-related spending together, even if components of the spending are housed in different parts of the budget.

Recommendation #2: Ask the Executive to begin a conversation with the Strathmore Hall Foundation regarding the lease agreement that expires in 2023.

Data gathered in response to Recommendation #1 should inform the development of the County Government's vision for the future of the arts in the County. As that vision is clarified, the County Executive should begin a conversation with the Strathmore Hall Foundation about the terms of any future lease agreement.

¹ In addition, Glen Echo Park is owned by the National Park Service and the County Government is responsible for operational expenses for the property.

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Note: this report describes occurrences dating back to the late 1950s found through review of historic County Government and Strathmore Hall Foundation documents. Several County Government departments and the Strathmore Hall Foundation retrieved existing files from storage and made them available to OLO for review. Other documents related to this discussion may exist or may have existed but are unknown to current staff. OLO appreciates the time and effort from all participants who helped create this report.

Introduction

Montgomery County owns property in the County at the intersection of Maryland Route 355 (Rockville Pike) and Tuckerman Lane – Strathmore. The County purchased the property in 1978 for \$1.22 million from the American Speech and Hearing Association to establish an arts venue in the County. The property includes the Mansion at Strathmore, built as a private residence in 1899, and The Music Center at Strathmore, a 1,976-seat world-class concert hall and education center that opened in 2005 and was built through a public-private partnership with State, County Government, and private funding.

Since 1983, the County has had a lease agreement with the nonprofit Strathmore Hall Foundation (SHF, “Strathmore” or “the Foundation”) for the Foundation to manage and operate the Strathmore property.¹ Several nonprofit arts organizations – including the Baltimore Symphony Orchestra and the National Philharmonic – are “resident partners” of Strathmore, renting office, educational, and/or performance space in the Music Center on an ongoing basis.

This Office of Legislative Oversight (OLO) project stems from the County Council’s interest in better understanding the structure of the County Government’s relationship with the Strathmore Hall Foundation, the Foundation’s operation of the Strathmore property, and the Foundation’s relationship with its resident partners. The report also includes information about arts funding and planning, the larger arts community in Montgomery County, and other concert venues around the country. Specifically, this report:

- Describes “the arts,” arts funding, and strategic planning for the arts nationally;
- Describes the arts community in Montgomery County, including County-owned arts venues and County Government arts funding and planning;
- Provides history of the County’s acquisition of the Strathmore property in 1978 and the formation of the nonprofit Strathmore Hall Foundation to operate the property;
- Summarizes operations and programming at the Strathmore property;
- Explains the working relationship between the County Government and the Strathmore Hall Foundation;
- Describes the Strathmore Hall Foundation’s artistic partners in the Music Center at Strathmore; and
- Provides information about other arts in the country that are similar in some ways to Strathmore.

The report includes data from the Strathmore Hall Foundation on operation and management of the property and data from the Executive Branch on County spending related to the property.

Office of Legislative Oversight (OLO) staff member Leslie Rubin conducted this study, gathering information through document reviews and interviews with individuals from County Government, the Strathmore Hall Foundation, the Foundation’s artistic partners, and many others in the Montgomery County arts community. Many individuals met with OLO on more than one occasion and others diligently provided responses to data and other requests. OLO received a high level of cooperation from everyone involved in this study and greatly appreciates the time, effort, insights, and information shared by all who participated.

¹ This report will primarily use SHF, “Strathmore,” or the “Foundation” to refer to the Strathmore Hall Foundation – the nonprofit organization manages and operates the Strathmore property. Where appropriate, the report generally will use the term “Strathmore property” to refer to the property owned by the County Government that includes the Corby Mansion and the Music Center at Strathmore.

Acknowledgements

The following individuals met with OLO staff and/or provided information and data to OLO for this report. If OLO inadvertently has failed to identify someone, the oversight is unintentional. OLO appreciates all the effort and assistance provided for this report.

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Levine Music

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National Philharmonic

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Chapter 1. The Arts and Local Government

Much has been written about the importance of and impact that the arts have for individuals and communities. One expansive discussion asserts that engagement in arts and humanities is a primary basis for participatory democracy because participation in the arts teaches and fosters empathy – learning “to accept respectfully the existence of narratives and experiences different from one’s own” and comprehending “the benefits of connecting ... identities and experiences with those of others.”²

In recent years, the addition of “arts” has led from a national emphasis on STEM education (science, technology, engineering, and math) to STEAM education (science, technology, engineering, **arts**, and math). This recognizes how fundamentals learned from participation in the arts are integral to the processes related to the successful development and execution of new technologies. Skills such as independent thinking, cross-disciplinary thinking, creative problem solving, and real-world application of skills.³

A recently conducted randomized controlled study of a city’s efforts to develop “a sustained reinvigoration of schoolwide arts education”⁴ found that a “substantial increase in arts educational experiences has remarkable impacts on students’ academic, social, and emotional outcomes,” showing reductions in disciplinary infractions, improvement in standardized writing scores, and an increase in compassion for others.⁵

The Arts Defined

“The arts, also called fine arts, modes of expression that use skill or imagination in the creation of aesthetic objects, environments, or experiences that can be shared with others.

Traditional categories within the arts include literature (including poetry, drama, story, and so on), the visual arts (painting, drawing, sculpture, etc.), the graphic arts (painting, drawing, design, and other forms expressed on flat surfaces), the plastic arts (sculpture, modeling), the decorative arts (enamelwork, furniture design, mosaic, etc.), the performing arts (theatre, dance, music), music (as composition), and architecture (often including interior design).”¹

¹ <https://www.britannica.com/topic/the-arts>. Use of the term “the arts” in this chapter and report is not meant as a slight to the “humanities” – “the study of how people process and document human experience.” <http://shc.stanford.edu/what-are-the-humanities>. Stanford University includes art in the broad subject of humanities along with various other disciplines that humans use “to understand and record our world,” including philosophy, literature, religion, music, history, and language. Ibid. This report uses the term “arts,” as opposed to “arts and humanities” primarily for brevity and simplicity and because Strathmore – the primary focus of the report – focuses on the arts. In some places, the report uses A&H to refer to “arts and humanities.”

² Butler, Johnnella, “Arts and Humanities: For the Common Good,” *Diversity & Democracy*, Spring 2010, Vol. 13, No. 2. <https://www.aacu.org/publications-research/periodicals/arts-and-humanities-common-good>

³ “STEAM: Using the Arts to Train Well-Rounded and Creative Scientists,” *Journal of Microbiology and Biology Education* (2018). <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5969448/> “5 Major Benefits of Integrating STEAM Education,” July 13, 2018. <https://blog.kadenze.com/student-life/5-major-benefits-of-integrating-steam-education/>

⁴ Bowen, Daniel and Kisida, Brian, *Investigating Causal Effects of Arts Education Experiences: Experimental Evidence from Houston’s Arts Access Initiative*; (2019). <https://kinder.rice.edu/sites/g/files/bxs1676/f/documents/Investigating%20Causal%20Effects%20of%20Arts%20Education%20Experiences%20Final%200.pdf> See also <https://www.brookings.edu/blog/brown-center-chalkboard/2019/02/12/new-evidence-of-the-benefits-of-arts-education/>

⁵ Bowen, Daniel and Kisida, Brian, “New evidence of the benefits of arts education;” Brown Center Chalkboard (Feb. 12, 2019). Recent academic research also has focused on compiling existing data on the impact on students of arts education. One study that included a literature review of research on the relationship between arts education and students’ social-emotional development found that participating in the arts:

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The rest of this chapter provides a short overview of topics important to local governments that embrace support of the arts, and that are relevant to later discussions in this report:

- I. Government Funding of Arts Nationally;
- II. Trends in Arts Participation Nationally;
- III. Government Management of the Arts; and
- IV. Leveraging the Arts for State and Local Economic Development.

I. Government Funding of Arts Nationally

In the United States, annual funding of arts organizations comes from three primary sources:

- Earned income (e.g., ticket sales, tuition, rentals);
- Private sector contributions and sponsorships (individual, foundation, corporate); and
- Government funding.⁶

Analysis of the funding for arts organizations varies among different sources, with several calculating that earned income represents approximately 50-60 percent of arts organizations' annual funding.⁷ It is widely accepted in the arts community that private funding alone cannot sustain the arts nationally.⁸ The next figure from Grantmakers in the Arts, a national network of private, public, and corporate arts funders, shows a breakdown of public funding for arts organizations nationally from 1999-2018. The data show that local governments contribute the most publicly-funded dollars annually for arts funding.

[H]as great intrinsic benefits for young people, as they are exposed to creative humanistic experiences and the potential for rigorous skill development. However, with deliberate planning and awareness, a skilled instructor can shape these lessons into spaces for deep and lasting development of those young people's social and emotional skills and well-being.

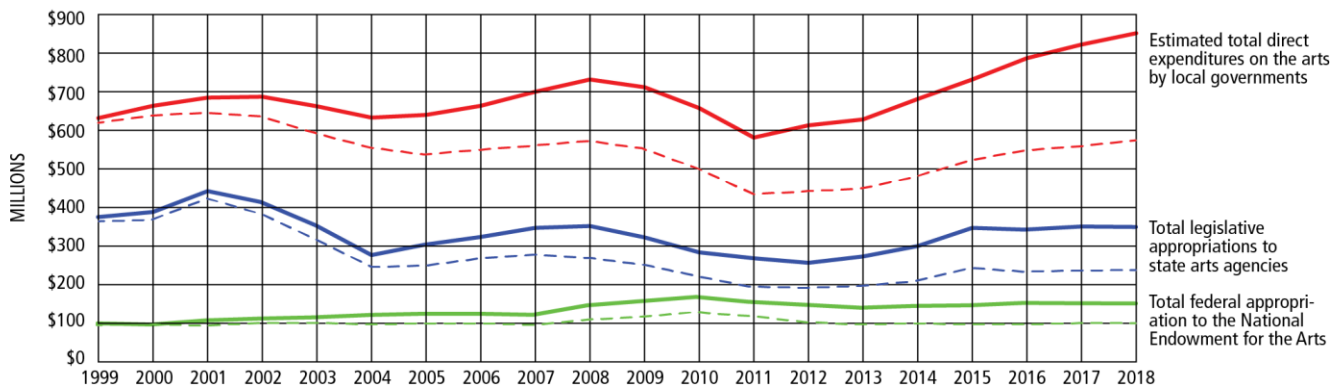
Farrington, Camille A., et al., *Arts Education and Social-Emotional Learning Outcomes among K-12 Students: Developing a Theory of Action*, Ingenuity and The University of Chicago Consortium on School Research, at p. 5 (2019).

⁶ "Source of Revenue for Nonprofit Arts Organizations," Americans for the Arts (2016).

<https://www.americansforthearts.org/by-program/reports-and-data/legislation-policy/naappd/arts-facts-source-of-revenue-for-nonprofit-arts-organizations-2017>

⁷ See "Source of Revenue for Nonprofit Arts Organizations," Lawrence, Steven, *Arts Funding at Twenty-Five: What Data and Analysis Continue to Tell Funders about the Field*, Grantmakers in the Arts, at p. 12 (2018).

⁸ NEA FAQ Fact Sheet, https://www.arts.gov/sites/default/files/FAQ_Facts_Figures_FY2020_Prez_budget_FINAL.pdf; <https://www.culturalpolicies.net/web/files/83/en/US-WhyGovSupport2010.pdf>; <http://www.upenn.edu/pnc/ptkoch.html>.

FIGURE 1. Federal, state, and local government arts funding, nominal and inflation-adjusted dollars, 1999–2018

Inflation-adjusted figures are represented by corresponding lines below each source. Inflation adjustments are calculated using Bureau of Labor Statistics Consumer Price Index (CPI) figures with a base year of 1999.

In 2015, the National Center for Arts Research analyzed extensive data related to the arts funding overall and by sector in the arts and found that in 2008–2012, arts organizations covered approximately six to seven percent of expenses with government support.⁹ Data in the report show, however, that government support covered different proportions of organizations' expenses based on the sector of the arts organization. For example, total government support covered:

- 3% of expenses for performing arts centers;
- 2% of expenses for symphony orchestras; and
- 4% of expenses for arts education organizations.¹⁰

II. Trends in Arts Participation Nationally

In 2016, Americans for the Arts concluded a decade-long review of trends in indicators of arts and culture activity in the United States.¹¹ The report documented numerous trends in participation in the arts nationally that can inform the discussion of arts participation locally. Trends included:¹²

- Audiences are engaging in the arts differently (e.g., demand for technological interaction with the arts).
- Adult attendance at live performing arts events decreased from 40% in 2003 to 31% in 2013.¹³

⁹ Voss, Glenn, et al., *National Center for Arts Research: Volume Two Report*, National Center for Arts Research, at p. 15 (Apr. 2015) [hereinafter "*Volume Two Report*"]. https://www.americansforthearts.org/sites/default/files/NCAR_Volume_II_Report.pdf

¹⁰ *Volume Two Report*, at p. 28. Of note, the report found that symphony orchestras, out of all sectors of arts organizations, spend the highest level of operating revenue on program expenses, including expenses related to paying artists and program personnel. And, regardless of how income and expenses are calculated, symphony orchestras had a negative bottom line. *Ibid.*, at p. 21–22.

¹¹ Kushner, Roland and Cohen, Randy, *National Arts Index 2016: An Annual Measurement of the Vitality of Arts and Culture in the United States: 2002–2013*, Americans for the Arts (2016) [hereinafter "*National Arts Index 2016*"]. <https://www.americansforthearts.org/by-program/reports-and-data/research-studies-publications/national-arts-index-reports-download-center>

¹² *Ibid.*, pp. iv, v, 67, 94, 97.

¹³ Strathmore representatives report that this has not been the trend for Strathmore-presented shows. Attendance at Strathmore-presented shows in FY19 was at its highest level ever.

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- Data show a long-term downward trend in attendance at four fields strongly associated with the performing arts – symphony, dance, opera, and theater, with attendance declining from 40% to 31% of the population in 81 metropolitan areas between 2003 and 2013.
- Between 2003 and 2013, 8-10% of the population attended a symphony from 2003-2013, compared to over 12 percent in the late 1990s.
- 42% of arts nonprofits ran a deficit in 2013.
- The share of households contributing to the arts decreased from 9.3% in 2007 to 8.3% in 2013.

III. Government Management of the Arts

At every level of government, one finds examples of jurisdictions working purposefully to cultivate artists, arts communities, and arts as an industry. At the highest level, the National Endowment for the Arts (NEA) released a 2018-2022 Strategic Plan focused on cultivating public engagement, promoting understanding of the benefits of the arts, and directing NEA's business to allow it to achieve its mission.¹⁴ Below are other examples of national, state, local, and regional governments or organizations that have recently developed strategic plans for the arts.

National

National Endowment for the Arts¹⁵
Americans for the Arts¹⁶

State

Connecticut Office of the Arts¹⁷
Kentucky Arts Council¹⁸
Texas Commission on the Arts¹⁹

Local

Houston, TX Mayor's Office of Cultural Affairs²⁰
San Francisco Arts Commission²¹

Individual Institutions

ArtSpan SF²²
Cleveland Museum of Art²³

Washington, DC Region

Maryland State Arts Council Strategic Plan for the Arts 2014-2019²⁴
Arts and Humanities Council of Montgomery County 5 Year Strategic Plan 2017-2022²⁵
Alexandria, VA Arts and Cultural Master Plan, 2016-2026²⁶
Arlington, VA Arts and Culture Strategy²⁷

¹⁴ The National Endowment for the Arts Strategic Plan FY2018-2022, NEA (Feb. 2018).

¹⁵ <https://www.arts.gov/sites/default/files/NEA-Strategic-Plan-FY2018-2022.pdf>

¹⁶ <https://www.arts.gov/sites/default/files/NEA-Strategic-Plan-FY2018-2022.pdf>

¹⁷ https://www.americansforthearts.org/sites/default/files/pdf/about_us/2018_2020_Strategic%20Plan%20Narrative_FINAL.pdf

¹⁸ https://portal.ct.gov/-/media/DECD/Arts_Culture/FINAL_Connecticut_Office_of_the_Arts_Strategic_Plan_2017-2021_FINAL_FOR_PRINT.pdf

¹⁹ <http://arts council.ky.gov/KAC/Creative/Publications/2014StrategicPlan.pdf>

²⁰ http://www.arts.texas.gov/wp-content/uploads/2016/06/2017_2021_Strategic_Plan_FINAL.pdf

²¹ https://www.houstontx.gov/culturalaffairs/Houston_Culture_Plan_2015.pdf

²² https://www.sfartscommission.org/sites/default/files/documents/SFAC_FinalFinal_Plan_021414-reduced.pdf

²³ <https://www.artspan.org/strategic-plan>

²⁴ https://www.clevelandart.org/sites/default/files/documents/other/CMA_Strategic_Plan_2018-2027_complete.pdf

²⁵ <https://www.msac.org/publications/imagine-maryland-renewed-strategic-plan-arts-2014-2019>

²⁶ <https://www.creativemoco.com/strategicplan>

²⁷ <https://www.alexandriava.gov/uploadedFiles/recreation/arts/Arts%20and%20Culture%20Plan%20Approved%202012-17-2016.pdf>

²⁸ <https://arlingtonva.s3.dualstack.us-east-1.amazonaws.com/wp-content/uploads/sites/5/2018/05/Enriching-Lives-Arlingtons-Arts-and-Culture-Strategy.pdf>

Local Arts Agencies. The United States has more than 4,500 local arts agencies (LAA) that support arts organizations at the local level.²⁸ Local arts agencies' missions and activities vary and evolve based on the needs of their particular community but typically share "the goal of enabling diverse forms of arts and culture to thrive – ensuring greater accessibility and healthier communities through arts."²⁹

LAAs often are embedded within or connected to the local government. Others are private organizations designated by a local government to serve as the local arts agency. And some jurisdictions have multiple LAAs serving different needs. Philadelphia, for example, has three: Greater Philadelphia Cultural Alliance (nonprofit); Arts & Business Council of Greater Philadelphia (affiliate of the Chamber of Commerce), and City of Philadelphia Office of Arts, Culture and the Creative Economy (city agency). Grantmakers for the Arts estimates that 70 percent of LAAs are nonprofit organizations and 30 percent are agencies of a city or county government. Some LAAs are staffed by a professionals in the arts and others are run entirely by volunteers.³⁰

Activities a specific agency undertakes varies based on how the LAA participates in the community, its funding source(s), and local dynamics. A 2015 census of local arts agencies found that a little more than half undertake grantmaking, disbursing government-provided funding to organizations and artists.³¹ Examples of activities undertaken by local arts agencies include:

- Advocacy and policy;
- Development or management of arts facilities or venues;
- Grantmaking to local arts organizations and artists;
- Connecting arts organizations and local communities;
- Organizing arts programming and events;
- Providing services to local arts organizations such as professional development, marketing, administrative/back office/box office services.³²

An LAA's connection to a local government also determines its strategic planning. Some local arts agencies, like the Houston, TX Mayor's Office of Cultural Affairs, are embedded with the government and can direct a jurisdiction's strategy and decide how and where to direct local arts funding. Other local arts agencies are outside of the local government, and while they may receive government funding, they may not have the authority to set a jurisdiction's strategy or funding levels for the arts.

IV. Leveraging the Arts for State and Local Economic Development

Many jurisdictions around the country (and around the world) leverage their arts and cultural "industry" as an economic development tool. Arts organizations drive economies in several ways: generating economic activity, providing jobs and household income, and providing government revenue. At the same time, attending arts activities generates significant audience-related spending such as dining out, parking costs, local shopping, and child care costs.

²⁸ Local Arts Agencies Fact Sheet, National Endowment for the Arts.

https://www.arts.gov/sites/default/files/Locals_fact_sheet_nov2016.pdf

²⁹ Cohen, Randy et al., "Local Arts Agencies: Growing, Serving, Advancing," GIA Reader Vol 27, No 3 (Fall 2016).

<https://www.giarts.org/article/local-arts-agencies-growing-serving-advancing>

³⁰ Ibid.

³¹ Ibid.

³² Americans for the Arts. <https://www.americansforthearts.org/by-topic/advancing-arts-locally/what-do-local-arts-agencies-do>

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In 2016, Americans for the Arts published its fifth economic impact study of nonprofit arts and cultural organizations and audiences in the United States, called *Arts & Economic Prosperity 5* (“AEP5”).³³ The study found that in 2015, the nonprofit arts industry generated \$166.3 billion in economic activity:

- \$63.8 billion in spending by arts and cultural organizations;
- \$102.5 billion in event-related spending;
- Supporting 4.6 million jobs; and
- Generating \$27.5 billion in revenue for federal, state, and local governments.³⁴

AEP5 highlights factors about the U.S. arts industry that speak to the industry’s ability to drive economic development:

- Arts businesses are locally-rooted with jobs that cannot be shipped overseas;
- 87% of Americans say that arts and culture are important to quality of life; and
- Employees of nonprofit arts and cultural organizations make up a larger share of the workforce than police officers, lawyers, firefighters, or computer programmers.³⁵

Recent data from U.S. Bureau of Economic Analysis and the National Endowment for the Arts show that the arts contribute over \$760 billion annually to the economy – more than the agriculture, transportation, or warehousing sectors of the economy.³⁶ Many states and cities around the country are working to harness the link between the arts and economic development through the creation of arts and culture districts – with national organizations providing support and guidance.³⁷ Americans for the Arts has a “one-stop-shop” on its website with information on developing and sustaining cultural districts – from research literature about them to resources on how to develop and fund them.³⁸ Highlights of Maryland’s Arts & Entertainment (A&E) District program are on the next page.

³³ *Arts & Economic Prosperity 5: The Economic Impact of Nonprofit Arts & Cultural Organizations & Their Audiences*, Americans for the Arts (2016) [hereinafter “AEP5”]. <https://www.americansforthearts.org/by-program/reports-and-data/research-studies-publications/arts-economic-prosperity-5>

³⁴ AEP5 Summary Report, at p. 1.

https://www.americansforthearts.org/sites/default/files/aep5/PDF_Files/ARTS_AEPsummary_loRes.pdf

³⁵ AEP5 Brochure. https://www.americansforthearts.org/sites/default/files/aep5/PDF_Files/ARTS_Brochure_Mockup.pdf

³⁶ Arts and Cultural Production <https://www.arts.gov/news/2018/arts-contribute-more-760-billion-us-economy>

³⁷ Eger, John, *Art and Culture Districts: Financing, Funding, and Sustaining Them*, Americans for the Arts, at p. 8 (2014) [hereinafter “Art and Culture Districts”].

https://www.americansforthearts.org/sites/default/files/pdf/2014/by_program/reports_and_data/toolkits/cultural_district_s/issue_briefs/Art-and-Culture-Districts-Financing-Funding-and-Sustaining-Them.pdf

³⁸ See <https://www.americansforthearts.org/by-program/reports-and-data/toolkits/national-cultural-districts-exchange-toolkit>.

Arts and Entertainment Districts in Maryland

The State of Maryland provides a mechanism to designate a local area an “Arts and Entertainment District” (A&E District). A&E Districts are meant to “help develop and promote community involvement, tourism, and revitalization through tax-related incentives that attract artists, arts organizations, and other creative enterprises to towns and cities across the State.”³⁹

The second such program in the Country, Maryland’s A&E District program was founded in 2001 and, currently, 28 areas in the State are designated as A&E Districts. Montgomery County has three – in Silver Spring, Bethesda, and Wheaton.⁴⁰ Montgomery County’s A&E Districts are promoted and operated individually out of each of the District’s Regional Services Center.

Economic development incentives in A&E Districts for businesses and artists, include:

- Property tax incentives for property renovations in A&E Districts for A&E purposes;
- Income tax incentives for artists who sell works in an A&E District; and
- Admissions/Amusement Tax exemptions for arts enterprises and artists in an A&E District.⁴¹

Every two years, the Maryland State Arts Council (MSAC) partners with Towson University on an A&E District impact analysis. The most recent one was completed in April 2019 analyzing FY18 data.⁴² The report compiled and analyzed data provided by A&E Districts to the MSAC.

Economic Impact of Montgomery County A&E Districts, FY18

	Bethesda	Silver Spring	Wheaton	Total
Employment				
FY18	939	1,243	296	2478
FY16	453	1,375	158	1986
State GDP (\$ in millions)				
FY18	\$136.0	\$121.5	\$31.1	\$288.6 million
FY16	\$53.4	\$132.2	\$14.4	\$200.0 million
Wages (\$ in millions)				
FY18	\$37.6	\$38.2	\$9.3	\$85.1 million
FY16	\$15.4	\$41.4	\$4.8	\$61.6 million
Tax Revenue* (\$ in millions)				
FY18	\$6.4	\$9.0	\$2.1	\$17.5 million
FY16	\$3.5	\$10.0	\$1.1	\$14.6 million

* Tax revenue includes property, income, sales, payroll, and other taxes

Source: FY18 A&E District Impact Analysis

³⁹ <https://www.msac.org/programs/arts-entertainment-districts>

⁴⁰ Irani, Daraius, et al., *Maryland Arts and Entertainment Districts Impact Analysis: FY 2018*, Towson University Regional Economic Studies Institute, at pp. 6, 10 (Apr. 30, 2019) [hereinafter “FY18 A&E District Impact Analysis”].

<https://www.msac.org/sites/default/files/files/AEDistrict%20Impact%20Analysis.pdf>

⁴¹ <https://www.msac.org/programs/arts-entertainment-districts>

⁴² FY18 A&E District Impact Analysis.

Chapter 2. Arts in Montgomery County

The Arts and Humanities Council of Montgomery County estimated that in 2016 there were 500 arts and humanities organizations in the County and 2,000 individual artists and scholars. In *Arts and Economic Prosperity 5*, Americans for the Arts estimated that nonprofit arts and cultural organizations in the County in 2015 supported 3,807 jobs, generated \$183.2 million in annual expenditures, and \$7.1 million in local government revenue.¹ Together, nonprofit and for-profit arts and cultural organizations/businesses often are referred to as the “creative economy.”² The vast majority of the organizations/businesses in Montgomery County are privately-operated.

The County Government has supported the arts in many ways over many decades, including through direct funding for local artists and arts organizations, by facilitating the development of public art, and through capital funding of public and private arts facilities in the County. The County Government owns eight arts-related properties in the County, each managed and operated by an organization under contract with the County.

While the Council’s request for this project focused specifically on Strathmore and Strathmore’s relationships with the County Government and its artistic partners, Strathmore exists within this larger arts community. OLO’s research about Strathmore raised a multitude of questions about the larger arts community and stakeholders similarly posed many broader questions to OLO throughout the research and writing of this report. Information in this chapter describes the broader arts community in which Strathmore exists.

The discussion in this chapter is not intended as a comprehensive narrative of “the arts” in Montgomery County. The chapter highlights broader topics related to the County Government’s support of the arts and the arts economy in the County, including ownership and funding of arts venues, funding of the arts in the County Government’s budgets, and direction and promotion of the arts economy in Montgomery County. This chapter examines:

- I. Montgomery County Government-Owned Arts Venues;
- II. County Government Funding of Arts Properties and Arts Organizations;
- III. County Government Management of the Arts; and
- IV. Cultural Planning for the Arts in Montgomery County.

Key findings include:

- Montgomery County owns eight arts-related properties, and each is operated by a nonprofit or a for-profit organization under contract with the County;
- County Government funding for (1) its art properties, (2) the organizations that manage the County’s properties, and (3) other private local arts organizations is found throughout the County’s budget – in County funding provided through the County’s local arts agency, in funding in County departments’ base budgets, and in direct earmarks to organizations; and
- The last County-wide cultural plan for the arts community was released in 2001.

¹ AEP5, “The Economic Impact of Nonprofit Arts and Cultural Organizations and their Audiences in Montgomery County, MD.”

² https://www.creativemoco.com/sites/default/myfiles/Final_030119_AHMC-Ecolmpact.pdf

I. Montgomery County Government-Owned Arts Venues

Montgomery County owns eight arts-related properties, and each is operated by a nonprofit or a for-profit organization under contract with the County. The properties include various types of arts-related spaces, including theater space with resident theater companies, performance space for rent, gallery space, and cinemas, among others. The County Government pays for maintenance costs at four of the properties and for utility costs at seven of the properties and provides other financial subsidies to the organizations operating the venues. The next table lists the properties, their operators, and whether the County Government funds maintenance and/or utilities costs.

2.1. County Government-Owned Arts Venues

Property	Operated By	MCG Pays for	
		Maintenance	Utilities
AFI/Silver Theater	American Film Institute, Inc.	✓	✓
Black Box Theater	Theater Consortium of Silver Spring, Inc.	✓	✓
BlackRock Center for the Arts	Germantown Cultural Arts Center	✓	✓
The Fillmore	Live Nation Worldwide, Inc.		
Imagination Stage	Imagination Stage, Inc.		✓
Round House Theatre	The Round House Theatre, Inc.		✓
Strathmore	The Strathmore Hall Foundation, Inc.	✓	✓
Writer's Center	The Writer's Center		✓

Source: DGS

In addition, Glen Echo Park is owned by the National Park Service and the County Government is responsible for operational expenses for the property.

Wheaton Arts Facility Planning. The County Government currently is in the process of developing an arts facility in Wheaton as part of the redevelopment of that area. The County is working with an organization with subject matter expertise – Performing Arts Facility Planning (PAFP) – to assess the arts-related needs in the Wheaton area and develop a plan for a new facility. PAFP provided the Executive Branch findings and preliminary recommendations in September 2018, and in June 2019, PAFP presented a programming and business plan for a County Government-owned facility in Wheaton that would provide a variety of spaces: for performance, studio work, classes, gallery space, and administrative space.

II. County Government Funding of Arts Properties and Arts Organizations

County Government funding for (1) its arts-related properties, (2) the organizations that manage the County's properties, and (3) other private local arts organizations, is found in numerous places throughout the County's operating and Capital Improvements Program (CIP) budgets. Over the past decade, the County Government has provided funding for arts venues and to arts organizations via:

- Grants through the Arts and Humanities Council of Montgomery County (AHCMC);
- Direct earmarks to organizations through AHCMC's annual budget;
- Funding in DGS' base budget for maintenance and utilities at County-owned arts properties;

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- Funding in DGS' base budget for organizations' operating expenses; and
- Direct earmarks to organizations through community grants.

Over the past 15 years, the Council has declared a policy to provide grant funding for arts and humanities organizations only through the AHCMC grant process – to eliminate direct earmarks. The Council annually adopts a resolution establishing processes for County Government grantmaking to nonprofit organizations that request funding via community grants. The resolution directs nonprofits seeking funding for arts and humanities (A&H) to “apply directly to the Arts and Humanities Council.”³ A streamlined funding process outlined in AHCMC's 2007 Strategic Plan echoed the Council's desire to end direct earmarks and to channel arts and humanity funding directly through AHCMC.⁴

In researching this report, OLO found that data on County Government spending related to its arts properties and other arts organizations is dispersed throughout the County Government and is not routinely compiled or examined as a whole. For example, OLO received data from the Department of General Services for County Government operating costs related to maintenance and utilities on the Strathmore property. DGS pays for maintenance and utilities at many of the County-Government owned properties and those costs are included in DGS' base budget, but the costs are not routinely compiled or available. OLO also found that an annual grant to the American Film Institute, Inc. (operating the AFI Theater in downtown Silver Spring) is part of DGS' base budget.

OLO also received data on capital spending for the Strathmore property from DGS. OLO received cost sharing expenditures – a separate category of capital funding – jointly from DGS and the Office of Management and Budget. Research showed that some capital grants to A&H organizations are recommended by AHCMC through a grant review process while others are included as earmarks via Community Grants.

Because the primary focus of this report is Strathmore, OLO did not request from the Executive Branch comprehensive data on funding for other County-owned arts properties or on funding of other arts organizations in the County. Requested data for the Strathmore property, however, show that County maintenance and utility costs related to the Strathmore property averaged \$1.9 million annually over the past six years on top of capital funding for projects on the Strathmore property. Review of recent CIP and operating budget documents and Council staff analyses show that the County Government is providing millions of dollars annually to local arts organizations. The total dollar amount, however, is unclear.

III. County Government Management of the Arts

County law articulates a strong support for arts and humanities – as a mechanism to “achieve a better understanding of the past, a better analysis of the present, and a better view of the future;” and also as a sector that is “an appropriate concern of the County government” and in need of government funding to complement other funding sources.⁵

³ See Council Resolution 18-1298 (Nov. 15, 2018).

⁴ Memorandum to the Education and Culture Committee, Item #1, at pp. 3-5, July 22, 2019. AHCMC reported in July 2019 to the Council's Education and Culture Committee that it is in the process of developing new funding distribution policies and guidelines “for the purpose of achieving consistent appropriation policies and processes based on demand through an equity lens.” AHCMC's Chief Executive Officer reported that a draft of the new guidelines should be ready for community review and comment in the Fall of 2019.

⁵ Montgomery County Code § 5A-1 [hereinafter “MCC”].

County law allows the Council to designate and contract with a qualified organization to support and promote arts, provide arts funding, and advise about the needs of arts and humanities programs in the County.⁶ The Council-designated organization in the County is the Arts and Humanities Council of Montgomery County, Inc. (AHC MC), a nonprofit organization overseen by a 12-member board of directors. AHC MC has been led on a day-to-day basis since 2008 by Suzan Jenkins, the Chief Executive Officer.⁷

The County Government has a contract with AHC MC that outlines AHC MC's obligations as the County's designated local arts agency. The current contract began in FY13 and has been renewed annually since. It is managed by the Department of Recreation and runs through June 30, 2020. The contract outlines specific responsibilities for AHC MC with respect to arts and humanities in the County. AHC MC must:

- Maintain a database of arts groups in Montgomery County;
- Provide counseling and referrals to help artists and arts organizations acquire funding;
- Publish a periodic newsletter and calendar of events;
- Plan and manage special events to promote arts in the County;
- Provide art "juries" as needed to help implement County art projects;
- Conduct workshops and seminars related to arts;
- Provide assistance to programs that bring arts to disadvantaged populations in the County;
- Award and monitor grants to artists/arts organizations from County Government funding.⁸

Among other things, AHC MC also provides marketing workshops/webinars for artists and organizations and access to discounted advertising (e.g., the *Washington Post*, *Bethesda Magazine*), publishes an annual guide to children's art activities in the County, and organizes exhibits of Montgomery County artists in Betty Mae Kramer Gallery and Music Room in the Silver Spring Civic Center.

AHC MC maintains two websites – a general website about the work of the organization and CultureSpotMC,⁹ which features local events, artists, and opportunities for arts and humanities experiences in and around Montgomery County. Both websites provide links to Power2give.org, a crowdsourcing platform that allows organizations to promote and solicit funding for A&H-related projects. AHC MC reports that local organizations have featured 122 campaigns through the platform and have raised over \$513,000.

AHC MC Funding and Grant-Making. The Council annually appropriates funds in a non-departmental account to fund the County's contract with AHC MC. Each year, AHC MC conducts grant review processes to distribute County Government funds to local A&H organizations, individual artists, and scholars. AHC MC offers a variety of grants that fund organizations' operating budgets and capital projects, provide funding to individual artists for specific projects, and help organizations and individual artists develop and strengthen skills to successfully navigate the arts economy (Table 2.2).

⁶ MCC §§ 5A-3; 5A-6.

⁷ <https://www.creativemoco.com/>. The Council designated AHC MC as the County's Arts and Humanities Council in Council Resolution 17-743, adopted May 24, 2012.

⁸ Contract 1019037 between Montgomery County, Maryland and Arts and Humanities Council of Montgomery County, Inc., at p. 1 (Aug. 2, 2012). Under a separate contract with the County Government, AHC MC administers the Public Arts Trust – the collection of art owned by the County Government and displayed in County Government buildings and elsewhere. Contract 1076544 between Montgomery County, Maryland and Arts and Humanities Council of Montgomery County, Inc. (Aug. 7, 2017). The AHC MC also facilitates the grants process to award capital improvement funding provided by the County Government for arts and humanities organizations. DGS manages the contracts for capital funding.

⁹ <https://www.culturespotmc.com/>

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Ninety percent of the County's FY20 funding for AHCMC is designated for grants to A&H organizations (\$5.1 million). The remaining ten percent funds AHCMC's administrative costs (\$556,735). AHCMC's grant funding is subject to Council decision-making. The Council annually apportions AHCMC's grant funding into grant categories – setting the maximum amount that AHCMC can award for each type of grant (Table 2.3). Key findings include:

- In FY20, the Council appropriated \$5.6 million for AHCMC;
- Around 60% of AHCMC funds are designated for operating grants to large A&H organizations;¹⁰ and
- The Council earmarked \$150K in both FY17 and FY18 for the National Philharmonic in AHCMC's budget.

¹⁰ Large organizations are defined as those with operating income and expenses over \$150,000 annually.

2.2. AHCMC Grant Types and Levels, FY19

Grant	Eligible Orgs/Individuals	Max. Base Grant	Purpose
Operating Support Grants	Operating income and exp >\$150K	5% of avg cash expenses	Operating budget funding
	Annual operating exp of \$50K-\$150K	\$25K	Operating budget funding
Project Grants	Annual operating expenses <\$50K	\$1K - \$5K	Support wide and diverse array of A&H activities that benefit County residents
Advancement Grants	Annual operating expenses of \$50K+	\$10K - \$100K	<ul style="list-style-type: none"> • Help orgs maintain fiscal stability and long-term viability • Support orgs in long-term and CIP planning and technology improvements
Artists and Scholars Grants	County resident at least 21 years old; Practicing artist or scholar	\$1K - \$5K	<ul style="list-style-type: none"> • Support new work; • Strengthen business, managerial, artistic, and/or scholarly skills
Wheaton Cultural Project Grants	<ul style="list-style-type: none"> • Annual operating budget <\$500K • Applicant based in MoCo and project takes place in Wheaton 	\$1K - \$10K	Support A&H in Wheaton
CIP Grants	Annual operating expenses of \$25K+	\$25K - \$250K	For organizations to complete existing structure or physical plant repairs
Arts Integration Residencies in Schools Grants	MSBE-approved schools in MoCo	\$1K - \$3K	Funding for arts programs that integrate arts curriculum with non-arts subject

Source: AHCMC

2.3. County Government Annual Appropriation to AHCMC, FY16-FY20

	AHCMC Administration	Operating Support Grants	Small/Mid-Size Orgs, Creative Projects, Arts Educ., Artist/Scholar Grants	Advancement Grants	A&H Matching Fund	Grants for Wheaton A&E District	Undesignated Grant	Grant to Nat. Phil.	Total
FY20	\$556,735	\$3,374,941	\$854,574	\$295,094	\$200,000	\$91,815	\$250,000		\$5,623,159
%	10%	60%	15%	5%	4%	2%	4%		100%
FY19	\$540,519	\$3,374,941	\$854,574	\$295,094	\$200,000	\$91,815			\$5,356,943
FY18	\$540,519	\$3,374,941	\$854,574	\$295,094	\$200,000	\$91,815		\$150,000	\$5,506,943
FY17	\$529,830	\$3,308,202	\$778,861	\$250,050	\$200,000	\$90,000		\$150,000	\$5,306,943
FY16	\$429,830	\$3,004,852	\$698,883	\$250,050	\$200,000	\$90,000			\$4,673,615

Source: County Council Budget Resolutions, FY16-FY20

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AHCMC's 5 Year Strategic Plan. In 2017, AHCMC released its *5 Year Strategic Plan: 2017-2022*.¹¹ Created by AHCMC's Board of Directors and executive staff members with input from many stakeholders in the arts community, the plan identifies four priority goals "to develop and support a sustainable arts and humanities sector for Montgomery County":

- Optimize grant-making;
- Invest in the organizational capacity of AHCMC;
- Strengthen the capacity of the arts and humanities in Montgomery County; and
- Augment the social, economic, and cultural development of the County.¹²

AHCMC convened public meetings, two stakeholder working groups, and individual interviews as a part of the strategic planning process.

Because AHCMC is a nonprofit organization under contract with the County Government, AHCMC's strategic plan focuses on goals for its work in the arts community and how it can best fulfill its responsibilities to the County. The *5 Year Strategic Plan* is not a strategic plan for arts, in general. The last strategic plan developed at the County level was released in 2001.

IV. Cultural Planning for the Arts in Montgomery County

In 2001, the Arts and Humanities Council of Montgomery County commissioned the last County-wide cultural plan developed for the local arts community, *Creative Montgomery – A Vision for Arts and Humanities in Montgomery County, MD*.¹³ Research for and writing of the plan was undertaken by Jerry Allen and Associates with the help of a 35-member Steering Committee. The County Council adopted a resolution generally endorsing the cultural plan and its recommendations.¹⁴

Creative Montgomery stemmed from a dramatic growth of arts and humanities organizations in the County, an increase in demand for County Government funding, and a recognition of the need for direction for arts in the County.¹⁵ *Creative Montgomery's* authors found a "demonstrated lack of available high quality theatrical performance rental space" in the County.¹⁶ At the time, the BlackRock Center for the Arts was under construction and Strathmore was getting ready to break ground on the Music Center.

The report contains many observations and recommendations that are still timely in 2019. Several key findings from *Creative Montgomery* related to this OLO report include:

¹¹ <https://www.creativemoco.com/strategicplan>

¹² *5 Year Strategic Plan: 2017-2022*, Arts & Humanities Council of Montgomery County, at p. 5 (2017) [hereinafter "*5 Year Strategic Plan*"].

¹³ *Creative Montgomery – A Vision for Arts and Humanities in Montgomery County, MD*, Jerry Allen and Associates (2001) [hereinafter "*Creative Montgomery*"].

¹⁴ Council Resolution 14-1040, October 23, 2001.

¹⁵ *Creative Montgomery*, at p. 1.

¹⁶ *Creative Montgomery*, at p. 54.

Competition with National Cultural Organizations. The County’s cultural organizations are competing for funding with national cultural organizations.¹⁷ The report recommended that “Montgomery County’s cultural institutions must find a ‘niche’ that will allow them to thrive without head-to-head competition with the much larger and better funded cultural groups in Washington, DC.”¹⁸

Community Financial Support. The region lacked a “culture of giving” similar to other regions, negatively impacting local fundraising.¹⁹ Corporate support of cultural organizations was described as “low and disappointing.”²⁰ In 2001, Maryland ranked 43rd out of 50 in private sector giving, receiving, on average, four percent of their budgets from private giving, as opposed to ten percent nationally.²¹ Arts and humanities ranked last in popularity among charitable causes.²²

While Maryland has moved up the ranks in private giving over the past 18 years – in 2017, Maryland ranked second overall in “Most Charitable States,” and ranked fourth in charitable giving²³ – feedback for this report is consistent with that in the 2001 report. Specifically, today Montgomery County organizations still are competing for funding with national-level organizations in Washington, D.C. and corporate charitable funding for nonprofits in Montgomery County is perceived as low among stakeholders in the nonprofit community who spoke with OLO.

Lack of Systematic Arts Planning. By 2001 the administration of County Executive Douglas Duncan had funded many capital projects for existing cultural institutions. The funding, however, did not stem from a systematic analysis of and vision for arts in the County. The plan drafters found that:

This commitment of capital funds is exemplary. However, it has not been part of an overall evaluation process that determines the merits of individual projects, long-term facility needs, the capacity of the sponsoring group to provide an equitable share of capital and operating funds, or the availability of increased programming to utilize the new facilities.... While the County has been generous in responding to numerous requests for capital improvement support from County general funds, there is no systematic evaluation of these proposals.²⁴

AHCMC leadership reports that the Arts & Humanities Council’s work and funding strategies today have been shaped by key findings from *Creative Montgomery*. Arts-related funding directed by AHCMC, however, is only one piece of County Government arts-related funding. Current information and feedback from County Government representatives for this report indicate that many Executive Branch decisions in recent years regarding arts-related funding are approached on an ad hoc basis.

¹⁷ *Creative Montgomery*, at p. 32.

¹⁸ *Creative Montgomery*, at p. 9.

¹⁹ *Creative Montgomery*, at p. 33.

²⁰ *Creative Montgomery*, at p. 31.

²¹ *Creative Montgomery*, at pp. 21, 32.

²² *Creative Montgomery*, at p. 30.

²³ Strauss, Karsten, “The Most and Least Charitable States in The U.S. In 2017,” *Forbes* (Dec. 4, 2017).

<https://www.forbes.com/sites/karstenstrauss/2017/12/04/the-most-and-least-charitable-states-in-the-u-s-in-2017/#352529cc2070>

²⁴ *Creative Montgomery*, at pp. 48, 53.

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Need to Strengthen Diversity in the Arts. The report authors emphasized the importance of embracing diversity in Montgomery County's arts community: "[t]he identification, development and promotion of culturally specific artists, scholars and organizations that represent diverse cultural traditions is essential to the creation of a mature cultural system. Involving these groups adds value to the education system, civil awareness and political process."²⁵

The authors also highlighted that while many community stakeholders supported increasing diversity in the arts and humanities community, others were "defensive."²⁶ Regardless of opposition, *Creative Montgomery* recommended that AHCMC adjust its funding at the time of local organizations to expand diversity in the community and encourage and develop more diversity within existing organizations.

Certainly no one wants 'bureaucracy' to mandate inclusiveness. It is incumbent, then, on the Arts and Humanities Council and its Board of Directors to establish policies and funding programs that can encourage and support the development of significant initiatives. These should be designed to assist the major institutions in planning for more inclusive programs, audiences, and the development of a broader volunteer and donor base.²⁷

The authors also extended the call for expanded diversity in the arts community to AHCMC, as it was constituted at the time, recommending that AHCMC diversify its staff and Board of Directors: "[i]t will be difficult for the Arts and Humanities Council to develop policy recommendations around the issue of cultural diversity unless AHCMC itself is diverse."²⁸

AHCMC representatives report that it has worked since the release of *Cultural Montgomery* to expand access to the arts community to diverse organizations and artists and to encourage existing organizations to expand their inclusivity. For example, evaluation criteria for AHCMC grants award points for organizations that affirmatively seek to engage diverse communities and underserved populations.²⁹ AHCMC provides guidance on its website to help organizations implement diversity, inclusion, and equity principles.³⁰ AHCMC also reports that currently, 70 percent of AHCMC staff and 58 percent of AHCMC's Board members are people of color.

²⁵ *Creative Montgomery*, at p. 69.

²⁶ *Creative Montgomery*, at p. 71.

²⁷ *Creative Montgomery*, at p. 71.

²⁸ *Creative Montgomery*, at p. 71.

²⁹

https://www.creativemoco.com/sites/default/myfiles/FY20%20Large%20Organizations%20General%20Operating%20Guidelines_3.pdf

³⁰

https://www.creativemoco.com/sites/default/myfiles/Diversity%2C%20Equity%20and%20Social%20Justice_Implementation%20Tips_2016.pdf

Chapter 3. Strathmore History

This chapter describes the Strathmore property and its acquisition by the County in 1978, the establishment and mission of the Strathmore Hall Foundation, and briefly, the building of the Music Center at Strathmore.

I. Strathmore Property

The property currently known as Strathmore was adjacent to The Rockville and Georgetown Pike, a toll road completed in 1823 that connects Georgetown and Frederick.¹ The property was owned in the late 1800s by Frank Ball, who had a stagecoach station and blacksmith shop on his farm. In 1899, James and Emma Oyster purchased land that included the current Strathmore property and subsequently built a summer house – the foundation of today’s Mansion at Strathmore.

In 1908, Charles and Hattie Corby bought 99 acres from the Oysters and ultimately expanded the estate to encompass 2,560 acres. The Corbys used The Mansion as a summer home until they expanded it to become their permanent residence in 1914. Mr. Corby died in 1926 and Mrs. Corby lived in The Mansion until her death in 1941. St. Mary’s Academy acquired two parcels from the Corby estate in 1943 and converted The Mansion into a convent and school.

In 1977, the sisters sold 30 acres to the American Speech-Language-Hearing Association (ASHA). Montgomery County purchased 10 of those acres from ASHA in 1978 for \$1,221,500. The County’s property included the Corby mansion, which was renamed Strathmore, taken from nearby Strathmore Avenue. The mansion underwent renovation for use as the site for the National Symphony Orchestra Decorators’ Show House in 1981 and opened to the public in June 1983 with the Montgomery County Permanent Collection. In 2018, the Maryland State Department of Assessments and Taxation assessed the value of the Strathmore property at \$167,693,000 - \$6.5 million in land value and \$161.2 million in value for the improvements (buildings, etc.).

In 1981, with the involvement of the County Executive and County Council, a group of residents established the Strathmore Hall Foundation, Inc. (SHF or “the Foundation”) as a Maryland nonprofit organization for the purpose of contracting with the County to operate and manage the Strathmore property. From the time that the County purchased the Strathmore property for use as a County arts venue, the County and the Foundation envisioned building a performing arts center on the property.

In 1996, the Baltimore Symphony Orchestra approached the Strathmore Hall Foundation with a proposal to create a second home for the Orchestra in Montgomery County – giving birth to the development and building of the Music Center at Strathmore. In 1998, the County Council and the State of Maryland agreed to a cost-sharing plan to construct the Music Center and construction began in 2001. The Music Center at Strathmore – a 190,000 square foot building with a 1,976-seat concert hall, multi-disciplinary education space, and administrative office space – opened to the public in February 2005.

In 2014, Symphony Park, LLC bought land from ASHA adjacent to the Strathmore property to build a townhouse development at the Southeast corner of Rockville Pike and Strathmore Avenue. The parcel included approximately five acres of land that Symphony Park would not use for the development and the company subsequently conveyed those five acres to the County Government for \$10 to become part of the Strathmore property.²

¹ <https://www.yumpu.com/en/document/read/43437974/history-b-architecture-strathmore>

² Special Warranty Deed between Symphony Park, LLC and Montgomery County, MD for Parcel #04-03676263 (Aug. 6, 2014).

II. Strathmore Hall Foundation

The Strathmore Hall Foundation, Inc. (SHF) was legally formed as a Maryland nonprofit corporation in 1981 for the specific purpose of operating and managing the Strathmore property. Both the County Executive and the County Council endorsed the establishment of the Strathmore Hall Foundation “to provide an organization which will be concerned with the operation and development of the Strathmore Hall Arts Center.”³

The Foundation’s Articles of Incorporation outline its purposes:

- “To foster and support **the development of the Strathmore Hall Arts Center** and the effective use of its facilities as a multi-disciplinary center for promoting and encouraging participation in and appreciation of the performing, literary and visual arts”;
- “To **restore, improve and maintain the existing Mansion** as an accessible arts center to sharpen the focus of community involvement, to facilitate activities and to enhance interests in the arts by young and old, amateur and professional, artist and audience...”;
- “To promote and expedite, or itself undertake, **the planning, design, financing, and construction of other buildings, structures and facilities on the site**, or properties of the Strathmore Hall Arts Center necessary or desirable for carrying out the full range of activities in the performing, literary, and visual arts....”⁴

The Foundation’s Board of Directors may include up to 30 members and currently has 27 members. Eight members are related to the County Government:

- 6 members with “demonstrated interest in the arts” are appointed by the County Executive and confirmed by the County Council, and
- 2 members are ex-officio members with full voting rights – the Director of the County Department of Recreation or designee and an individual designated by the County Council as its liaison.⁵

One Board member is a designee of the Maryland Classic Youth Orchestra Advisory Council and the remaining Board members are chosen by sitting members of the Board of Directors for “their special competence, knowledge, experience or effectiveness in one of the arts....” Strathmore representatives report that in addition to selecting members who are experienced in the arts, the Board chooses members to “reflect the broad diversity of the County so that [Strathmore] may attempt to maximize input from a range of interests and ensure that the program offered at the Foundation’s facilities is both artistically and culturally diverse.”

Two County Government employees currently sit on Strathmore’s Board of Directors – a County Government Assistant Chief Administrative Officer as designee for the Recreation Director (Fariba Kassiri) and a Councilmember (Andrew Friedson, District 1).

³ Council Resolution 9-1460, *Endorsement of Articles of Incorporation for the Strathmore Hall Foundation* (Sept. 15, 1981).

⁴ Articles of Incorporation of The Strathmore Hall Foundation, Inc., Article II, adopted September 25, 1981 [hereinafter “1981 Articles of Incorporation”].

⁵ See Articles of Amendment and Restatement of The Strathmore Hall Foundation, Inc., adopted July 1, 2015 [hereinafter “2015 Articles of Incorporation”] and By-Laws of the Strathmore Hall Foundation, Inc., at Article III (as amended Sept. 26, 2018).

The SHF has amended its Articles of Incorporation three times –in 2004, 2013, and 2015. The amendments made changes to the structure and make-up of the SHF Board of Directors, authorized the SHF to distribute funds to other nonprofit organizations, and made changes to personnel designations for the Foundation.⁶

The Foundation’s President and Chief Executive Officer heads the day-to-day management and oversight of the Strathmore property, the Music Center, the Mansion, and Strathmore’s off-campus activities. The current President and CEO assumed the role of President in 2011 and the combined role of President and CEO in 2018. The former President and CEO managed the Strathmore property from its opening in 1981 until his retirement in August 2018.

III. Building of the Music Center at Strathmore

The idea of building an “arts center” or a “cultural center” in Montgomery County is seen in County reports dating back to the late 1950s. Examples include:

- **A 1959** Cultural and Civic Center Study Committee that recommended development of a cultural center with an arts center and civic auditorium.⁷
- **A 1967** M-NCPPC staff report on the building of a cultural center in the County noting a desire among local arts groups for a cultural center in the County due to “the increasing, expressed interest of the population at large in cultural activities.”⁸
- **A 1976 feasibility study** from Barton-Aschman Associates of Washington, D.C., a planning and development firm, recommending the creation of a multi-disciplinary arts center in the County.⁹
- **A 1986 “Master Plan”** from Dewberry & Davis, a planning/engineering/design firm, included a concert hall among the possible uses and activities for the Strathmore property.¹⁰
- **A 1995** task force report on the Future of the Arts in Montgomery County describing the need for additional performing arts space in the County.¹¹

The Strathmore Hall Foundation’s Articles of Incorporation state that one of the Foundation’s objectives is to develop other buildings on the Strathmore Property “necessary or desirable for carrying out the full range of activities in the performing, literary, and visual arts....”¹² The County Government’s 1983 lease with the SHF gives the Foundation a non-exclusive right to plan and implement the construction of new buildings for “the performing, visual or literary arts....”¹³ In the lease, the County Government also “acknowledges that the [SHF]

⁶ See Articles of Amendment and Restatement of The Strathmore Hall Foundation, Inc., adopted June 23, 2004 and 2015 Articles of Incorporation.

⁷ Draft Report of the Cultural and Civil Center Study Committee to the Montgomery County Council, at p. 6 (Nov. 16, 1960). Note: the documents provided to OLO about this Committee did not include the Committee’s final report.

⁸ A Cultural Center Report for Montgomery County Maryland: Phase I Inventory, M-NCPPC, at pp. 1, 3 (May 1967).

⁹ See A Summary of The History and Continuing Relationship Between The Strathmore Hall Foundation and Montgomery County Government, at p. 1.

¹⁰ Master Plan: Strathmore Hall Arts Center, Dewberry & Davis, at p. Executive Summary 3 (Feb. 1986).

¹¹ Report of the Task Force on the Future of the Arts in Montgomery County, at pp. 8-9 (Oct. 1995).

¹² 1981 Articles of Incorporation, Article II.

¹³ 1983 Lease Agreement, § 7.C.

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has as one of its early objectives the construction of a year-round facility that will more adequately meet the requirements of the performing arts than the space presently available in the existing building.”¹⁴

In July 1996, during the tenure of County Executive Douglas Duncan, William Rawn Associates, architects of the Boston Symphony Orchestra’s Ozawa Hall at Tanglewood, released an analysis requested by the County Government and the Strathmore Hall Foundation entitled *New Concert Hall and Educational Facility on the Grounds of Strathmore Hall: A Programming Proposal*.¹⁵ The analysis found:

- Interest in a concert hall by local musical organizations and County residents;
- Good proximity of the Strathmore property to public transportation options;
- The feasibility of building a concert hall for approximately \$50 million (excluding several costs).

In the FY98 budget, the Council approved the Executive’s request for funding for a feasibility study to examine potential costs and revenues for a concert hall, to conduct a market analysis, and to examine the business viability of a concert hall in the County. Wolf, Keen & Company was hired to conduct the study and issued their feasibility report in April 1998 followed by a business plan for the project in April 1999.

In the FY99 proposed capital budget, County Executive Duncan submitted a capital project to the Council with funding for the planning and design of “a multi-disciplinary education and performance center” – with half of the \$5 million project costs (costs for planning and design only) funded by G.O. Bonds and half by State aid.¹⁶ The Council approved the project.¹⁷ Council files include both letters of support for and opposition to the project. Organizations such as the Bethesda-Chevy Chase Chamber of Commerce and the Montgomery County Conference and Visitors Bureau supported the project as did many County residents. Some residents opposed the project and joined together into groups to advocate their position, such as the Citizen’s Coalition of Grosvenor Metro Communities. Among other reasons, opposition was based on concern for increased traffic congestion in the area and on financial and fiscal concerns related to the cost of building and maintaining a music center.

The County’s Department of Facilities and Services (DFS) managed the design and construction of the Music Center with Strathmore Hall Foundation representatives providing input on the design of the building. As the project progressed, Council records indicate that the HHS Committee received quarterly updates from County Government and SHF representatives related to both the construction of the Music Center and to the SHF’s capital fundraising for the project and development of agreements with the resident partners at the Music Center.

When the Council approved funding for the construction of the Music Center, the Council indicated that the County’s contribution would not exceed \$45 million – half of the proposed costs of construction – with the State of Maryland funding the other half.¹⁸ The project incurred costs overruns and in January 2004, County Executive Douglas Duncan sent the Council a request for a supplemental appropriation for an additional \$6.6 million, which the Council ultimately approved.¹⁹ The Strathmore Hall Foundation raised approximately \$10 million for the project, which was used to purchase furnishings and other internal fixtures of the Music Center. The Music Center opened to the public in February 2005. (See the section on Defrayment Payments in Chapter V for additional detail on cost overruns and request for additional funding related to the building of the Music Center.)

¹⁴ Ibid.

¹⁵ *New Concert Hall and Educational Facility on the Grounds of Strathmore Hall: A Programming Proposal*, William Rawn Associates, Architects, Inc., at p. 4-5.

¹⁶ Strathmore Hall Arts Center (PDF No. 509904), Jan. 2, 1998).

¹⁷ See HHS Committee Packet, Item #1, at p.2 (Jan. 21, 1999).

¹⁸ Council Minutes, at p. 9 (Feb. 10, 2004).

¹⁹ Memorandum from County Executive Douglas Duncan to Council President Steven Silverman (Jan. 12, 2004) [hereinafter “1-12-04 Duncan Memo”]; Council Resolution 15-508 (Feb. 10, 2004).

Chapter 4. Strathmore Operations and Programming

This chapter describes the Strathmore Hall Foundation’s operation of the Strathmore property and programming, including data on the staff of the SHF and the Foundation’s annual income and expenses. It also describes off-site programming that the Strathmore Hall Foundation has undertaken over the past several years. The chapter is organized as follows:

- I. Artistic Programming and Use of the Strathmore Property
- II. Music Center Use
- III. Staff of the Strathmore Hall Foundation
- IV. Income, Expenses, and Investments

I. Artistic Programming and Use of the Strathmore Property

The Strathmore Hall Foundation oversees all programming on the Strathmore property – presenting its own programming and coordinating the presentation of programming by its resident partners and other third parties. Multiple venues on the property are also available for rental¹ by private groups and individuals, including:

Spaces in the Music Center

- 1,976-seat concert hall
- Lobby
- Outdoor terrace
- Pavilion
- Orchestra rehearsal rooms

Spaces in the Mansion

- 100-seat music room
- Art exhibition spaces
- Outdoor concert pavilion
- Outdoor sculpture garden
- Conference room

The Strathmore Hall Foundation has several “resident partners” at the Music Center who regularly rent or use space for performances, teaching, and office space. The resident partners are the Baltimore Symphony Orchestra, the National Philharmonic, Levine Music, CityDance, InterPlay Orchestra, and Washington Performing Arts. Chapter 6 describes the resident partners in more detail.

The Music Center building also includes office, educational, and rehearsal space. The Strathmore Hall Foundation’s offices are in the Music Center. In addition to their rental of the Concert Hall for performances, the Baltimore Symphony Orchestra rents office space in the Music Center and the National Philharmonic rents office and rehearsal space. Levine Music and CityDance both rent educational and office space in the Music Center. The Strathmore Hall Foundation also presents educational offerings. Examples include:

- | | |
|-------------------------------------|----------------------------------|
| • Maryland Classic Youth Orchestras | • Strathmore Student Concerts |
| • Strathmore Children’s Chorus | • Saturday Family Jam sessions |
| • Artists in Residence | • Saturday Family Story Sessions |

¹ The highest rental price for use of the Concert Hall in the Music Center is \$18,460 per day (includes base rent plus security, front of house services, stage hand management, and ticket office services). Rates vary based on time of day and day of week. Rental rates for Strathmore’s resident partners are discounted from this rate. FY20 rate card for the Music Center: <https://d1gygfmjn8fvt3.cloudfront.net/www/pdf/FY20%20Rate%20Card%20%20-%20Music%20Center%20at%20Strathmore%20REVISED%20Jan%202019.pdf>; Rate card for the Mansion: <https://d1gygfmjn8fvt3.cloudfront.net/www/pdf/Rate%20Card%20%20-%20Mansion%20at%20Strathmore%202018%20NEW.pdf>.

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- Visual Arts and Music Skills workshops
- Uke & Guitar Summit
- Amplify US! Arts to Build Cultural Bridges
- Strathmore at Good Hope Neighborhood Rec. Center
- Corridor Concerts
- Bloom Festival Chorus
- Community Festivals
- Arts partnership program at Walter Reed National Military Medical Center and Fort Belvoir
- Bilingual Guided Exhibit Tours
- Spring Break @ Strathmore with JoAnn Leleck ES
- Step Up East County
- East County Strings
- Latin Strings and Percussion Orchestra
- Food, Fitness, Fun and Fundamentals Summer Camp
- Field trips
- Summer art camps; and
- Adult creative writing workshops and book clubs

The Mansion provides gallery space where the Foundation hosts exhibitions.² Exhibits running through the end of July 2019 include the 32nd Biennial Exhibition of the Creative Crafts Council and Perspective: Henry Wo Yue-Kee. For over 30 years, the Foundation has offered afternoon tea in the Mansion, currently staffed with volunteer servers and volunteer local musicians and food provided by Ridgewells caterers.³

The SHF makes food and beverages available to visitors at each of its venues through a café, lobby bars, private events, and tea. The Foundation has a contract with Ridgewells caterers that runs through 2020 to provide refreshments for all venues on the Strathmore property and at the AMP venue in North Bethesda.⁴

Programming at Other Venues. SHF also provides programming at locations off the Strathmore property.

AMP (North Bethesda). Beginning in FY15, the Strathmore Hall Foundation and Federal Realty Investment Trust created a live music venue (AMP by Strathmore) in the Pike & Rose neighborhood of North Bethesda. The SHF manages programming, concert production, and rentals at the AMP venue and is responsible for all costs associated with its operation.⁵ AMP is a smaller venue with a seated capacity of up to 230 people.⁶ The SHF's license agreement to manage the venue runs through 2021 and the Foundation pays rent quarterly equal to 60% of the facility's net revenue. The SHF did not pay any rent in FY18.⁷

Bloom. In 2015, the Strathmore Hall Foundation launched the East County Initiative – a program using community partnerships to bring ongoing arts programming to communities in east Montgomery County to bring “critical arts engagements to those most in need.”⁸ The SHF conceived of the program following a 2014 *Washington Post* article about poverty in the East County. Strathmore worked with the Department of Recreation, the East County Regional Services Center, MCPS, the Latin American Youth Center, and leaders of over 40 faith communities in the East County, among others, to identify needs and opportunities.

In 2017, the SHF expanded the program to other areas in the County and renamed it Bloom. Examples of programs provided by the Strathmore Hall Foundation through Bloom include:

² <https://www.strathmore.org/visual-arts/exhibitions>

³ <https://www.strathmore.org/announcements/tea-30>

⁴ Strathmore Hall Foundation Financial Statements for the Year Ended June 30, 2018, at pp. 26-27 [hereinafter “SHF FY18 Financial Statements”].

⁵ <https://www.ampbystrathmore.com/>

⁶ Live shows at AMP are primarily musical and vary widely from the classical music often presented in the Music Center. Some shows listed on the AMP website during the summer of 2019 include: a New-Orleans style music ensemble, a country music songwriter, a 1960s music cover band, an electro Palestinian band, and musicians presenting blues, folk, jazz, klezmer, and soul music. Individuals and businesses can rent the AMP space for private use or to present ticketed shows open to the public.

⁷ SHF FY18 Financial Statements, at p. 26.

⁸ <https://www.strathmore.org/bloom>

East County Strings	Six-week, tuition-free after-school program of music coaching by professional instrumentalists for 180 middle school students
Latin Strings and Percussion	Four-week, tuition-free after-school program of music coaching by professional instrumentalists for 92 string and orchestra students in two middle schools and one high school (Magruder cluster) where the study is not otherwise available
Sing Out!	After-school choral program in two middle schools with no chorus option
Step Up East County	Partnership with Step Afrika! to provide twelve weeks of tuition-free, after-school instruction in the art of stepping with professional artists at three sites
Bloom Festival Chorus	Multigenerational chorus of approximately 100 singers
Classes and Concerts at the Good Hope Neighborhood Recreation Center	Partnership with the Department of Recreation to provide classes and free concerts to the community
Corridor Concerts	Quarterly free concerts held in partnership with various faith communities in East County – featuring a faith community choir and Strathmore Artists in Residence

Classes at the Good Home Neighborhood Recreation Center in the Spring of 2019 included learning to play the ukulele, learning to play steelpans, Step Afrika!, and a poetry workshop.⁹ The Strathmore Hall Foundation finances Bloom primarily through corporate and individual donations and by working with the Department of Recreation, Montgomery County Public Schools, numerous community organizations, and individual volunteers.

Attendance at Strathmore. The Strathmore Hall Foundation provided data on attendance for Strathmore Presents programs and other visitors.

4.1. Attendance,* FY19 Season

	# of Attendees
Strathmore Presents Shows	69,138
Mansion and Grounds Visitors	28,500
Strathmore MCPS Student Concert Series	26,268
AMP Shows	13,576
Mansion Art Exhibits	8,971

Source: Strathmore Hall Foundation

* Data do not include attendance for resident partner programming or outside rental events

4.2. Location of Ticket Buyers for Strathmore Presents Shows, 2017-2019 Seasons

Location	% of All Ticket Buyers
State of Maryland	72%
Montgomery County	55%
Commonwealth of Virginia	13%
District of Columbia	9%
Prince George's County	7%

Source: Strathmore Hall Foundation

⁹ <https://d1gygfmjn8fvt3.cloudfront.net/www/pdf/Season%20Update-November%202018.pdf>

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II. Music Center Use

The SHF reports that the Music Center concert hall – the largest venue on the Strathmore property – is used around 200 days per year by the Foundation, its resident partners, and others. The data in the next table summarize annual use. Performances presented by the Strathmore Hall Foundation accounted for just over 50 percent of the concert hall use in FY19. Performances by the Baltimore Symphony and National Philharmonic accounted for 27 percent of the FY19 concert hall use.

4.3. Annual Use of the Music Center Concert Hall, Number of Days, FY14-FY19

	FY14	FY15	FY16	FY17	FY18	FY19
Performances						
Strathmore Presents	79	80	86	90	85	91
Baltimore Symphony	34	39	42	39	33	33
Concert Hall Rentals	46	37	35	24	22	31
National Philharmonic*	21	17	17	17	15	15
Washington Performing Arts	4	5	6	6	5	6
City Dance	2	2	2	2	2	2
Total Performance Days	186	180	188	178	162	178
Rehearsals						
Strathmore Presents	8	8	12	10	14	13
Baltimore Symphony	--	--	--	--	1	--
Concert Hall Rentals	3	5	6	4	2	5
National Philharmonic	7	3	9	3	3	2
Washington Performing Arts	--	2	--	--	1	2
City Dance	1	1	2	2	4	1
Total Rehearsal Days	19	19	29	19	25	23
Grand Total	205	199	217	197	187	201

Source: Strathmore Hall Foundation

* In addition, National Philharmonic performs, on average, seven concerts each year for MCPS 2nd graders in the Strathmore Student Concerts program

The Strathmore Hall Foundation also provides use of the Music Center and Mansion either free of charge or at a reduced rent for a variety of non-partner groups and organizations – five times a year on average in the Music Center alone since it opened in 2005. Examples include:

- County Government programming, including ADA celebrations, Martin Luther King Jr. Day tributes, and Executive and Council swearing-in ceremonies;
- Rehearsal and performance space for InterPlay Orchestra, a resident partner;
- Poolesville and Rockville High Schools graduation ceremonies;
- Friday Morning Music Clubs;
- Friends of the Library;

- District IV Garden Clubs;
- Annapolis Symphony;
- Young Artists of America;
- Maryland Symphony Orchestra;
- Concerts by area school choruses and ensembles; and
- Latin Dance competitions.

III. Staff of the Strathmore Hall Foundation

As of July 18, 2019, the Strathmore Hall Foundation had 284 employees – 47 full-time and the remainder part-time employees. The Foundation also relies on volunteers who work in varied capacities, including event staffing and musical expertise.¹⁰ Strathmore estimated that it had 450 volunteers in FY17.¹¹

SHF box office employees, wardrobe employees, and stagehands are represented by labor unions. The SHF's collective bargaining agreement with box office employees runs through January 15, 2020 and its CBA with the stagehands runs through August 31, 2022.¹²

4.4. Strathmore Hall Foundation Employees, July 2019

Division	# of Emp.	Division	# of Emp.
Union	109	Marketing & Communications	7
Operations	25	AMP	7
Education	24	Administration	5
House Assistants	22	Development	5
House Managers	22	Interns	3
Ticket Office	21	Finance	2
Gift Shop	11	Visual Arts	2
Programming	10	Other	1
Wardrobe Union	8		

Source: Strathmore Hall Foundation

IV. Income, Expenses, and Investments

This section describes data related to the Strathmore Hall Foundation's income and expenses. The data come from the Foundation's audited financial statements and from data provided by the Foundation. The next table shows the Strathmore Hall Foundation's revenues and expenses from FY14-FY18. Note that the Foundation's income and expenses do not reflect the County Government's costs for maintenance, utilities, and capital spending related to the Strathmore property. The County's costs related to Strathmore are summarized in Chapter 5.

¹⁰ SHF FY18 Financial Statements, at p. 20.

¹¹ Strathmore IRS Form 990 for 2016, Part I.

¹² SHF FY18 Financial Statements, at p. 26.

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4.5. Strathmore Hall Foundation Net Difference – Income and Expenses, FY14-FY18

	FY14	FY15	FY16	FY17	FY18
Revenues	\$8,173,529	\$10,102,311	\$11,340,965	\$13,729,305	\$16,788,269
Expenses	\$8,508,049	\$9,172,425	\$10,965,179	\$12,930,523	\$12,865,186
Difference	(\$334,520)	\$929,886	\$375,786	\$798,782	\$3,923,083

Source: Strathmore Hall Foundation Audited Financial Statements, Statement of Activities and Changes in Net Assets

The SHF's revenue increased sharply from FY17 to FY18, primarily due to \$4 million in contributed income (donations) in FY18 for capital expenses to enclose a terrace at the Music Center, which will add 5,000 sq. ft. of enclosed space to the current dining area and add an escalator between floors – called the Bou Terrace Capital Campaign.¹³ The State of Maryland has contributed \$7 million to the project, \$1 million in FY17, \$3 million in FY18, and \$3 million in FY19. The table with the summary of contributed income on page 27 breaks out the sources of contributed income from FY14-FY18, including donations specifically for the Bou Terrace project.

Income. The tables on the next two pages show additional detail for the Foundation's revenues and expenses. Table 4.6 breaks down the SHF's revenue as reported in the Foundation's financial statements. Three revenue sources in that table make up are typically referred to as "donations" – contributions and sponsorships, in-kind contributions, and special events. Table 4.7 on the next page breaks down donations by source – i.e., individual, corporate, government, etc. Adding together the revenue from contributions and sponsorships, in-kind contributions, and special events from the first table will result in the total contributed income in the second table.

The Foundation's contributed income increased significantly from FY17 to FY18. The increase was primarily due to funding and fundraising related to the Bou Terrace project.

4.6. Strathmore Hall Foundation Gross Revenue, FY14-FY18

Source	FY14	FY15	FY16	FY17	FY18
Contributions and Sponsorships	\$2,386,765	\$4,137,704	\$3,502,732	\$3,784,953	\$8,251,314
Production	\$2,741,295	\$3,702,306	\$5,229,615	\$5,424,850	\$4,545,472
Rental	\$1,473,496	\$1,262,880	\$1,280,452	\$2,871,233 ⁺	\$2,478,873
Investment Income	\$577,895	\$167,757	(\$343,896)	\$690,132	\$459,548
In-kind Contributions	\$367,548	\$193,532	\$343,023	\$183,647	\$389,560
Special Events	\$243,539	\$296,189	\$189,045	\$265,314	\$254,179
Sales	\$211,014	\$175,246	\$210,349	\$202,253	\$212,797
Other	\$171,977	\$166,697	\$338,492	\$306,923	\$196,526
Transfer of Assets from MCYO	\$0	\$0	\$591,153	\$0	\$0
Total	\$8,173,529	\$10,102,311	\$11,340,965	\$13,729,305	\$16,788,269
Year-to-Year Change		24%	12%	21%	22%

¹³ See <https://www.strathmore.org/your-visit/construction>.

4.6. Strathmore Hall Foundation Revenue, FY14-FY18 (cont.)

% of Revenue	FY14	FY15	FY16	FY17	FY18
Contributions and Sponsorships	29%	41%	31%	28%	49%
Production	34%	37%	46%	40%	27%
Rental	18%	13%	11%	21%	15%
Investment Income	7%	2%	-3%	5%	3%
In-Kind Contributions	4%	2%	3%	1%	2%
Special Events	3%	3%	2%	2%	2%
Sales	3%	2%	2%	1%	1%
Other	2%	2%	3%	2%	1%
Transfer of Assets from MCYO*	0%	0%	5%	0%	0%
Total	100%	100%	100%	100%	100%

Source: Strathmore Hall Foundation Audited Financial Statements, Statement of Activities and Changes in Net Assets

* Maryland Classic Youth Orchestra

* In FY17 the SHF changed how it billed for concert hall rentals to include fixed costs in the base rental cost. In prior years, those costs were billed for separately. These changes account for the variance in rental income between FY16 and FY17

4.7. Strathmore Hall Foundation Contributed Income (Donations), FY14-FY18

Source	FY14	FY15	FY16	FY17	FY18
Government (All)	\$998,897	\$1,099,643	\$1,107,671	\$1,213,134	\$1,369,326
Individual	\$1,047,267	\$2,473,649	\$1,878,779	\$1,162,622	\$1,183,196
Foundation	\$204,600	\$317,998	\$270,069	\$252,533	\$1,253,930
Corporate	\$379,540	\$542,603	\$435,258	\$421,977	\$520,811
In-Kind	\$367,548	\$193,532	\$343,023	\$183,647	\$389,560
Subtotal	\$2,997,852	\$4,627,425	\$4,034,800	\$3,233,913	\$4,716,823
Bou Terrace Capital Campaign					
Government (State)				\$1,000,000	\$3,000,000
Individual					\$1,139,068
Corporate					\$39,163
Subtotal				\$1,000,000	\$4,178,231
Total	\$2,997,852	\$4,627,425	\$4,034,800	\$4,233,913	\$8,895,054

Source: Strathmore Hall Foundation

The data in the next table summarize the SHF's rental income from FY14-FY18 and breaks down rental income specifically for use of the concert hall. Total rental income increased from approximately \$1.5 million in FY14 to \$2.5 million in FY18. Concert Hall rental income accounted for approximately 70-80 percent of total rental income at the Strathmore property each year. The data in Table 4.8 correspond to the rental income data in Table 4.6.

Note that in FY17, the Strathmore Hall Foundation changed how it billed for rentals to include fixed costs related to concert hall rentals in the base rental cost. In prior years, those costs were billed and accounted for separately. These changes account for the variance in concert hall rental income between FY16 and FY17.

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4.8. Strathmore Gross Rental Income, FY14-FY18

Strathmore Venue	FY14	FY15	FY16	FY17	FY18
Concert Hall	\$1,050,547	\$864,502	\$848,914	\$1,249,616	\$1,155,715
Education Center	\$156,396	\$155,734	\$141,129	\$150,712	\$154,917
Mansion	\$187,542	\$122,070	\$89,796	\$132,317	\$113,076
Music Center Other (lobby, lawn, etc.)	\$40,180	\$70,514	\$51,908	\$83,056	\$25,336
Other	\$38,831	\$10,000	\$4,850	\$0	\$0
Subtotal	\$1,473,496	\$1,222,820	\$1,136,597	\$1,615,701	\$1,449,044
Other Venue					
AMP		\$40,060	\$143,855	\$160,968	\$121,794
Other Rental Production Income				\$1,094,565	\$908,036
Total	\$1,473,496	\$1,262,880	\$1,280,452	\$2,871,234	\$2,478,874

Source: Strathmore Hall Foundation

Expenses. The next table summarizes the Strathmore Hall Foundation's expenses from FY14-FY18 from the Foundation's financial statements.

4.9. Strathmore Hall Foundation Expenses, FY14-FY18

Source	FY14	FY15	FY16	FY17	FY18
Performing Arts	\$3,124,081	\$3,850,556	\$4,701,180	\$4,655,490	\$4,106,152
Retail and Operations	\$1,090,712	\$1,097,035	\$1,255,879	\$2,864,427	\$2,855,172
Management and General	\$1,554,497	\$1,309,682	\$1,602,531	\$1,647,910	\$1,951,749
Education	\$705,978	\$747,679	\$1,331,042	\$1,600,611	\$1,809,723
Development	\$1,040,333	\$1,098,656	\$1,024,199	\$1,055,735	\$1,042,492
Communications	\$817,995	\$892,579	\$841,763	\$884,053	\$882,992
Visual Arts	\$174,453	\$176,238	\$208,585	\$222,297	\$216,906
Total	\$8,508,049	\$9,172,425	\$10,965,179	\$12,930,523	\$12,865,186
Year-to-Year Change		8%	20%	18%	-1%
% of Expenses	FY14	FY15	FY16	FY17	FY18
Performing Arts	37%	42%	43%	36%	32%
Retail and Operations	13%	12%	11%	22%	22%
Management and General	18%	14%	15%	13%	15%
Education	8%	8%	12%	12%	14%
Development	12%	12%	9%	8%	8%
Communications	10%	10%	8%	7%	7%
Visual Arts	2%	2%	2%	2%	2%
Total	100%	100%	100%	100%	100%

Source: Strathmore Hall Foundation Audited Financial Statements, Statement of Activities and Changes in Net Assets

Investments. The data in the next table summarize the Foundation's investments as reported in its financial statements, including the value of endowments – \$5.0 million in June 2018. In FY15 the Maryland Classic Youth Orchestras (MCYO) merged with the Strathmore Hall Foundation.

4.10. Strathmore Hall Foundation Investments, FY14-FY18

	FY14	FY15	FY16	FY17	FY18
Endowments	\$4,688,180	\$4,735,366	\$4,485,739	\$4,840,233	\$5,031,717
Reserve	\$312,185	\$806,785	\$1,028,492	\$1,051,237	\$1,097,346
Sinking Fund	\$382,626	\$969,499	\$1,034,086	\$907,267	\$1,046,305
MCG Funds in Endowment	\$547,581	\$560,383	\$534,288	\$584,488	\$621,805
MCYO Reserve Fund	\$0	\$0	\$500,535	\$547,416	\$582,366
MCYO Eberly Fund	\$0	\$0	\$0	\$21,294	\$23,303
General Operations	\$1,210,751	\$0	\$0	\$0	\$0
Elizabeth Culp Fund	\$30,733	\$15,451	\$14,733	\$0	\$0
Artistic Initiative Fund	\$11,432	\$11,700	\$0	\$0	\$0
Total	\$7,183,488	\$7,099,184	\$7,597,873	\$7,951,935	\$8,402,842

Source: Strathmore Hall Foundation Audited Financial Statements

* See Chapter 5 for a more detailed explanation of Strathmore's endowments and sinking fund

Retirement Costs. Strathmore Hall Foundation employees participate in the County Government's three retirement plans – the Employee's Retirement System (ERS), the Retirement Savings Plan (RSP), or the Guaranteed Retirement Income Plan (GRIP) – and the Foundation pays for the employer costs related to their participation. Similarly, the Foundation provides and pays the employer costs for postemployment benefits (e.g., medical, life, dental insurance) for SHF retirees via participation in the County Government's Consolidated Retiree Health Benefits Trust.¹⁴

¹⁴ SHF FY18 Financial Statements, at pp. 21-25.

Chapter 5. County Government's Relationship with the Strathmore Hall Foundation

This chapter describes the key people and agreements that govern the day-to-day relationship between the County Government and the Strathmore Hall Foundation. The chapter is organized as follows:

- I. County Government Liaisons to and Lease with the Strathmore Hall Foundation;
- II. Key Strathmore Hall Foundation Fund Agreements;
- III. Maintenance of the Strathmore Property;
- IV. Defrayment Payments; and
- V. County Government spending related to the Strathmore property.

I. County Government Liaisons to and Lease with the Strathmore Hall Foundation

The on-going day-to-day relationship between the Strathmore Hall Foundation and the County Government regarding the Strathmore property is governed by a 2004 lease agreement that allows the Foundation to lease the Strathmore property from the County for \$1 per year.

A. County Government Liaisons

The County Government is not involved in the day-to-day operation of the property nor does it have any decision-making authority related to artistic content, programming, operations, or secondary uses (e.g., renting space to others). Several County Government employees, however, do regularly interact with Foundation staff in varying capacities.

- **SHF Board of Directors**

Two County Government employees sit on Strathmore's Board of Directors – currently Councilmember Andrew Friedson and the Deputy Chief Administrative Officer (DCAO) in the Office of the County Executive.¹ They are voting Board members who can also act as liaisons between the Strathmore Hall Foundation and the County Government. Councilmember Friedson is anticipated to join the Board's Audit Committee and the DCAO currently is a member of the Board's Finance Committee.

- **SHF Facilities Support Committee**

The Director of the Department of General Services (DGS) is responsible for overseeing County maintenance of the Strathmore property and he represents the County as owner of the Strathmore facilities and grounds on Strathmore's Facilities Support Committee. This Committee oversees the support of Strathmore's capital facilities, maintenance, and projects – working with the Strathmore Executive Vice President of Operations, operations staff, and DGS. The Committee oversees property maintenance support, buildings and equipment life issues, the sustainability of all physical assets, and oversight of the Strathmore Campus and capital projects.

¹ Past Board members have included an at-large Councilmember and the Director of the Department of Finance.

- **SHF Finance Committee**

The Executive Director of the Montgomery County Employee Retirement Plans also assists the Strathmore Board's Finance Committee with investment-related advice – attending quarterly meetings of the Finance Committee at which Strathmore's investment firm presents the reports on the SHF's investments. She reviews quarterly reports, asks questions, and provides input on the performance of the investments and the decisions considered by the Committee, but does not vote on any matters. She also makes herself available to the Foundation's Executive and Finance staff members to answer questions and provide counsel.

B. County Government Lease with Strathmore Hall Foundation

The 2004 Lease Agreement is the County Government's second lease with the Foundation. The first lease – signed in 1983 – would have ended after 25 years – in 2008.² The County Government entered into the 2004 lease agreement with the Foundation to incorporate the anticipated opening and operation of the Music Center – which significantly changed the nature of the Foundation's responsibilities for operating the property. The lease establishes:

- **Property use:** the property will be operated and used as a multi-disciplinary center for the arts;
- **Property ownership:** the property and all buildings on the property (or subsequently built on the property) are owned by the County Government;
- **Maintenance:** the division of maintenance responsibilities for the property and buildings on the property between the County Government and the SHF;
- **Artistic content:** the Strathmore Hall Foundation has sole authority to direct the artistic content of programs and performances on the Strathmore property;
- **Secondary use of property:** the Strathmore Hall Foundation has sole authority to arrange for secondary use of the property (e.g., use of space by artistic partners, vendors, renters, etc.).

Originally, the 2004 Lease was to expire after 15 years – on September 30, 2019.³ The County Executive and SHF amended the lease agreement four times since 2004 and two of the lease amendments extended the lease term for a total of four additional years.⁴

At present, the County's lease agreement with the Strathmore Hall Foundation is set to end on September 30, 2023 – in approximately four years. The lease allows for up to four additional 10-year terms. Absent action on the part of the County Government or the Strathmore Hall Foundation before the end of the lease term, the lease would automatically renew for a 10-year period under the same terms and conditions. If either party intends to *not renew* the lease or wants to renegotiate provisions in the lease, the party must give the other party at least three years written notice of the intent – before September 30, 2020.

² Lease Agreement between Montgomery County, Maryland and The Strathmore Hall Foundation, Incorporated, at § 2 (Aug. 1, 1983) [hereinafter "1983 Lease Agreement"].

³ Lease Agreement between Montgomery County, Maryland and The Strathmore Hall Foundation, Incorporated, at § 2 (Oct. 1, 2004) [hereinafter "2004 Lease Agreement"].

⁴ Second Amendment to Lease Agreement at § 1 (June 25, 2010); Third Amendment to Lease Agreement at § 1 (Apr. 16, 2012).

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Review Board. The lease allows the County to establish a Review Board before the lease ends to review the Strathmore Hall Foundation's finances and mission to determine whether the Foundation:

- Is managing its finances in a manner comparable to other similar arts organizations in the Washington-Baltimore area; and
- Adequately and actively involving community representation in its programming and planning functions.⁵

The Review Board would have three members "knowledgeable in arts management," and two members must be knowledgeable with arts activity in the County. The members are:

- The Chair of the Review Board, appointed by the County Executive;
- A member appointed by the Chair of the Board of the Strathmore Hall Foundation; and
- A member mutually selected by the County and the Strathmore Hall Foundation.

If the Review Board finds that the Foundation "is deficient in meeting" the two above criteria, the County Executive, at his "sole discretion," may decide (1) to not renew the lease, or (2) to require the Foundation to resolve any deficiencies "to the satisfaction of the County..."⁶

The lease sets two deadlines for 36 months before the lease expires – currently September 2020:

- The Review Board must complete its review; and
- The County must notify the Foundation of the County's determination based on the findings of the Review Board.

This timing matches the timing required for either party to provide written notice to the other of intent to not renew the lease or a desire to renegotiate provisions of the lease.

II. Key Strathmore Hall Foundation Fund Agreements

The leases between County Government and the Strathmore Hall Foundation required the establishment and maintenance of two separate fund agreements – (1) an Endowment Fund (in 1983 lease) jointly funded by the County and the Strathmore Hall foundation, and (2) a Sinking Fund (in 2004 lease) funded by the SHF.

A. Endowment Fund Agreement

On the same day that the County Government and SHF entered into their first lease agreement in 1983, representatives also signed a second agreement for the County to contribute to an endowment fund that would provide additional operating revenue for the Strathmore property.⁷ The goal of the agreement was to help the SHF build an endowment fund of at least \$1 million, with the Foundation raising \$500,000 for the endowment and the County matching the funds raised by the Foundation, up to \$100,000 per year and up to \$500,000 total.⁸

⁵ 2004 Lease Agreement, at § 3B.

⁶ Ibid.

⁷ Agreement by and between The Strathmore Hall Foundation, Inc. and Montgomery County, Maryland (August 1, 1983) [hereinafter "1983 Endowment Fund Contract"]. Note that the Strathmore property was referred to in the endowment agreement and in correspondence between the parties from that time period as the Strathmore Hall Arts Center.

⁸ 1983 Endowment Fund Contract, Article III.

The Foundation would be able to draw upon amounts over \$1 million to use for operating expenses for the Strathmore property.

The fund passed the \$1 million threshold as of June 30, 1994.⁹ The Strathmore Hall Foundation's endowment fund currently has \$5.0 million, shown in Table 4.10 in Chapter 4.

Management of the Endowment Fund. The endowment fund contract provided the County Government with authority to manage the endowment funds in the County's investment programs and money management services. Alternatively, the contract gave the SHF authority to manage the endowment funds as long as the County approved the investments and management of the County's contributions to the fund.¹⁰ In 2006, the County and Foundation amended the Endowment Fund Contract to give the Strathmore Hall Foundation authority to invest and manage the funds in the Endowment Fund without County oversight or approval.¹¹

County Government Operating Support. The contract states that after the County had provided \$500,000 for the fund, the SHF would be responsible "for generating all further operating and capital funds for the Strathmore Hall Arts Center," except as otherwise provided in the lease agreement, endowment fund contract, or other agreements.¹²

The 1983 lease agreement specifically tied which party – the County or the Strathmore Hall Foundation – had responsibility for various property maintenance to the funding of the endowment fund. When the 1983 lease agreement was signed, the County Government had responsibility for most maintenance costs – structural integrity of the mansion, major mechanical systems, preventative maintenance, utilities, and security and housekeeping.¹³ Over time, the Strathmore Hall Foundation was to take over the cost of specific responsibilities, some of which were tied to the amount of money in the endowment fund. (See Section III for a more detailed discussion of Strathmore Property maintenance.)

⁹ Draft of First Amendment to 1983 Lease Agreement (not executed). A 2002 amendment to the 1983 Endowment Fund Contract states that the fund reached the \$1 million threshold as of June 30, 1994. First Amendment to the Agreement by and Between the Strathmore Hall Foundation, Inc. and Montgomery County, Maryland (Feb. 27, 2002) [hereinafter "2002 Amendment to Endowment Fund Contract"].

¹⁰ 1983 Endowment Fund Contract, Article III.

¹¹ Third Amendment to the Agreement by and between The Strathmore Hall Foundation, Inc. and Montgomery County, Maryland (March 6, 2006).

¹² 1983 Endowment Fund Contract, Article III. On August 3, 1990, Strathmore's Executive Director (subsequently President and CEO), Eliot Pfanstiehl, wrote a letter to the County Government's Director of the Office of Management and Budget, Robert Kendal, outlining Strathmore's understanding of the nature and terms of the 1983 Endowment Fund Contract and reporting that Strathmore had withdrawn \$50,000 from interest accrued to the fund to use for operating expenses. The 2004 Lease Agreement incorporates into that contract (1) the 1983 Endowment Fund Contract, (2) the August 3, 1990 letter, and (3) an October 1, 2004 amendment to the 1983 Endowment Fund Contract that modified the term of the Endowment Fund Contract to run concurrently with the term of the 2004 (and any subsequent) Lease Agreement. See also First Amendment of Agreement by and between the Strathmore Hall Foundation, Inc. and Montgomery County, Maryland (Oct. 1, 2004).

Note that the County Government executed an amendment to the 1983 Endowment Fund Contract in 2002 (cited in Footnote 9 above) that was also referred to as the "First Amendment" to that contract. The 2002 amendment clarified that the SHF could deposit money received from private gifts, admission fees, rental fees, and grant funds into the endowment fund to subsequently be used for operating expenses.

¹³ See 1983 Lease Agreement, Exhibit B – Maintenance Schedule.

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B. Sinking Fund

The 2004 lease agreement requires the Strathmore Hall Foundation to establish a Sinking Fund to be used for repairs and replacements to furniture, fixtures, and equipment outlined in an exhibit to the lease agreement.¹⁴ The Foundation is required to contribute \$133,630 annually to the fund. Among other things, the expenditures from the fund are for:

- Computers and other IT-related items and systems;
- Sound system upgrades;
- Office renovations;
- Telephone system;
- Lobby carpeting; and
- Acoustical tiles.¹⁵

The data in the next table show the Strathmore Hall Foundation's contributions to and spending from the Sinking Fund.

5.1. Strathmore Hall Foundation Sinking Fund Balance, FY07-FY19

FY	Opening Balance	Annual Funding	Spending	Ending Balance
FY07		\$133,630		\$133,630
FY08	\$133,630	\$133,630		\$267,260
FY09	\$267,260	\$133,630		\$400,890
FY10	\$400,890	\$133,630		\$534,520
FY11	\$534,520	\$133,630		\$668,150
FY12	\$668,150	\$133,630		\$801,780
FY13	\$801,780	\$133,630		\$935,410
FY14	\$935,410	\$133,630		\$1,069,040
FY15	\$1,069,040	\$133,630	(\$233,171)	\$969,499
FY16	\$969,499	\$133,630	(\$23,897)	\$1,079,232
FY17	\$1,079,232	\$133,630	(\$179,039)	\$1,033,823
FY18	\$1,033,823	\$133,630	(\$81,913)	\$1,085,539
FY19	\$1,085,539	\$133,630	(\$266,409)	\$952,761
Total		\$1,737,190	(\$784,429)	\$952,761

Source: Strathmore Hall Foundation

¹⁴ 2004 Lease Agreement, at § 8E; 2004 Lease Agreement, Exhibit D.

¹⁵ Data from the Strathmore Hall Foundation.

III. Maintenance of the Strathmore Property

The County Government has funded ongoing maintenance and utility costs for the Strathmore property since purchasing the property in 1978. OLO researched the maintenance history of the Strathmore Property shared between the County and the Strathmore Hall Foundation from its origin through the present.

Major Property Maintenance Changes (1983-2011). The initial 1983 Lease Agreement between the County and the Strathmore Hall Foundation transferred responsibility to pay for certain maintenance from the County to the Foundation over time, but the transfers did not occur as originally agreed to.

In reviewing the history, OLO found that:

- Established in the 1983 Lease, the County Government initially would be primarily responsible for Strathmore Property maintenance, with responsibility shifting overtime to the Strathmore Hall Foundation as certain financial targets or dates were met.
- Strathmore Hall Foundation renegotiated lease terms that eliminated the Foundation's responsibility to take on certain maintenance responsibilities and/or established County funding for maintenance.
- As programming responsibilities grew with the construction of the Music Center, County Government took on additional responsibility for property maintenance.

Note: For ease of understanding, although the department has been renamed and restructured over the decades, this chapter will refer to the County Government department responsible for maintenance at the Strathmore property as the Department of General Services, the current name of the department with that responsibility.

1983 – MCG Signs Lease with SFH

The 1983 lease agreement outlined the initial distribution of maintenance responsibilities between the County Government and the Foundation and then transferred responsibility for certain maintenance from the County to the Foundation at later dates.¹⁶ The lease agreement specifically stated that the County would have responsibility for the roof and structural integrity of buildings and major mechanical maintenance throughout the lease term. The Foundation was responsible for costs related to telephones and a live-in custodian and night/weekend custodian and maintenance. Other maintenance responsibilities were "shared between [the County Government] and [the Strathmore Hall Foundation] in accordance with the maintenance schedule" in Exhibit B, which was a part of the lease.¹⁷

Transfer of Maintenance Responsibility. Responsibility for the following maintenance costs related to the mansion were to transfer to the SHF either on July 1, 1986 or after the endowment fund reached \$1 million and maintained that level for one year:

- Internal preventive maintenance and repair;
- Redecoration and renovation;
- Utilities – gas, electric fuel, water;
- Housekeeping, janitorial service and supplies, garbage removal, pest control;
- Security and daytime custodial.

¹⁶ See 1983 Lease Agreement, § 8.

¹⁷ See 1983 Lease Agreement, Exhibit B – Maintenance Schedule.

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For one category of maintenance – grounds maintenance (grass trimming, planting, leaf removal, maintenance of parking areas and walks) – the Lease Agreement indicated that the parties would renegotiate the division of responsibilities when the endowment fund reached \$1 million for one year.

5.2. Summary of 1983 Lease Agreement Exhibit B – Maintenance Schedule

	MCG	SHF	Responsibility transfers from MCG to SHF
Mansion			
Structural integrity of Mansion	✓		
Roof maintenance	✓		
Major mechanical maintenance (electrical, plumbing, HVAC, elevators)	✓		
Telephone		✓	
Live-in custodian, weekend and evening custodian/guard		✓	
Internal preventive maintenance and repair			July 1, 1988
Redecoration and renovation			July 1, 1983
Utilities (gas, electric fuel, water)			July 1, 1986 or until Endowment Fund of \$1 million has been in existence for one year
Housekeeping, janitorial service and supplies, garbage removal, pest control			July 1, 1986 or until Endowment Fund of \$1 million has been in existence for one year
Security and daytime custodial			July 1, 1986 or until Endowment Fund of \$1 million has been in existence for one year
Grounds			
General maintenance (grass trimming, planting, leaf removal, maintenance of parking areas and walks)			Until Endowment Fund of \$1 million has been in existence for one year at which time the respective responsibility between the Foundation and the County will be negotiated

Source: Exhibit B to 1983 Lease Agreement

1993-1994 – Negotiations over Distribution of Maintenance Responsibilities

Historic documents from 1993-1994 in the records of the County's Department of Facilities and Services¹⁸ indicate that County Government and Strathmore representatives had very different views about responsibilities for property maintenance at Strathmore. When the endowment fund reached the \$1 million mark, the lease dictated that Strathmore would assume responsibility for:

- Utilities – gas, electric fuel, water;
- Housekeeping, janitorial service and supplies, garbage removal, pest control; and
- Security and daytime custodial.

¹⁸ In the early 1990s, the County department that managed maintenance of the Strathmore property was called the Department of Facilities and Services. Following the election of County Executive Doug Duncan in 1994, the department was combined with others into the Department of Public Works and Transportation (DPWT) and continued to provide maintenance for the Strathmore property. When County Executive Ike Leggett was elected in 2006, he split DPWT into the current Department of General Services (DGS) and Department of Transportation. DGS currently manages the maintenance of the Strathmore property.

The endowment fund reached and maintained a balance of \$1 million by June of 1993 – almost 10 years after the Lease Agreement was originally executed. The endowment fund balance was \$1.21 million at the beginning of FY93 and was \$1.25 million at the end of FY93.¹⁹

However, in December 1993 – shortly after the endowment fund had maintained the \$1 million threshold outlined in the lease – Strathmore sent a written proposal to the County Government proposing that the County maintain responsibility for the majority of maintenance costs that the Foundation was supposed to assume under the Lease Agreement.²⁰

Strathmore Hall Foundation Maintenance Proposal. The Foundation’s 1993 Strathmore Maintenance Proposal framed the issue as a question of how much value the County Government placed on Strathmore as an institution: “[I]t is time to define what ongoing value County Government will place upon this remarkable cultural institution. It is time to define in the long-run, the appropriate role for the PUBLIC part of this public/private partnership. It is time to pay attention to this project which is working, but needs fine tuning after ten years.”²¹

Strathmore proposed that the County Government provide annual funding equal to the County’s then-funding for maintenance (stated as \$74,000 for FY94 in Strathmore’s proposal) plus the \$50,000 that the County Government had been contributing to Strathmore’s endowment fund, concluding:

[W]e believe the logical and reasonable role the County should plan as owner and partner in Strathmore Hall Arts Center is the annual provision of an appropriation adequate to cover facility overhead, maintenance and utilities.²²

Strathmore asserted that the maintenance services typically provided by the County Government, under the 1983 County Lease Exhibit B, were either not provided as requested or were of poor quality due to budget constraints. As an example, Strathmore’s proposal states that “[r]epairs to the building have dropped behind and the list of Deferred Maintenance items is now extensive.”²³ Bolstering Strathmore’s assessment of the condition of the property at the time is an October 1993 letter from DGS’ files to Councilmember Marilyn Praisner from a County resident to bring her attention to the “sad, if not somewhat deplorable, situation related to the present condition of Strathmore Hall and its grounds.”²⁴ The letter notes that the letter-writer had spoken with both the Director of DGS and Strathmore’s Executive Director about the maintenance issues. The County resident cites, among others, the following issues with the Mansion and Strathmore grounds:

- Lawns and shrubbery needed cutting;
- Gardens and bedding areas were full of weeds and bare soil;
- Fixtures in downstairs bathroom were in horrible condition;

¹⁹ Draft of First Amendment to 1983 Lease Agreement (not executed): “WHEREAS, the Endowment Fund had an FY93 beginning balance of \$1,214,220.93 on June 30, 1992 and an ending balance on June 30, 1993 of \$1,254,848.38 as has therefore met the requirement for renegotiation....”

²⁰ Letter and attachments from Eliot Pfanstiehl, Strathmore, to Migs Damiani, Director, DGS, at Conclusions and Recommendations (Dec. 29, 1993) [hereinafter “1993 Strathmore Maintenance Proposal”]. This document includes a one-page cover letter, a five-page proposal related to maintenance costs, the original maintenance schedule from the lease, a list of deferred maintenance items, “Specifications for an Increased Level of Grounds Maintenance,” a cost summary of grounds maintenance contract proposals, and “Specifications for an increased Level of Custodial Services.”

²¹ 1993 Strathmore Maintenance Proposal.

²² 1993 Strathmore Maintenance Proposal, at Conclusions and Recommendations.

²³ 1993 Strathmore Maintenance Proposal, “Defining a Partnership for the 90’s”.

²⁴ Letter from County Resident to Councilmember Marilyn Praisner (Oct. 1, 1993).

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- Interior trim needed painting; and
- Floors needed cleaning, waxing, and buffing.

County Government's Position on Maintenance Responsibilities. The County Government's view of maintenance responsibilities for the Strathmore property differed significantly. A Senior DGS representative wrote to the DGS Director in February 1994 that "[i]t's clear that the original intent of the County and the Foundation was that the Foundation should clearly stand on it's [sic] own (except for structural and major maintenance) with respect to operating the facility...."²⁵

In summary, we think the Foundation has the financial ability to fulfill the "dream" as it was originally envisioned eleven years ago; to operate a successful Arts program with diminishing support from the County. We do not believe that this arrangement undermines the public-private partnership which has successfully operated during the last eleven years but simply brings it to its intended conclusion. We recommend the Foundation assume their full responsibilities of the partnership.²⁶

DGS' Real Estate Management Chief recommended (1) transferring responsibility for utility costs to the Foundation, (2) enforcing the Foundation's responsibility to pay for preventative maintenance, and (3) transferring responsibility to the Foundation for "all building and ground services at whatever service level they feel is appropriate."²⁷

Renegotiation Property Maintenance Lease Terms. In March 1994, DGS' Director sent a memorandum to the County's OMB Director summarizing terms and conditions for a lease amendment agreed upon with Strathmore. The terms in the memo differed substantially from the Real Estate Management Division's recommendations from February 1994 that Strathmore assume responsibility for maintenance responsibilities as originally outlined in the 1983 lease. The County would provide:

- Structural, roof, and mechanical maintenance;
- Major maintenance, such as elevators, exterior painting, masonry, HVAC, electrical, plumbing, asphalt repair/resurfacing, and sidewalk repair;
- Utilities;
- Janitorial and groundskeeping services "at the current level, which is the same contract level all of our facilities receive...," which include custodial service, annual window cleaning, trash removal, and snow removal, and grounds maintenance.²⁸

The memo states that Strathmore could pay for additional services if the service provided by the County was insufficient. Strathmore would be responsible for:

- Internal preventive maintenance and repair; and
- Redecoration and renovation, including all interior painting.

²⁵ Memorandum from Gloria Kratz, Real Estate Management Chief, DGS, to Migs Damiani, DGS Director, at p. 2 (Feb. 4, 1994) [hereinafter "February 1994 DGS Maintenance Analysis"].

²⁶ Ibid.

²⁷ February 1994 MCG Maintenance Analysis, at pp. 1-2.

²⁸ Memorandum from Migs Damiani, DGS Director, to Bob Kendall, OMB Director (Mar. 16, 1994).

Alternative agreements between the County Government and the Foundation regarding maintenance were reached in 1994, but the agreements were not formally executed in a lease amendment. Subsequent documents indicate that representatives from the SHF and the County Government met in April 1994 to discuss the maintenance levels as proposed in the DGS Director's March 16th memo to the Director of OMB. One such document is an internal SHF memorandum from April 5, 1994 summarizing the Foundations take-aways from an April 4th meeting. The memo includes a summary of current maintenance levels provided by the County related to custodial, grounds maintenance, and other services, the level of service request by the SHF, and the levels to which the County Government ultimately agreed in the meeting.²⁹ DGS' files also included a copy of the March 16th memo from the DGS Director with handwritten notes, signed by Strathmore's Executive Director and by DGS' Director and dated June 8, 1994.

The handwritten notes amend the maintenance distribution from the original memo as follows:

- Removed "routine changing of filters" and "floor replacements and repair" from the definition of "internal preventive maintenance and repair" for which Strathmore would have responsibility;
- Added recycling to janitorial services for which the County would have responsibility; and
- Indicated the County would provide "groundskeeping services at an enhanced level" to include 30 mowings/year, trimming, walkway cleaning, edging and weeding every 30 days, mulching each spring, leaf/litter removal weekly in season, shrubbery pruning in Fall after growth, emergency limb removal, and service as needed.³⁰

The handwritten notes on this copy of the March 16th memo mirror the levels of maintenance as agreed to by the County and described in the internal SHF memo from April 1994.

A July 1994 memorandum from the Acting Director of DGS to the OMB Director memorialized the March 1994 memorandum with the handwritten changes to that memo made in June 1994.³¹ The memo includes a line asking for the OMB Director's signature if he concurred with the information in the memo. The copy of the memo that OLO has from DGS' files does not include a signature.

Documents from August, September, and October 1994 indicate that an amendment to the 1983 Lease Agreement was sent to the Office of the County Attorney for approval and signature but was never completed. DGS files with documents related to Strathmore did not include other documents indicating that the lease amendment was signed and OLO has not seen any other documents indicating that an amendment to the 1983 Lease Agreement was ever signed. SHF representatives reported to OLO that the County Government's provision of maintenance after this time period followed the provisions outlined in the July 1994 memo. County Government representatives from that time period are no longer available to provide additional explanation.

1997 – Grounds Maintenance Responsibilities

DGS documents show that the issue of grounds maintenance arose again in 1997. In May 1997, Strathmore's Executive Director wrote to the County Government's OMB Director and Chief of the County's Capital Project Management Section in DGS – stating that the County Government's groundskeeping maintenance of the Strathmore property was not sufficient.

²⁹ Memorandum from Eliot Pfanstiehl to Stephen Pollock (April 5, 1994).

³⁰ Memorandum from Migs Damiani, DGS Director, to Bob Kendall, OMB Director (Mar. 16, 1994) with handwritten notations (June 8, 1994).

³¹ Memorandum from Jack Houghton, Acting DGS Director, to Bob Kendall, OMB Director (July 13, 1994).

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With over \$100,000 worth of hardscape, new plantings, and re-configured landscape features, it is our feeling that maintenance must be held to a higher standard than the County has heretofore been able to provide.

While good intentions and sincere effort on the part of the County employees who manage private contractors has yielded brief periods of high quality service and responsiveness, the pattern has been too uneven and too often unable to respond to specific needs in a timely manner. This is not a matter of improving one employee's performance, but structural fall-out from a procurement/contracting system designed for multiple-site management and volume-based fees.

...

We conclude, after almost 15 years of experience, that due to the nature of County multi-site bidding procedures, that this unique facility cannot ever receive timely and high quality service (especially with its new plant inventory and more complex hardscape/floral designs) under the present systems.

...

Please understand. It is not our intention, in any way, to denigrate the past relationships we have with DFS or the County. The overwhelming number of interactions we have with the County employees are positive and driven by good intentions on both sides. But the system is not designed to do what we ask of it.³²

Two proposals were offered in the letter at the request of Strathmore's Board of Directors:

1. The County could give Strathmore funds designated for grounds maintenance, which would hire its own contractors, or
2. The County could contract with a provider of Strathmore's choosing to provide maintenance and Strathmore staff would directly supervise the contract staff.

The County Government (DGS) responded in late May 1997 that the County would agree to either of Strathmore's proposed options up to an annual amount of \$10,685, which DGS had calculated as the amount that the County had budgeted annually for grounds maintenance for the property.³³ A DGS real estate analyst followed up in an August 1997 letter to Strathmore asking for Strathmore's response to DGS' May proposal.³⁴ OLO did not find subsequent documents describing the resolution to this discussion.

2003-2004 – Negotiations for and Signing of New Lease

During construction of the Music Center, the County Government and Strathmore negotiated a new lease agreement that incorporated operation of the Music Center into the agreement and altered a variety of other terms. A 2003 draft lease agreement stated that the Foundation would be responsible for paying for:

- Utilities (water, sewer, gas, electricity);
- Some (unspecified) maintenance;
- Maintenance, repair and replacement, if necessary of equipment, furniture, and furnishings used on the premises; and
- Telephone and internet services.

³² Letter from Eliot Pfanstiehl, Strathmore, to Robert Kendal, OMB, and Fred Edwards, DPWT (May 7, 1997).

³³ Letter from Fred Edwards, DPWT, to Eliot Pfanstiehl, Strathmore (May 22, 1997).

³⁴ Letter from Cynthia Gates, Real Estate Analyst, DPWT, to Eliot Pfanstiehl, Strathmore (Aug. 27, 1997).

The Chair of the Strathmore Board of Directors wrote to County Executive Doug Duncan in March 2003 indicating that Strathmore was not willing or able to take on additional maintenance responsibilities:

Regarding the county lease agreement, the business plan has always called for the County to provide an acceptable level of facility maintenance, all utilities (except phone), regular ground maintenance, major mechanical, snow, and trash removal, daily janitorial services, and remote monitoring of security services.

What the county staff is putting forward under the banner of “based on levels at other county facilities” is that Strathmore would be responsible for all fixtures, equipment and furniture within the building, all janitorial services beyond one daily cleaning in the morning regardless of the activity level of the building, and all utilities. That’s a major change in the business plan and a killer for the proforma that has been in place for a couple of years.³⁵

The Board Chair’s position was echoed in July 2003 written comments on the draft lease from Strathmore’s President/CEO to DGS, which included a copy of the March 2003 letter and stated:

Strathmore’s comments in this letter are consistent with Chuck Lyons’ letter to Doug Duncan ... and the financial constraints facing Strathmore in this very stressful economic time.³⁶

In 2004, the County Government and Strathmore Hall Foundation signed a new lease agreement that established the current distribution of maintenance responsibilities for the Strathmore property. The table on the next page outlines this distribution.

³⁵ Letter from Chuck Lyons to Douglas Duncan (March 26, 2003).

³⁶ Letter from Eliot Pfanstiehl, Strathmore President/CEO, to Gayle Libby-Curtiss, Director of Office of Real Estate Management, DPWT, at p. 2 (July 21, 2003).

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5.3. Current Distribution of Strathmore Property Maintenance Responsibilities (2004 Lease)

	MCG	SHF		MCG	SHF
Facility Maintenance			Grounds Maintenance		
Structural	✓		Grass cutting		✓
Exterior surfaces and finishes	✓		Tree maintenance	✓	
Interior and exterior glazing and systems	✓		Landscaping services – mulching, pruning, weeding		✓
Roofing systems	✓		Snow removal	✓	
Sidewalk, driveway, and parking lots	✓		Landscaping plants		✓
Mechanical systems	✓		Miscellaneous		
Electrical systems	✓		Concert Hall stage platform lift	✓	
Emergency generator and power system	✓		Concert Hall installed theater seating	✓	
Elevators and dumbwaiters	✓		Concert Hall free-standing box seat chairs	✓	
Lighting fixtures – exterior and interior general illumination	✓		Education and administration electric window shades		✓
Plumbing, pumps, tanks, and fixtures	✓		Manual window treatments (blinds)		✓
Fire protection/life safety systems	✓		Concert Hall adjustable acoustic systems		✓
Performance lighting fixtures		✓	Concert Hall portable rigging systems		✓
Fire protection/life safety systems – Kitchen area fire extinguisher system		✓	Concert Hall orchestra risers		✓
Security			Concert Hall chorus risers		✓
Intrusion and card reader system	✓		Concert Hall chorus benches		✓
CCTV/recording system – exterior	✓		Concert Hall sound system		✓
CCTV/recording system – interior	✓		Concert Hall lighting dimmer system		✓
24-hour monitoring station services		✓	Concert Hall stage portable furnishings		✓
On site guards and personnel		✓	Administrative office furnishings		✓
Telecommunications link for monitoring systems		✓	Education space furnishings		✓
Facility Housekeeping			Facility wide CC master antenna system		✓
Concert hall, education building, metro walkway	✓		Facility wide show video monitoring system		✓
Facility Utilities			Facility wide telephone and voice messaging system		✓
Electric, gas, water, sewer	✓		Facility wide computer, data and network systems		✓
Telephone		✓	Facility audio/visual equipment		✓

Source: 2004 Lease Agreement, Exhibit B – Maintenance Responsibilities

IV. Defrayment Payments

Note: See Chapter 3 for additional details on the history of the building of the Music Center.

When the Council approved funding for the construction of the Music Center, the Council indicated that the County's contribution would not exceed \$45 million – half of the proposed costs of construction – with the State of Maryland funding the other half.³⁷ In January 2004, County Executive Douglas Duncan sent the Council a request for a supplemental appropriation for additional construction funding. The cost overrun was projected at \$9.6 million and County Executive Duncan proposed \$3.3 million in additional funding from the County, \$3.3 million from the State, and a commitment from the Strathmore Hall Foundation to contribute \$3.0 million to directly purchase some of the furniture, fixtures, and equipment for the Music Center.

Given the Council's prior decision to limit the County's appropriation to \$45 million, the Council's Health and Human Services Committee (HHS) unanimously recommended that the Council approve the Executive's supplemental appropriation but include in the Foundation's lease a requirement that Strathmore pay the County \$3.6 million over ten years "to partially defray the cost of the Arts Center's maintenance and utilities."³⁸ The Council adopted two resolutions on February 10, 2004 – one for the supplemental appropriation and one outlining the Council's understanding of the Strathmore Hall Foundation's agreement to pay the County \$3.6 million over 10 years.

5.4. Original Schedule of Defrayment Payments from SHF

Fiscal Year	Payment
FY05	\$0
FY06	\$50,000
FY07	\$150,000
FY08	\$250,000
FY09	\$400,000
FY10	\$500,000
FY11	\$550,000
FY12	\$550,000
FY13	\$550,000
FY14	\$600,000
Total	\$3,600,000

Source: Council Resolution 15-507

The County and Strathmore incorporated the Council Resolution regarding the defrayment payments into the 2004 Lease Agreement, signed in October 2004. The table to the left sets out the payment schedule from the Resolution.

The Foundation paid \$50,000 to the County in FY06 for the first payment.

While the above summarizes how the defrayment payments were incorporated into the 2004 lease, documents from Strathmore and interviews with Strathmore and County representatives show that some behind-the-scenes discussions characterized the basis for the payments differently. While Strathmore agreed to the lease terms and payment to "defray the cost" of maintenance and utilities for the Music Center, the payments were meant to reimburse the County for the additional funding the County appropriated in February 2004 to finish building the Music Center. A 2008 email from Strathmore's Executive Vice President of Operations to a DGS representative says:

The concept of reimbursement as listed in the lease is faulty since Strathmore is really reimbursing the County for its own supplemental capital appropriation that it spent in the final construction days on the Music Center, and while this could not be placed on paper, it is well known.³⁹

³⁷ Council Minutes, at p. 9 (Feb. 10, 2004).

³⁸ Council Resolution 15-507 (Feb. 10, 2004).

³⁹ Email from Mark Grabowski, EVP of Operations, Strathmore, to Cynthia Brenneman, DGS (May 20, 2008).

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Amendments to the 2004 Lease Agreement. The 2004 Lease Agreement has been amended by the County Government and the SHF four times – each related to the defrayed payments. Ultimately, in 2011, the County Government eliminated Strathmore’s obligation to make the defrayment payments from the Lease Agreement.

OLO reviewed documents from DGS and had discussions with current and former Executive Branch and Legislative Branch staff who worked on these lease amendments. While Executive Branch staff concluded that the Executive did not need Council authority to amend the lease, staff felt strongly that the Council should be notified beforehand because of the Resolution the Council adopted in 2004 outlining its expectation that the SHF would make the defrayment payments. The Council was made aware of all four amendments to the lease agreement and did not object to them.

- **Lease Amendment #1 (2008)**

The Strathmore Hall Foundation proposed an amendment to allow the Foundation to make the defrayment payments into an investment account managed by the Foundation rather than directly to the County – with the goal of allowing the Foundation to contribute less money each year toward defrayment payments and grow the balance over time to reach \$3.55 million (\$3.6 million less the \$50,000 paid in FY06) to be paid to the County. It was assumed that the Foundation would earn an 8% annual rate of return.⁴⁰ The table on page 45 shows the amended payment schedule that resulted from each of the relevant lease amendments.

- **Lease Amendment #2 (2010)**

In February 2010, the Chair of the Strathmore Hall Foundation’s Board of Directors wrote to County Executive Ike Leggett asking that the County waive the defrayment payments for FY10 and FY11. She stated:

The recent recession has taken a dramatic toll on our ticket income, rentals, corporate contributions and government funding. With more recent income losses from weather related incidents and increased expenses for health care, unemployment and negotiated production labor costs, we are no longer able to maintain this contribution without jeopardizing our line of credit, positive philanthropic profile and contractual programming commitments. We need immediate relief from this financial burden.⁴¹

The County Executive agreed to this proposal and the County executed a second lease amendment with the SHF. In addition to deferring the defrayment payments for FY10 and FY11, the lease amendment extended the term of the lease for two additional years “to allow [the Strathmore Hall Foundation] to meet the Total Funding Amount as defined in the Lease.”⁴²

- **Lease Amendment #3 (2011)**

A year later In April 2011, the Chair of Strathmore’s Board asked for a waiver of the defrayment payments for FY12 and FY13. The request also asked to extend the term for making the defrayment payments for two additional years – until 2023.⁴³ The Executive agreed to the proposal.⁴⁴

⁴⁰ First Amendment to Lease Agreement between Montgomery County and the Strathmore Hall Foundation (July 7, 2008).

⁴¹ Letter from Carol Trawick, Strathmore Board Chair, to County Executive Ike Leggett (Feb. 19, 2010).

⁴² Second Amendment to Lease Agreement between Montgomery County and the Strathmore Hall Foundation (June 25, 2010).

⁴³ Letter from Carol Trawick, Strathmore Board Chair, to County Executive Ike Leggett (Apr. 18, 2011).

⁴⁴ Third Amendment to Lease Agreement between Montgomery County and the Strathmore Hall Foundation (Apr. 16, 2012).

The table below summarizes the initial payment schedule for the defrayment payments and the schedules outlined in the first three lease amendments.

5.5. Subsequent Schedules of Defrayment Payments from SHF

Fiscal Year	Initial Payment Schedule	1 st Lease Amendment	2 nd Lease Amendment	3 rd Lease Amendment
Paid To	County	Investment Account	Investment Account	Investment Account
FY05	\$0			
FY06	\$50,000			
FY07 – paid	\$150,000	\$150,000	\$150,000	\$150,000
FY08 – paid	\$250,000	\$150,000	\$150,000	\$150,000
FY09 – paid	\$400,000	\$150,000	\$150,000	\$150,000
FY10	\$500,000	\$150,000	\$0	\$0
FY11	\$550,000	\$150,000	\$0	\$0
FY12	\$550,000	\$155,000	\$150,000	\$0
FY13	\$550,000	\$155,000	\$155,000	\$0
FY14	\$600,000	\$160,000	\$155,000	\$150,000
FY15		\$160,000	\$155,000	\$155,000
FY16		\$160,000	\$160,000	\$155,000
FY17		\$165,000	\$160,000	\$155,000
FY18		\$165,000	\$160,000	\$160,000
FY19		\$165,000	\$200,000	\$160,000
FY20			\$200,000	\$160,000
FY21			\$250,000	\$180,000
FY22				\$180,000
FY23				\$180,000
Total/Projected Fund Balance	\$3,600,000	\$3,606,815	\$3,554,245	\$3,612,324

Source: Council Resolution 15-507; First, Second, and Third Lease Amendments

- **Lease Amendment #4 (2011)**

Approximately one month after the third lease amendment was signed, the Strathmore Hall Foundation asked the County Executive to delete the required defrayment payments entirely from the lease.⁴⁵ The County Executive agreed. The amendment waived the remaining payments and permitted the Strathmore Hall Foundation to keep the funds that it had already invested and earnings from the three \$150,000 payments to the investment account between FY07 and FY09.⁴⁶ Documents show that Strathmore's investment account contained \$503,435 at the end of November 2011.⁴⁷

⁴⁵ Email from Joseph Beach, Finance Director, to Marc Hansen, County Attorney (May 16, 2012).

⁴⁶ Fourth Amendment to Lease Agreement between Montgomery County and the Strathmore Hall Foundation (Oct. 25, 2012).

⁴⁷ Letter from Mark Grabowski, Strathmore, to Laura Adams, DGS Office of Real Estate Management (Dec. 19, 2011).

V. County Spending

This section summarizes annual County Government spending related to the Strathmore property, including spending related to ongoing property maintenance and utilities and to capital projects. Key findings include:

- Between FY13 and FY18, the County Government spent over a 12-month period, on average, \$771K for maintenance and \$950K for utilities related to the Strathmore property. (Tables 5.6 and 5.7)
- Combined maintenance costs for the Music Center and the Mansion increased 141% between FY13 and FY18. (Table 5.6)
- Utility costs have been more stable from year-to-year – with a cost of \$940K in 2013 and \$901K in 2018. (Table 5.7)
- Capital costs vary considerably from year-to-year, based on the projects undertaken. (Tables 5.8 and 5.9)

The remaining pages in this chapter include tables summarizing County Government spending related to the Strathmore property. The tables are:

- County Government Building Maintenance Expenses for Strathmore, FY13-FY18;
- County Government Utility Costs for Strathmore, 2013-2018;
- County Government Spending for Strathmore Property Capital Costs, FY11-FY19;
- County Government Cost Sharing Expenditures, FY14-FY19; and
- Record of Other Payments to the Strathmore Hall Foundation from Montgomery County, FY11-FY19.

5.6. County Government Building Maintenance Expenses for Strathmore, FY13-FY18

Music Center				
	Equipment	Labor	Materials	Total
FY13	\$29,131	\$90,901	\$173,977	\$294,010
FY14	\$109,428	\$41,791	\$487,133	\$638,352
FY15	\$0	\$36,681	\$614,402	\$651,083
FY16	\$0	\$71,184	\$694,542	\$765,726
FY17	\$0	\$81,373	\$780,804	\$862,177
FY18	\$0	\$51,411	\$640,759	\$692,170
Total	\$138,559	\$373,343	\$3,391,617	\$3,903,519
Mansion				
FY13	\$9,045	\$12,653	\$18,101	\$39,799
FY14	\$63,638	\$9,475	\$128,922	\$202,036
FY15	\$0	\$9,560	\$124,724	\$134,285
FY16	\$0	\$17,092	\$99,917	\$117,009
FY17	\$0	\$21,869	\$94,357	\$116,226
FY18	\$0	\$16,219	\$98,774	\$114,994
Total	\$72,683	\$86,869	\$564,797	\$724,349
Combined				
FY13	\$38,176	\$103,555	\$192,079	\$333,809
FY14	\$173,066	\$51,266	\$616,056	\$840,388
FY15	\$0	\$46,242	\$739,126	\$785,368
FY16	\$0	\$88,276	\$794,460	\$882,736
FY17	\$0	\$103,242	\$875,161	\$978,403
FY18	\$0	\$67,631	\$739,534	\$807,164
Total	\$211,242	\$460,211	\$3,956,415	\$4,627,868

Source: DGS

5.7. County Government Utility Costs for Strathmore, 2013-2018

Music Center				
Calendar Year	Electric	Natural Gas	Water & Sewer	Total
2013	\$628,597	\$150,216	\$94,938	\$873,751
2014	\$592,565	\$139,120	\$83,404	\$815,089
2015	\$561,713	\$164,805	\$134,568*	\$861,086
2016	\$554,457	\$177,617	\$204,740	\$936,814
2017	\$512,850	\$167,466	\$241,708	\$922,024
2018	\$539,429	\$182,236	\$99,547	\$821,212
Total	\$4,041,872	\$1,151,768	\$926,438	\$6,120,078
Mansion				
2013	\$49,383	\$7,398	\$9,347	\$66,128
2014	\$57,670	\$14,197	\$8,021	\$79,888
2015	\$63,919	\$11,325	\$7,179	\$82,423
2016	\$60,506	\$13,227	\$11,639	\$85,373
2017	\$53,530	\$15,381	\$6,862	\$75,774
2018	\$57,534	\$16,821	\$5,615	\$79,970
Total	\$402,773	\$91,840	\$58,323	\$552,936
Combined				
2013	\$677,980	\$157,614	\$104,285	\$939,879
2014	\$650,235	\$153,317	\$91,425	\$894,977
2015	\$625,632	\$176,130	\$141,747	\$943,509
2016	\$614,963	\$190,844	\$216,379	\$1,022,187
2017	\$566,380	\$182,847	\$248,570	\$997,798
2018	\$596,963	\$199,057	\$105,162	\$901,182
Total	\$4,444,645	\$1,243,608	\$984,761	\$6,673,014

Source: DGS *DGS representatives report that the spike in water and sewer costs for the Music Center from 2015-2017 was the result of operational inefficiencies due to increased water being fed to the facility's chiller system. In 2017, DGS installed a new water treatment system that restored efficiency to the chiller operation and reduced water and sewer costs.

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5.8. County Government Spending for Strathmore Property Capital Costs, FY11-FY19

Fiscal Year	Fiscal Year Total	Roof Replacement	HVAC/ Elec Replacement	Planned Lifecycle Asset Replacement	Building Envelope Repair	Resurfacing Parking Lots	ADA Work	Life Safety Systems	Elevator Modernization
FY11	\$34,272		\$34,272						
FY12	\$2,791		\$2,791						
FY13	\$454,167		\$454,167						
FY14	\$25,481		\$25,481						
FY15	\$69,430	\$69,430							
FY16	\$1,598,738	\$832,153		\$577,500	\$165,000			\$24,085	
FY17	\$326,496		\$253,135	\$7,265				\$66,096	
FY18	\$317,461	\$1,336		\$70,693		\$143,167	\$95,553	\$4,423	\$2,289
FY19	\$138,254		\$49,964	\$88,291					
Total	\$2,967,089	\$902,919	\$819,810	\$743,748	\$165,000	\$143,167	\$95,553	\$94,604	\$2,289

Source: DGS

5.9. County Government Cost Sharing Expenditures, FY14-FY19

Fiscal Year	Total Expenditures
FY14	\$26,000
FY16	\$256,749
FY17	\$1,029,539
FY18	\$647,882
FY19	\$355,775
Total	\$2,315,944

Source: DGS and OMB

These are County matching funds for capital funding from other sources, such as the State.

5.10. Record of Other Payments to the Strathmore Hall Foundation from Montgomery County, FY11-FY19

Fiscal Year	Payment	Purpose
FY11	\$20,000	2011 Strathmore Spring Gala Sponsorship (2 payments of \$10K)
FY11	\$13,077	2011 MLK Celebration Direct Costs
FY12	\$1,000	Economic Development Direct Costs
FY13	\$20,000	FY13 Strathmore Spring Gala Sponsorship (2 payments of \$10K)
FY14	\$350	Event Costs
FY14	\$20,000	FY14 Strathmore Spring Gala Sponsorship (2 payments of \$10K)
FY14	\$26,000	Upgrade and Enhance Functionality of Education Classroom
FY15	\$20,000	FY15 Strathmore Spring Gala Sponsorship
FY16	\$618	Project SEARCH Graduation Costs
FY16	\$700	Montgomery County Adult Drug Court Staff Retreat Direct Costs
FY16	\$20,000	FY16 Strathmore Spring Gala Sponsorship
FY18	\$2,180	Retirement Fee Refund
FY17	\$9,500	FY17 Strathmore Spring Gala Sponsorship
FY19	\$500	CE/CC Inauguration Prayer Breakfast Direct Costs
FY19	\$16,298	CE/CC Swearing in Ceremony Direct Costs
FY19	\$19,000	FY18 and FY19 Strathmore Spring Gala Sponsorship (2 payments of \$9.5K – both paid in FY19)
Total	\$189,223	

Source: SpendingMontgomery and BI Invoice Data; Dept. of Finance

* Note that the payments for the County Government's use of Strathmore facilities are for direct costs incurred for the programming. The County Government does not pay rent for use of the Strathmore property.

Chapter 6. Resident Partners at Strathmore

The Music Center at Strathmore was built to accommodate use of the venue by resident partners. In addition to the main concert hall, the Music Center at Strathmore includes educational space, rehearsal space, and office space. The County Government's contract with the Strathmore Hall Foundation gives the Foundation the exclusive right to operate the Strathmore property, to decide when, how, and under what (financial and other) terms third parties use the property, and to direct the artistic content presented at Strathmore. When the County constructed the Music Center, the Strathmore Hall Foundation established partnerships with six organizations – “resident partners” – at the Music Center: Baltimore Symphony Orchestra, National Philharmonic, Levine Music, CityDance, Washington Performing Arts, and interPLAY Orchestra. These organizations have “license agreements” with the SHF establishing the logistical terms (times and spaces used, use of box office to sell tickets, parking, etc.) and financial terms (e.g., cost for use of space, use of SHF employees, ticket printing fees, credit card fees, etc.), of the relationships.

Many other Montgomery County arts and humanities organizations have (non-resident) program relationships with Strathmore, receive mentoring, or use the campus and facilities. Examples include: Young Artists of America, Friends of the Library, Flying V Theatre, Arts on the Block, KIDMuseum, Artstream, Glorystar Chorus, BlackRock Center for the Arts, Story Tapestries, Zemer Chai, and dozens of individual artists.

One resident partner, the National Philharmonic (NP), has experienced considerable financial difficulties in recent years. In response, over several years, County Executive Leggett requested, and the Council approved earmarked funding for the National Philharmonic to help it gain stronger financial footing. Strathmore Hall Foundation representatives report that the Foundation strongly advocated for this County funding for NP. Public discussions among Councilmembers and representatives from the National Philharmonic and the Strathmore Hall Foundation related to the County funding show that the relationship between the National Philharmonic and the Strathmore Hall Foundation became strained over time. Consequently, the Council requested this report to better understand the County Government's relationship with the Strathmore Hall Foundation and, in turn, Strathmore's relationship with its resident partners.

This chapter describes each of the resident partners at Strathmore, the National Philharmonic's recent financial issues, and perceptions related to the relationship between the leadership of the Strathmore Hall Foundation and the National Philharmonic. The final section provides data on Arts and Humanities Council funding for Strathmore and its resident partners over the past few years.

The public discussions about the reasons for the National Philharmonic's financial troubles have focused on various issues/questions. Note that the financial pieces of each organization's operations are numerous, sometimes interrelated and sometimes not, and as organizations that rely on income from ticket sales and donations, constantly moving. Analyzing each organizations' decisions, actions, and subsequent results from a business and financial perspective would require analysis by a forensic accountant, which is well beyond the scope of this report.

As such, the perspectives of the National Philharmonic and the Strathmore Hall Foundation are described in Section IV to provide context for understanding their relationship.

I. Resident Partners at Strathmore

The next table lists the Strathmore Hall Foundation's six resident partners and highlights the type of space that they use in the Music Center. Stakeholders report that Strathmore may be the only performing arts center in the country with two resident symphony orchestras.

6.1. Strathmore Resident Partners

Organization	Focus	Began Partnership	Performance/ Rehearsal Space	Teaching Space	Office Space
Baltimore Symphony Orchestra	Orchestra	2005	✓		✓
National Philharmonic	Orchestra	2005	✓		✓
Levine Music	Music School	2005		✓	✓
CityDance	Dance School	2005	✓	✓	✓
Washington Performing Arts	Arts Presenter	2005	✓		
interPLAY Orchestra	Orchestra	2005	✓		

Source: <https://www.strathmore.org/about-us/resident-partners> and interviews with organizations' representatives

A. Baltimore Symphony Orchestra

The Baltimore Symphony Orchestra¹ (BSO) was established in 1916 as a branch of the Baltimore municipal government and became a private organization in 1942. In Baltimore, the BSO resides in the Joseph Meyerhoff Symphony Hall – opened in 1982 to provide the BSO with a world-class concert hall. The Grammy Award-winning orchestra has been led since 2007 by Maestra Marin Alsop – the first woman to head a major American orchestra.

The BSO was the first orchestra in the United States with a second primary venue – at the Music Center at Strathmore.² Where many orchestras have separate summer venues, the BSO presents concerts both in Baltimore and at Strathmore throughout the year. The BSO performs each of its programs one to three times at Meyerhoff Hall and most programs one time at Strathmore. For the 2019-2020 season, the BSO is advertising 34 programs at Strathmore.³ Before the Music Center opened in 2005, the BSO had anticipated that it would perform in the Music Center's Concert Hall on 100 days each year but reduced that estimate to 40 in the months before the Music Center opened.

In Montgomery County, the BSO also provides other musical opportunities, including Music Box concerts (in conjunction with Strathmore) for preschool kids and younger at the AMP venue, two music programs in several MCPS schools (particularly those with high numbers of students in poverty), professional development days for MCPS music educators, and performances for seniors at County recreation centers.

The BSO was Strathmore's original founding partner – working with the Strathmore Hall Foundation to conceptualize and build the Music Center at Strathmore as a second home for the Orchestra.

¹ <https://www.bsomusic.org/>

² Many orchestras have a second "summer home," such as the Boston Symphony Orchestra's summer season at Tanglewood or the Chicago Symphony Orchestra's summer season at the Ravinia Festival.

³ <https://www.bsomusic.org/calendar/?season=2019%20/%202020>

Strathmore and the Arts in Montgomery County

B. National Philharmonic

The National Philharmonic (NP) is a Montgomery County-based orchestra and chorale.⁴ NP was created in 2003 through a merger of the National Chamber Orchestra and the Masterworks Chorus – both Montgomery County-based music organizations. Piotr Gajewski, NP's current Music Director and Conductor, established the Montgomery Chamber Orchestra in 1984, later renamed National Chamber Orchestra and based out of the F. Scott Fitzgerald Theater in the Rockville Civic Center. Masterworks Chorus was founded in 1975 under the Montgomery County Department of Recreation as a volunteer chorus performing classical and other choral works.

The impetus for the merger between the National Chamber Orchestra and Masterworks Chorus was in anticipation of becoming an artistic partner with Strathmore when the Music Center opened in 2005. When the BSO scaled back their proposed performance schedule at the Music Center, Strathmore looked for additional resident partners to fill newly-opened availability and brought in the combined orchestra and chorale as the National Philharmonic.

When the Music Center opened in 2005, the National Philharmonic and Gajewski developed a concert program for all MCPS 2nd grade students. Initially envisioned as a one-time concert, the program continues to this day. NP transferred ownership of the concert to Strathmore after several years and Strathmore now hires NP for, on average, seven performances annually, in the Strathmore Student Concerts. Additionally, National Philharmonic offers an All Kids, All Free, All the Time program that allows young people ages 7-17 to attend NP concerts at no charge. NP also conducts summer string and choral institutes and offers master classes that pair young musicians with guest artists who share their skills and experience.

NP's administrative offices are based in the Music Center and NP also licenses rehearsal space in the Music Center and the Concert Hall for performances.

C. Levine Music

Founded in 1976 in memory of Washington lawyer and amateur musician Selma Levine, Levine Music serves more than 3,500 students (including 900 adults) at five campuses throughout Greater Washington.⁵ Levine has two campuses in Washington, D.C., one in Northern Virginia, and two in Montgomery County – at the Music Center at Strathmore and in the Silver Spring Library building. Levine teaches students regardless of age, ability, or means, provides assistance to students with financial need, and has a music therapy program for students with physical and cognitive challenges. Levine has been a Strathmore resident partner renting educational space in the Music Center since it opened in 2005.

D. CityDance

CityDance is a Washington, D.C.-based nonprofit dance school founded in 1996.⁶ Originally founded as a dance company, it moved to an educational conservatory business model in 2011. CityDance has two educational locations in Washington D.C. and two in Montgomery County – one in the educational portion of the Music Center at Strathmore and one in Rockville. CityDance has had educational space in the Music Center since its opening in 2005.

⁴ <https://www.nationalphilharmonic.org/>.

⁵ <http://www.levinemusic.org/>

⁶ <https://www.citydance.net/>

E. Washington Performing Arts

Washington Performing Arts was founded in 1947 to bring performing arts programming to the Washington, D.C. area.⁷ Originally a for-profit organization, its founder, Patrick Hayes, converted it to a nonprofit organization in 1966. Washington Performing Arts brings programming to venues around the region, including the Music Center at Strathmore, The Kennedy Center, GW’s Lisner Auditorium, and the Sixth & I Synagogue. In FY19, Washington Performing Arts presented six shows in the Concert Hall at the Music Center.

F. interPLAY Orchestra

The interPLAY Orchestra is a 67-member volunteer orchestra founded 25 years ago.⁸ Orchestra members include musicians with cognitive and physical disabilities and “Bandaides” – accompanying mentor musicians. The Strathmore Hall Foundation provides the Orchestra rent-free educational space at the Music Center for weekly rehearsals and for performances throughout the year.

II. Arts and Humanities Council Funding of Strathmore and Its Resident Partners

The National Philharmonic has cited decreasing grant funding from AHCMC among factors contributing to its recent financial difficulties. For context, data in the next table shows AHCMC grant amounts for operating support for Strathmore and its resident partners. These operating grants provide unrestricted funds to organizations, allowing grantees to direct use of the funds within their organizations, as needed. Note that in 2007, AHCMC moved to a grant process where grant awards for organizations’ operating expenses were based on a percentage of an organization’s operating budget.⁹

6.2. AHCMC Grants for General Operating Support, FY14-FY19

	FY14	FY15	FY16	FY17	FY18	FY19	% Change, FY14-FY19
Strathmore	\$342,878	\$430,231	\$398,359	\$431,616	\$539,423	\$560,878	64%
Baltimore Symphony	\$280,613	\$264,378	\$267,635	\$335,260	\$372,084	\$275,216	-2%
National Philharmonic	\$201,068	\$185,288	\$166,457	\$152,295	\$120,628	\$107,145	-47%
Levine Music	\$78,338	\$99,012	\$113,312	\$177,898	\$149,069	\$121,991	56%
CityDance	\$40,020	\$48,644	\$55,324	\$123,486	\$86,160	\$85,198	113%
interPLAY Orchestra					\$20,208	\$23,456	n/a
Total	\$956,595	\$1,040,053	\$1,019,837	\$1,243,805	\$1,307,780	\$1,187,290	24%

Source: AHCMC

⁷ <https://www.washingtonperformingarts.org/>

⁸ <https://www.interplayorchestra.org/>

⁹ This description significantly simplifies how AHCMC determines grant amounts. See <https://www.creativemoco.com/grants/guidelines> for AHCMC’s grant guidelines.

III. National Philharmonic's Financial Issues

The National Philharmonic's annual revenue ranged from \$2.3 to \$2.5 million between FY13 and FY17.¹⁰ However, in FY15 and FY16, the National Philharmonic's expenses exceeded its income by approximately \$60K and \$40K, respectively. Towards the end of the FY16 fiscal year in May 2016, County Executive Leggett requested a supplemental appropriation to the FY16 operating budget of \$250,000 for the National Philharmonic to provide immediate financial support for the orchestra.¹¹ The Executive also recommended \$150,000 for the National Philharmonic in his FY17 recommended operating budget.

The FY16 funds requested by the County Executive would pay for the following:

\$200,000	Operating support for projected FY16 shortfall
\$26,000	To offset projected FY17 funding decrease from AHCMC
\$24,000	To fund development of a strategic plan
<hr/>	
\$250,000	Total

The Council approved the supplemental appropriation for FY16¹² and approved the Executive's recommendation of \$150,000 for NP in FY17, as an earmark in AHCMC's budget. In the summer and fall of 2016, NP hired an orchestra consultant to help develop a five-year strategic plan to improve NP's board governance, fundraising, programming, and marketing. As in FY17, the County Executive recommended and the Council approved a \$150,000 earmark in the AHCMC's FY18 budget for National Philharmonic.

National Philharmonic has cited several factors that have impacted its finances in recent years. One is the cost of rent and associated fees for use of the Concert Hall, rehearsal space, and office space at the Music Center. NP asserts that the Strathmore Hall Foundation has increased costs annually to the point where the cost for space is taking up too much of NP's annual budget.

National Philharmonic also cites as a component of its financial challenges a change in how the Arts & Humanities Council of Montgomery County awarded annual grants to arts organizations. AHCMC's 2008 Strategic Plan outlined a new funding method for organizational grants. Both the BSO and National Philharmonic were grandfathered into the new funding method, receiving greater funding under the grandfathered status compared to peer organizations.¹³

AHCMC representatives report that AHCMC's Board approved the grandfathered status and adopted a policy in 2011 indicating that the funding under the status would decrease in equal amounts over three years – from FY13 to FY15 – until the BSO and NP were receiving grant funding in line with AHCMC's new funding method. AHCMC representatives report that with the National Philharmonic's agreement, the Board subsequently voted to extend the stepped-down grant period for NP to six years – through FY18. The data in the table on page 53 show that AHCMC grants to NP decreased 47 percent from FY14 to FY19 – from \$201,068 to \$107,145 (an average decrease of \$15,654 per year).

¹⁰ NP's IRS 990 filings, FY13-FY17.

¹¹ Memorandum from County Executive Isiah Leggett to Council President Nancy Floreen (May 5, 2016).

¹² Council Resolution 18-532.

¹³ The Glen Echo Park Partnership for Arts and Culture, the organization that the County Government contracts with to manage Glen Echo Park, was also grandfathered into the new funding method.

Among other things, NP's financial issues have resulted in NP becoming behind in payments to Strathmore. The Strathmore Hall Foundation reports that it has provided financial assistance to NP in the past several years, including extending NP an annual line of credit for five years and leniency on a schedule for payment of back rent and fees to SHF. NP provided quarterly updates to the Council's Health and Human Services Committee on its financial status over the years that it received County Government funding. National Philharmonic's continued financial issues have strained the relationship between the philharmonic's management team and the Strathmore Hall Foundation.

The FY20 Budget. The National Philharmonic requested funding in the County Government's FY20 operating budget in conversations with Councilmembers. The Executive did not include funding for NP in his recommended operating budget and the Council also declined to include funding for NP in the approved operating budget. By May 2019, the National Philharmonic's cash on hand was very low. National Philharmonic representatives reported in late May 2019 to the Executive and Council that if NP was not able to receive additional FY20 funding, it would have to close its doors on July 1, 2019.

In May 2019, the Strathmore Hall Foundation made two separate offers to the National Philharmonic of financial assistance for FY20 that included offers of rent reductions, credit toward concert production expenses, extended repayments for past due line of credit, and immediate cash for operating expenses. National Philharmonic representatives told OLO that NP declined the first offer because it did not provide immediate funding or relief from debts in response to NP's cash-flow problem. Following discussions, the SHF and NP also were not able to come to agreement on terms regarding the second offer.

Ultimately, the National Philharmonic issued a press release on July 16, 2019 indicating that it had requested but not received \$150,000 in needed funding from the County Government to preserve its 2019-2020 season and was preparing to close its doors. NP leadership publicly stated that NP needed to raise \$150,000 before July 31st to continue operations.

On July 29th, Jim Kelly, co-owner of Potter Violins in Silver Spring and a six-year member of the NP orchestra, reported to the NP Board and publicly that he had gathered \$275,000 in pledges from donors and that the funding was contingent on replacing the current President and Chair of the Board of the National Philharmonic. In addition, Kelly would become interim President for one year and take no salary and the NP's Music Director and Conductor and the Chorale's Artistic Director had also agreed to work for a year with no salary – for an additional \$240,000 in savings. Kelly reported that his proposal had the support of NP's Music Director and Conductor, the Chorale's Artistic Director, and NP's Musician Committee. The Chair of NP's Board indicated that the Board would consider the proposal. On July 30th, the Chair of NP's Board announced that NP had successfully raised on its own more than \$200,000 since its July 16th announcement. On August 10, 2019, the Board of the National Philharmonic voted to accept the proposal from Jim Kelly.

IV. Perspectives

The leadership and management of the Strathmore Hall Foundation and the National Philharmonic have had a strained relationship for several years. Leadership differ in their perceptions of the events and decisions that have led to the National Philharmonic's current financial situation. The perceptions described here are intended to illustrate the dynamic between the SHF and NP. Statements that the SHF or NP "perceives" something reflect conversations with Board leaders and senior staff members.

Note: OLO has used the word "perception" in this section to mean "a way of regarding, understanding, or interpreting something; a mental impression."¹⁴ The word is not meant to convey that a statement or part of a statement is "true" or "false," but simply to describe how each organization sees the situation from its perspective.

- National Philharmonic perceives that the Strathmore Hall Foundation has raised rental rates and fees for NP annually to the point where the rates are unaffordable for NP.
- The Strathmore Hall Foundation indicates that it charges its resident partners less for use of the Concert Hall compared to outside organizations that rent the hall – reflecting their status as resident partners.¹⁵
- National Philharmonic worked with a consultant to develop a five-year strategic plan in FY17. In FY17 and FY18, NP received a direct grant of \$150,000 from the County. NP was under the impression that it would receive the same amount from the County for the final three years of its strategic plan. The County Executive did not recommend and the Council did not provide direct funding to NP in FY19 or FY20 for this purpose.
- The Strathmore Hall Foundation has offered NP financial support and assistance for several years, including an annual line of credit of \$150,000 and lenient terms for repayment of arrearages.
- National Philharmonic perceives that the SHF raises rents for its resident partners when the Foundation's other sources of income are insufficient to cover Strathmore's operational costs.
- National Philharmonic perceives that the Music Center was built for the benefit of the community at large and the cost to resident partners to use the facility should be much lower to reflect that.
- National Philharmonic perceives that part of its financial difficulties stem from changes to AHCMC funding formula for organizations' operating expenses based on budget size, with NP experiencing consistent reductions to its annual grant as it cut its budget to cut costs.

¹⁴ From Google Dictionary

¹⁵ OLO intentionally did not include in this report data on Strathmore's resident partners' rental rates. The Strathmore Hall Foundation considers this proprietary information and asked that it not be included. OLO agreed to the request, in part, because knowledge of the exact dollar amount paid by NP, other resident partners, or outside renters for use of the Concert Hall will not meaningfully add to the conversation. This report does not include data that would allow one to draw meaningful conclusions about the National Philharmonic's or the Strathmore Hall Foundation's financial structures, finances, or decision-making and is not intended to reach a conclusion about whether one party or the other is "to blame" for NP's financial issues. OLO will state that the rental rates for use of the Concert Hall by the Strathmore Hall Foundation's resident partners are more than 30 percent lower than its market rates.

- National Philharmonic’s programming is perceived by some as “old fashioned,” which may make it less interesting to modern audiences. There is a perception that NP’s management is reluctant to change its model.
- The Strathmore Hall Foundation perceives that its resident partners are all complementary organizations and that it takes careful consideration when it makes decisions that also impact its resident partners.
- More than one resident partner perceives that there are fewer opportunities today compared to several years ago to meet with Strathmore leadership and provide input and feedback on decisions regarding the operation of the Music Center that the partners perceive as impacting their work at the Music Center.
- There is a perception that the Strathmore Hall Foundation brings programming to Strathmore that directly competes with its Resident Partners’ programming.
- The Strathmore Hall Foundation reports that it presents programming at the Music Center to fill “gaps” in programming – primarily in world music, popular, and spoken word genres – not to compete with its resident partners.

Chapter 7. Other Performing Arts Centers

The Council asked the Office of Legislative Oversight (OLO) to examine other arts venues nationally that are “similar to” Strathmore. Through discussions with many stakeholders and extensive research, OLO found difficulty drawing analogies between Strathmore and other venues. Many local stakeholders refer to Strathmore as a “unicorn” – meaning that there are no “similar” venues to make an accurate comparison.

OLO found that while many performing arts centers share certain characteristics with Strathmore, many differ in significant ways that draw away from direct analogies.¹ For example, while many performing arts centers are operated by nonprofit organizations like Strathmore, a significant number of those centers are owned by the nonprofit organization and were built with significant capital funding from wealthy donors.²

OLO found other performing arts centers that are owned by government jurisdictions and managed by nonprofit organizations. OLO also found, however, significant differences that point to why local stakeholders describe Strathmore as a unicorn. This chapter briefly describes these organizations and the venues they operate and highlights key differences when comparing them to Strathmore. The next table summarizes information about the venues described in this chapter.

7.1. National Examples of Performing Arts Centers

Venue	Owned By	Operated By	Key Differences
Herberger Theater Center	City of Phoenix	Phoenix Performing Arts Center, Inc.	<ul style="list-style-type: none">• Operator does not produce shows at the venue• FY17 operating revenue was \$1.5 million, \$12.2 million less than Strathmore
Hobby Center for the Performing Arts	City of Houston	Hobby Center Foundation	<ul style="list-style-type: none">• Operates under a 30-year lease, where the City pays \$1.1 million annually to the Hobby Center Foundation for operating costs• Foundation raised over \$80 million to build the center on City-owned land and then donated the center to the City
Multiple theaters	CAPA, City of Columbus, OH, others	Columbus Association of Performing Arts	<ul style="list-style-type: none">• Nonprofit owns and operates its own theaters• Jurisdictions have given ownership of theaters in need of renovation to nonprofit• Manages several theaters owned by local jurisdictions and other nonprofits

¹ OLO found, for example, that the City of Madison, Wisconsin owned a performing arts center that was managed by a private nonprofit organization. Due to financial difficulties operating the center, in 2010, the City transferred ownership of the venue to the nonprofit organization to establish a profitable business model for the center.

² Where the Strathmore Hall Foundation reports assets of \$4.3 million on its 2016 990 tax return and the nonprofit organization managing the Herberger Theater reported assets of \$69,000, many nonprofit organizations that own their properties report property assets of tens of millions or hundreds of millions of dollars. The Baltimore Symphony Endowment Trust, for examples, owns the BSO’s Baltimore City venue of Meyerhoff Hall. The State of Maryland values the property at \$37.8 million.

I. Herberger Theater Center, Phoenix, Arizona

The Herberger Theater Center³ was built by the City of Phoenix in 1989 as a part of the redevelopment and revitalization of downtown Phoenix. The property is owned by the City of Phoenix, maintenance is provided by the Phoenix Convention Center Department, and the theater is operated by a nonprofit organization, the Phoenix Performing Arts Center, Inc.⁴ The Center has three theater spaces (seating 802, 325, and 118 people), an art gallery, and rentable space. The Center collaborates with other organizations to offer three arts education programs – a two-week theater camp for abused children in group homes and shelters, a young artists competition, and a program to send artists from one of its resident companies to train parents and teachers how to use performing arts as a teaching tool. The educational programming, however, is comparatively small compared to the educational opportunities presented by the Strathmore Hall Foundation.

The Herberger Theater Center has six resident companies: the Arizona Theatre, Center Dance Ensemble, iTheatre Collaborative, Arizona Opera, Childsplay Theatre, and Arizona Broadway Theatre. The productions at the Center are primarily produced by the Center's resident companies and outside companies. In the 2019-2020 season, the Herberger Theater is coproducing only one show with a resident company and is presenting an annual Festival of the Arts. Comparatively, the Strathmore Hall Foundation produces over half of the artistic programming in the Music Center at Strathmore.

II. Hobby Center for the Performing Arts, Houston, Texas

The Hobby Center for the Performing Arts is an entertainment complex in Houston, Texas.⁵ The Hobby Center has two performance halls: (1) a 2,650-seat theater designed to accommodate large performances and shows, and (2) a 500-seat proscenium theater. Currently, the Hobby Center is home to TUTS – Theatre Under the Stars, a local nonprofit theater company. The Hobby Center Foundation presents Broadway at the Hobby Center. The Broadway season includes productions of *Rent*, *Hello Dolly*, *Come From Away*, *Jersey Boys*, and *Hamilton*, among others.

The City of Houston leased the land on which the Hobby Center is located to a nonprofit organization, the Hobby Center Foundation, for 30 years. The Foundation then financed and built the facility called the Hobby Center (opened in 2002) and donated it to the City of Houston. The Foundation raised about \$78 million of the Hobby Center's \$88 million construction cost.⁶ By comparison, where the Hobby Center Foundation acquired its lease with the city in order to construct a musical arts center for the City, the Strathmore Hall Foundation operated the County's Strathmore property as a much smaller County arts venue for well over a decade before discussions that led to the building of the Music Center got underway.

The City of Houston pays \$1.1 million per year under the lease to the Hobby Center Foundation, secured by a pledge of Houston parking revenues.⁷ The City assigned management of the Hobby Center lease to the Houston First Corporation.⁸ The City established Houston First in 2011 to operate the City's convention and performing arts facilities and to promote Houston for tourism and conventions.

³ <https://www.herbergertheater.org/>

⁴ <https://www.phoenix.gov/arts/cultural-facilities>

⁵ <https://www.thehobbycenter.org/>

⁶ <https://www.chron.com/entertainment/article/The-Hobby-Center-promises-grand-views-2011331.php>

⁷ <https://www.houstontx.gov/controller/cafr/cafr2018.pdf>

⁸ <https://www.houstonfirst.com/>

III. Columbus Association for the Performing Arts, Columbus, Ohio

The Columbus Association for the Performing Arts⁹ (CAPA) is a nonprofit organization that owns and operates multiple theaters across several jurisdictions. CAPA was founded in 1969 to save the Ohio Theatre in Columbus, Ohio – a 1928 movie house. CAPA subsequently purchased and renovated two additional Columbus theaters. Based on its success, in 1994, the State of Ohio engaged CAPA to operate four theaters in the Vern Riffe Center for Government and the Arts in Columbus. In 2007, the City of Columbus engaged CAPA to renovate and operate the 1928 Lincoln Theatre, which reopened in 2009 as a performing arts and education center. Additionally, the City of New Haven, Connecticut, engaged CAPA in 2001 to operate the 1,600 seat Shubert Theatre, a renowned “tryout” house for Broadway plays.

CAPA’s business and business model, however, differs significantly from Strathmore Hall Foundation’s mission of operating the Strathmore property. In addition to operating multiple theater venues in several cities, CAPA also provides “back office services” for several local arts organizations in Columbus, Ohio, including:

- Marketing;
- Publicity;
- Ticketing;
- Finance;
- Human Resources;
- IT management;
- Operations; and
- Development.

The table on the next page summarizes information about the theaters that CAPA owns and/or operates.

⁹ <https://www.capa.com/>

7.2. Examples of Theaters Owned and/or Operated by the Columbus Association for the Performing Arts

Theatre	Location	Seats	Resident Partners	Management Structure	Beginning in...
Ohio Theatre	Columbus, OH	2,791	Columbus Symphony, BalletMet, and Broadway in Columbus	CAPA-owned and -operated	1969
Southern Theatre	Columbus, OH	925		CAPA-owned and -operated	1986
Palace Theatre	Columbus, OH	2,837		CAPA-owned and -operated	1989
Vern Riffe Center for the Arts at Shawnee State University	Portsmouth, OH	varies, 4 theaters	Southern Ohio Performing Arts Association, Portsmouth Area Arts Council, Portsmouth Wind Symphony	CAPA operated	1994
Shubert Theatre	New Haven, CT	1,600		CAPA-operated, owned by CAPA-affiliate Connecticut Association for the Performing Arts	2001
Lincoln Theatre	Columbus, OH	582	Columbus Children's Theatre, Capital Univ. Theatre, Columbus Gay Men's Chorus, Jazz Arts Group of Columbus, Thioassane Inst., Ohio State Theatre	CAPA-operated, owned by City of Columbus	2007
Drexel Theatre (movie house)	Columbus, OH	3 screens		CAPA-operated, nonprofit-owned	2011
McCoy Community Center for the Arts	New Albany, OH	786	New Albany Symphony Orch., New Albany Arts Council, New Albany Ballet Co., Broadway Bound Dance Ctr.	CAPA-operated, nonprofit controlled, estab. by New Albany Comm. Fdn., City of New Alb., Plain Twnshp., the New Albany-Plain Local Sch. District	2013

Source: CAPA <https://www.capa.com/>

Chapter 8. Findings

Current research shows that exposure to the arts has a positive impact on students' academic, social, and emotional outcomes. Similarly, a recent review of academic research on the relationship between arts education and students' social-emotional development found that participating in the arts has "great intrinsic benefits" for young people. The County Government has supported the arts in many ways over many decades, including through direct funding for local artists and arts organizations, by facilitating the development of public art, and through capital funding of public and private arts facilities in the County. The County Government owns eight arts-related properties in the County, each managed and operated by an organization under contract with the County.

The largest County property, at the intersection of Rockville Pike and Tuckerman Lane, is Strathmore. The County purchased the property in 1978 for \$1.22 million from the American Speech and Hearing Association to establish an arts venue in the County. The property currently includes the Corby mansion, built as a private residence in 1899, and The Music Center at Strathmore, a 1,976-seat world-class concert hall and education center that opened in 2005 and was built through a public-private partnership with State, County Government, and private funding.

Since 1983, the County has had a lease agreement with the nonprofit Strathmore Hall Foundation (SHF, "Strathmore" or "the Foundation") for the Foundation to manage and operate the Strathmore property.¹ Several nonprofit arts organizations – including the Baltimore Symphony Orchestra and the National Philharmonic – are "resident partners" in the Music Center, renting office, educational, and/or performance space in the Music Center on an ongoing basis.

This Office of Legislative Oversight (OLO) project stems from the County Council's interest in better understanding the structure of the County Government's relationship with the Strathmore Hall Foundation and the Foundation's operation of the Strathmore property its relationship with its resident partners.

Finding #1. Historically, federal, state, and local governments have played a key role in financially supporting arts and humanities organizations.

In the United States, annual funding of arts organizations comes from three primary sources: (1) earned income (e.g., ticket sales, tuition, rentals); (2) private sector contributions and sponsorships (individual, foundation, corporate); and (3) government funding. Americans for the Arts, a national organization that supports the arts and arts organizations, found that various sources that analyzed funding for arts organizations calculated that earned income represents approximately 50-60 percent of arts organizations' annual funding.

It is widely accepted in the arts community that private funding alone cannot sustain the arts nationally. A 2015 data analysis by the National Center for Arts Research found that in 2008-2012, arts organizations covered approximately six to seven percent of expenses with government support.

¹ This report will primarily to use SHF, "Strathmore," or the "Foundation" to refer to the Strathmore Hall Foundation – the nonprofit organization manages and operates the Strathmore property. Where appropriate, the report generally will use the term "Strathmore property" to refer to the property owned by the County Government that includes the Corby Mansion and the Music Center at Strathmore.

Finding #2. Many jurisdictions around the country leverage their arts and cultural “industry” as an economic development tool.

Arts organizations drive local economies in several ways: generating economic activity, providing jobs and household income, and providing government revenue. One study reports that in 2015, the nonprofit arts industry generated \$166.3 billion in economic activity.²

At every level of government, there are examples of jurisdictions working purposefully to cultivate artists, arts communities, and arts as an industry. Many states and cities around the country are working to harness the link between the arts and economic development through the creation of arts and culture districts. Montgomery County has three State-designated Arts & Entertainment (A&E) Districts – in Silver Spring, Bethesda, and Wheaton – that are promoted and operated individually out of each of the District’s Regional Services Center. Economic development incentives in A&E Districts for businesses and artists, include:

- Property tax incentives for property renovations in A&E Districts for A&E purposes;
- Income tax incentives for artists who sell works in an A&E District; and
- Admissions/Amusement Tax exemptions for arts enterprises and artists in an A&E District.

Finding #3. The last County-wide plan for the local arts community was released in 2001 by the Arts and Humanities Council of Montgomery County, the County’s designated local arts agency.

County law allows the Council to designate and contract with a qualified organization to support and promote arts, provide arts funding, and advise about the needs of arts and humanities programs in the County. The Council-designated organization in the County is the Arts and Humanities Council of Montgomery County, Inc. (AHC MC), a nonprofit organization overseen by a 12-member board of directors.

The 2001 cultural plan, *Creative Montgomery – A Vision for Arts and Humanities in Montgomery County, MD*, stemmed from a dramatic growth of arts and humanities organizations in the County, an increase in demand for County Government funding, and a recognition of the need for strategic direction for arts. Research for and writing of the plan was undertaken by a contractor with the help of a 35-member Steering Committee of local stakeholders in the County Government and the arts community. The County Council generally endorsed the plan’s recommendations in a Council resolution. Key findings and recommendations included:

- The County’s cultural organizations were competing for funding with national cultural organizations. *Creative Montgomery* recommended that “Montgomery County’s cultural institutions must find a ‘niche’ that will allow them to thrive without head-to-head competition with the much larger and better funded cultural groups in Washington, DC.
- The region at the time lacked a “culture of giving” similar to other regions, negatively impacting local fundraising for arts and humanities organizations.

² *Arts & Economic Prosperity 5*, Americans for the Arts (2016)

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- The County Government's capital funding of arts institutions was:
[N]ot ... part of an overall evaluation process that determines the merits of individual projects, long-term facility needs, the capacity of the sponsoring group to provide an equitable share of capital and operating funds, or the availability of increased programming to utilize the new facilities ... there is no systematic evaluation of these proposals.
- Embracing diversity in Montgomery County's arts community was deemed essential to the creation of a mature cultural system in the County. The report recommended that AHCMC adjust its funding of local organizations to expand diversity in the community and encourage and develop more diversity within existing arts and humanities organizations.

Finding #4. Montgomery County Government purchased the Strathmore property in 1978 for \$1.2 million for use as a County arts venue. It has been operated since its opening by the nonprofit Strathmore Hall Foundation. The County Government, the State of Maryland, and the Strathmore Hall Foundation worked together to fund and build the Music Center at Strathmore, opened in 2005.

The property currently known as Strathmore sits at the corner of Rockville Pike and Tuckerman Lane in North Bethesda. Owned in the 1970s by St. Mary's academy, in 1977 the sisters sold 30 acres to the American Speech-Language-Hearing Association (ASHA) for use as its headquarters. Montgomery County purchased ten of those acres from ASHA in 1978 for \$1,221,500. At that time, the property included the Mansion at Strathmore, originally built as a summer house in the early 1900s.

The Strathmore Hall Foundation, Inc. (SHF) was legally formed as a Maryland nonprofit corporation in 1981 for the specific purpose of operating and managing the Strathmore property. Both the County Executive and the County Council endorsed the establishment of the Strathmore Hall Foundation "to provide an organization which will be concerned with the operation and development of the Strathmore Hall Arts Center." The Foundation's President and Chief Executive Officer heads the day-to-day management and oversight of the Strathmore property, the Music Center, the Mansion, and its activities off campus.

The Foundation's 26-member Board of Directors includes eight members related to the County Government: (1) six members with "demonstrated interest in the arts" appointed by the County Executive and confirmed by the County Council, and (2) two County Government employees who are ex-officio members with full voting rights – currently Councilmember Andrew Friedson and an Assistant Chief Administrative Officer.

County Government reports dating back to the late 1950s discuss the idea of building an "arts center" or a "cultural center" in Montgomery County. The Strathmore Hall Foundation's Articles of Incorporation state that one of the Foundation's objectives is to develop other buildings on the Strathmore Property and the County Government's original 1983 lease with the SHF gives the Foundation a non-exclusive right to plan and implement the construction of new buildings for "the performing, visual or literary arts...."

In 1996, the County Government and SHF commissioned a study on building a concert hall on the Strathmore property. The Council approved funding for a feasibility study in FY98 followed by initial capital funding for the project in FY99. The County Government spent approximately \$51.6 million to build the Music Center, with the State of Maryland spending an equal amount. The Strathmore Hall Foundation raised approximately \$10 million for the project, which was used to purchase furnishings and other internal fixtures of the Music Center.

Finding #5. The County Government’s relationship with the Strathmore Hall Foundation is governed by a contractual lease agreement. The County and SHF entered into their first lease agreement in 1983 and into a second one in 2004. The 2004 lease is set to expire in 2023.

A 2004 Lease Agreement governs the County Government and Strathmore Hall Foundation’s working relationship. A first lease – signed in 1983 – would have ended after 25 years – in 2008. The County Government entered into the current lease with the Foundation in 2004, in anticipation of the opening of the Music Center at Strathmore in 2005. The County and the SHF have revisited the lease as needed since, adopting amendments in 2008, 2010, and 2011. The lease defines the relationship between the County and the Foundation, governing issues such as property ownership and use, maintenance, artistic content of programming, and secondary use of the property. The SHF leases the property from the County for \$1 per year.

The County Government is not involved in the day-to-day operation of the property nor does it have decision-making authority related to artistic content, programming, operations, or secondary uses (e.g., renting space to others). Several County Government employees, however, do regularly interact with Foundation staff and Board members in varying capacities. Two County Government employees sit on the SHF’s Board of Directors. The Department of General Services oversees County maintenance of the Strathmore property and the DGS Director represents the County as owner of the Strathmore facilities and grounds on Strathmore’s Facilities Support Committee. The Executive Director of the Montgomery County Employee Retirement Plans also assists the Strathmore Board’s Finance Committee with investment-related advice – attending quarterly meetings of the Finance Committee at which Strathmore’s investment firm presents the reports on the SHF’s investments.

The current lease agreement allows for up to four additional 10-year terms. Absent action on the part of the County Government or the Strathmore Hall Foundation before the end of the lease term, the lease would automatically renew for a 10-year period under the same terms and conditions. If either party intends to *not renew* the lease or wants to renegotiate provisions in the lease, the party must give the other party at least three years written notice of the intent – before September 30, 2020.

Before the expiration of the 2004 lease agreement, the County can establish a Review Board to review the Strathmore Hall Foundation’s finances and mission to determine whether the Foundation is managing its finances according to best practices and whether it is adequately and actively involving community representation in its programming and planning functions. The lease indicates the Review Board would have three members “knowledgeable in arts management,” with the chair appointed by the County Executive, one member appointed by the Chair of the Strathmore Hall Foundation’s Board of Directors, and one member mutually selected by the County and the SHF.

A Review Board must conclude its work at least 36 months before the lease expires – which currently would be September 2020. Data and analysis from a Review Board is meant to provide the County Executive with information pertinent to future lease negotiations between the County Government and the Strathmore Hall Foundation.

Finding #6. The County Government is primarily responsible for maintenance of the Strathmore property and associated costs.

The County Government has funded ongoing maintenance and utility costs for the Strathmore property since purchasing the property in 1978. The 2004 lease agreement establishes the current division of maintenance responsibilities between the County and the Strathmore Hall Foundation. The table on the next page outlines this distribution.

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Current Distribution of Strathmore Property Maintenance Responsibilities (2004 Lease)

	MCG	SHF		MCG	SHF
Facility Maintenance			Grounds Maintenance		
Structural	✓		Grass cutting		✓
Exterior surfaces and finishes	✓		Tree maintenance	✓	
Interior and exterior glazing and systems	✓		Landscaping services – mulching, pruning, weeding		✓
Roofing systems	✓		Snow removal	✓	
Sidewalk, driveway, and parking lots	✓		Landscaping plants		✓
Mechanical systems	✓		Miscellaneous		
Electrical systems	✓		Concert Hall stage platform lift	✓	
Emergency generator and power system	✓		Concert Hall installed theater seating	✓	
Elevators and dumbwaiters	✓		Concert Hall free-standing box seat chairs	✓	
Lighting fixtures – exterior and interior general illumination	✓		Education and administration electric window shades		✓
Plumbing, pumps, tanks, and fixtures	✓		Manual window treatments (blinds)		✓
Fire protection/life safety systems	✓		Concert Hall adjustable acoustic systems		✓
Performance lighting fixtures		✓	Concert Hall portable rigging systems		✓
Fire protection/life safety systems – Kitchen area fire extinguisher system		✓	Concert Hall orchestra risers		✓
Security			Concert Hall chorus risers		✓
Intrusion and card reader system	✓		Concert Hall chorus riser benches		✓
CCTV/recording system – exterior	✓		Concert Hall sound system		✓
CCTV/recording system – interior	✓		Concert Hall lighting dimmer system		✓
24-hour monitoring station services		✓	Concert Hall stage portable furnishings		✓
On site guards and personnel		✓	Administrative office furnishings		✓
Telecommunications link for monitoring systems		✓	Education space furnishings		✓
Facility Housekeeping			Facility-wide master antenna system		✓
Concert hall, education building, metro walkway	✓		Facility-wide show video monitoring system		✓
Facility Utilities			Facility-wide telephone and voice messaging system		✓
Electric, gas, water, sewer	✓		Facility-wide computer, data and network systems		✓
Telephone		✓	Facility audio/visual equipment		✓

Source: 2004 Lease Agreement, Exhibit B – Maintenance Responsibilities

The 2004 lease agreement requires the SHF to establish a Sinking Fund to be used for repairs and replacements to furniture, fixtures, and equipment outlined in the lease agreement. The Foundation is required to contribute \$133,630 annually to the fund. The data in the next table show the Strathmore Hall Foundation's contributions to and spending from the Sinking Fund.

Strathmore Hall Foundation Sinking Fund Balance, FY07-FY19

FY	Opening Balance	Annual Funding	Spending	Ending Balance
FY07		\$133,630		\$133,630
FY08	\$133,630	\$133,630		\$267,260
FY09	\$267,260	\$133,630		\$400,890
FY10	\$400,890	\$133,630		\$534,520
FY11	\$534,520	\$133,630		\$668,150
FY12	\$668,150	\$133,630		\$801,780
FY13	\$801,780	\$133,630		\$935,410
FY14	\$935,410	\$133,630		\$1,069,040
FY15	\$1,069,040	\$133,630	(\$233,171)	\$969,499
FY16	\$969,499	\$133,630	(\$23,897)	\$1,079,232
FY17	\$1,079,232	\$133,630	(\$179,039)	\$1,033,823
FY18	\$1,033,823	\$133,630	(\$81,913)	\$1,085,539
FY19	\$1,085,539	\$133,630	(\$266,409)	\$952,761
Total		\$1,737,190	(\$784,429)	\$952,761

Source: Strathmore Hall Foundation

County Government spending related to the Strathmore property primarily includes funding for maintenance and utilities and capital spending. County Government data show that:

- Between FY13 and FY18, the County Government spent over a 12-month period, on average, \$771K for maintenance and \$950K for utilities related to the Strathmore property.
- Combined maintenance costs for the Music Center and the Mansion increased 141% from FY13 to FY18.
- Utility costs have been more stable from year-to-year – with a cost of \$940K in 2013 and \$901K in 2018.
- Capital costs vary considerably from year-to-year, based on the projects undertaken.

The following pages include tables summarizing County Government spending related to the Strathmore property. The tables are:

- County Government Building Maintenance Expenses for Strathmore, FY13-FY18;
- County Government Utility Costs for Strathmore, 2013-2018;
- County Government Spending for Strathmore Property Capital Costs, FY11-FY19;
- County Government Cost Sharing Expenditures, FY14-FY19; and
- Record of Other Payments to the Strathmore Hall Foundation from Montgomery County, FY11-FY19.

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County Government Building Maintenance Expenses for Strathmore, FY13-FY18

Music Center				
	Equipment	Labor	Materials	Total
FY13	\$29,131	\$90,901	\$173,977	\$294,010
FY14	\$109,428	\$41,791	\$487,133	\$638,352
FY15	\$0	\$36,681	\$614,402	\$651,083
FY16	\$0	\$71,184	\$694,542	\$765,726
FY17	\$0	\$81,373	\$780,804	\$862,177
FY18	\$0	\$51,411	\$640,759	\$692,170
Total	\$138,559	\$373,343	\$3,391,617	\$3,903,519
Mansion				
FY13	\$9,045	\$12,653	\$18,101	\$39,799
FY14	\$63,638	\$9,475	\$128,922	\$202,036
FY15	\$0	\$9,560	\$124,724	\$134,285
FY16	\$0	\$17,092	\$99,917	\$117,009
FY17	\$0	\$21,869	\$94,357	\$116,226
FY18	\$0	\$16,219	\$98,774	\$114,994
Total	\$72,683	\$86,869	\$564,797	\$724,349
Combined				
FY13	\$38,176	\$103,555	\$192,079	\$333,809
FY14	\$173,066	\$51,266	\$616,056	\$840,388
FY15	\$0	\$46,242	\$739,126	\$785,368
FY16	\$0	\$88,276	\$794,460	\$882,736
FY17	\$0	\$103,242	\$875,161	\$978,403
FY18	\$0	\$67,631	\$739,534	\$807,164
Total	\$211,242	\$460,211	\$3,956,415	\$4,627,868

Source: DGS

County Government Utility Costs for Strathmore, 2013-2018

Music Center				
Calendar Year	Electric	Natural Gas	Water & Sewer	Total
2013	\$628,597	\$150,216	\$94,938	\$873,751
2014	\$592,565	\$139,120	\$83,404	\$815,089
2015	\$561,713	\$164,805	\$134,568*	\$861,086
2016	\$554,457	\$177,617	\$204,740	\$936,814
2017	\$512,850	\$167,466	\$241,708	\$922,024
2018	\$539,429	\$182,236	\$99,547	\$821,212
Total	\$4,041,872	\$1,151,768	\$926,438	\$6,120,078
Mansion				
2013	\$49,383	\$7,398	\$9,347	\$66,128
2014	\$57,670	\$14,197	\$8,021	\$79,888
2015	\$63,919	\$11,325	\$7,179	\$82,423
2016	\$60,506	\$13,227	\$11,639	\$85,373
2017	\$53,530	\$15,381	\$6,862	\$75,774
2018	\$57,534	\$16,821	\$5,615	\$79,970
Total	\$402,773	\$91,840	\$58,323	\$552,936
Combined				
2013	\$677,980	\$157,614	\$104,285	\$939,879
2014	\$650,235	\$153,317	\$91,425	\$894,977
2015	\$625,632	\$176,130	\$141,747	\$943,509
2016	\$614,963	\$190,844	\$216,379	\$1,022,187
2017	\$566,380	\$182,847	\$248,570	\$997,798
2018	\$596,963	\$199,057	\$105,162	\$901,182
Total	\$4,444,645	\$1,243,608	\$984,761	\$6,673,014

Source: DGS. *DGS representatives report that the spike in water and sewer costs for the Music Center from 2015-2017 was the result of operational inefficiencies due to increased water being fed to the facility's chiller system. In 2017, DGS installed a new water treatment system that restored efficiency to the chiller operation and reduced water and sewer costs.

County Government Spending for Strathmore Property Capital Costs, FY11-FY19

Fiscal Year	Fiscal Year Total	Roof Replacement	HVAC/ Elec Replacement	Planned Lifecycle Asset Replacement	Building Envelope Repair	Resurfacing Parking Lots	ADA Work	Life Safety Systems	Elevator Modernization
FY11	\$34,272		\$34,272						
FY12	\$2,791		\$2,791						
FY13	\$454,167		\$454,167						
FY14	\$25,481		\$25,481						
FY15	\$69,430	\$69,430							
FY16	\$1,598,738	\$832,153		\$577,500	\$165,000			\$24,085	
FY17	\$326,496		\$253,135	\$7,265				\$66,096	
FY18	\$317,461	\$1,336		\$70,693		\$143,167	\$95,553	\$4,423	\$2,289
FY19	\$138,254		\$49,964	\$88,291					
Total	\$2,967,089	\$902,919	\$819,810	\$743,748	\$165,000	\$143,167	\$95,553	\$94,604	\$2,289

Source: DGS

County Government Cost Sharing Expenditures, FY14-FY19

Fiscal Year	Total Expenditures
FY14	\$26,000
FY16	\$256,749
FY17	\$1,029,539
FY18	\$647,882
FY19	\$355,775
Total	\$2,315,944

Source: DGS and OMB

These are County matching funds for capital funding from other sources, such as the State.

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Record of Other Payments to the Strathmore Hall Foundation from Montgomery County, FY11-FY19

Fiscal Year	Payment	Purpose
FY11	\$20,000	2011 Strathmore Spring Gala Sponsorship (2 payments of \$10K)
FY11	\$13,077	2011 MLK Celebration Direct Costs
FY12	\$1,000	Economic Development Direct Costs
FY13	\$20,000	FY13 Strathmore Spring Gala Sponsorship (2 payments of \$10K)
FY14	\$350	Event Costs
FY14	\$20,000	FY14 Strathmore Spring Gala Sponsorship (2 payments of \$10K)
FY14	\$26,000	Upgrade and Enhance Functionality of Education Classroom
FY15	\$20,000	FY15 Strathmore Spring Gala Sponsorship
FY16	\$618	Project SEARCH Graduation Costs
FY16	\$700	Montgomery County Adult Drug Court Staff Retreat Direct Costs
FY16	\$20,000	FY16 Strathmore Spring Gala Sponsorship
FY18	\$2,180	Retirement Fee Refund
FY18	\$9,500	FY17 Strathmore Spring Gala Sponsorship
FY19	\$500	CE/CC Inauguration Prayer Breakfast Direct Costs
FY19	\$16,298	CE/CC Swearing in Ceremony Direct Costs
FY19	\$19,000	FY18 and FY19 Strathmore Spring Gala Sponsorship (2 payments of \$9.5K – both paid in FY19)
Total	\$189,223	

Source: SpendingMontgomery and BI Invoice Data; Dept. of Finance

* Note that the payments for the County Government's use of Strathmore facilities are for direct costs incurred for the programming. The County Government does not pay rent for use of the Strathmore property.

Finding #7. When the County entered into its first contract with the Strathmore Hall Foundation in 1983, the County anticipated that the Strathmore Hall Foundation would eventually be responsible for funding a larger portion of the costs related to maintenance of the property than the Foundation currently does.

The 1983 lease agreement outlined the initial distribution of maintenance responsibilities between the County Government and the Strathmore Hall Foundation and then transferred responsibility for certain maintenance from the County to the Foundation at later dates. The next table summarizes the maintenance schedule in the original 1983 lease agreement (which was superseded by the 2004 lease agreement and is no longer in effect).

Summary of 1983 Lease Agreement Exhibit B – Maintenance Schedule

	MCG	SHF	Responsibility transfers from MCG to SHF
Mansion			
Structural integrity of Mansion	✓		
Roof maintenance	✓		
Major mechanical maintenance (electrical, plumbing, HVAC, elevators)	✓		
Telephone		✓	
Live-in custodian, weekend and evening custodian/guard		✓	
Internal preventive maintenance and repair			July 1, 1988
Redecoration and renovation			July 1, 1983
Utilities (gas, electric fuel, water)			July 1, 1986 or until Endowment Fund of \$1 million has been in existence for one year
Housekeeping, janitorial service and supplies, garbage removal, pest control			July 1, 1986 or until Endowment Fund of \$1 million has been in existence for one year
Security and daytime custodial			July 1, 1986 or until Endowment Fund of \$1 million has been in existence for one year
Grounds			
General maintenance (grass trimming, planting, leaf removal, maintenance of parking areas and walks)			Until Endowment Fund of \$1 million has been in existence for one year at which time the respective responsibility between the Foundation and the County will be negotiated

Source: Exhibit B to 1983 Lease Agreement

At the same time the 1983 lease was signed, the County and the SHF entered into a separate agreement whereby the County would help fund an endowment fund for the Strathmore Hall Foundation, matching SHF funding over several years up to \$500,000. After the fund reached \$1 million, income could be used for operating expenses by the Strathmore Hall Foundation. Responsibility for some maintenance costs related to the mansion were to transfer to the SHF either on July 1, 1986 or after the endowment fund reached \$1 million and maintained that level for one year.

The endowment fund reached and maintained a balance of \$1 million by June of 1993 – almost 10 years after the Lease Agreement was originally executed. However, in December 1993, the Foundation sent a written proposal to the County Government proposing that the County maintain responsibility for the majority of maintenance costs that the Foundation was supposed to assume under the Lease Agreement.

A Senior DGS representative wrote to the DGS Director in February 1994 that “[i]t’s clear that the original intent of the County and the Foundation was that the Foundation should clearly stand on it’s [sic] own (except for structural and major maintenance) with respect to operating the facility....” DGS’ Real Estate Management Chief recommended (1) transferring responsibility for utility costs to the Foundation, (2) enforcing the Foundation’s responsibility to pay for preventative maintenance, and (3) transferring responsibility to the Foundation for “all building and ground services at whatever service level they feel is appropriate.”

Ultimately, the County Government and the Foundation reached an agreement regarding maintenance in 1994, but the agreements were not formally executed in a lease amendment. The agreement provided that the

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County would maintain responsibility for most maintenance. SHF representatives reported to OLO that the County Government's provision of maintenance after this time period followed this 1994 agreement.

During construction of the Music Center, the County Government and Strathmore negotiated a new lease agreement that incorporated operation of the Music Center into the agreement. A 2003 draft lease agreement stated that the Foundation would be responsible for some additional maintenance expenses, including utilities and equipment, furniture, and furnishings on the premises, among other things.

The Chair of the Strathmore Board of Directors wrote to County Executive Doug Duncan in March 2003 indicating that Strathmore was not willing or financially able to take on additional maintenance responsibilities. Ultimately, the 2004 lease agreement distributed maintenance responsibilities as outlined in the table on page 66. Both Strathmore and DGS representatives report that the current working relationship between the SHF and the County regarding distribution of maintenance works well.

Finding #8. The Strathmore Hall Foundation has six resident partners in the Music Center at Strathmore.

The Music Center at Strathmore was built with educational, rehearsal, and office space to accommodate use of the venue by resident partners – other arts organizations. The BSO was Strathmore's original founding partner – working with the Foundation to conceptualize and build the Music Center as a second home for the Orchestra.

The Strathmore Hall Foundation currently has partnerships with six organizations as resident partners: Baltimore Symphony Orchestra (BSO), National Philharmonic, Levine Music, CityDance, Washington Performing Arts, and interPLAY Orchestra. These organizations have "license agreements" with the SHF establishing the logistical terms (times and spaces used, use of box office to sell tickets, parking, etc.) and financial terms (e.g., cost for use of space, use of SHF employees, ticket printing fees, credit card fees, etc.), of the relationships. The next table shows each organization's use of space in the Music Center.

Strathmore Resident Partners

Organization	Focus	Began Partnership	Performance/ Rehearsal Space	Teaching Space	Office Space
Baltimore Symphony Orchestra	Orchestra	2005	✓		✓
National Philharmonic	Orchestra	2005	✓		✓
Levine Music	Music School	2005		✓	✓
CityDance	Dance School	2005	✓	✓	✓
Washington Performing Arts	Arts Presenter	2005	✓		
interPLAY Orchestra	Orchestra	2005	✓		

Source: <https://www.strathmore.org/about-us/resident-partners> and interviews with organizations' representatives

The BSO was the first orchestra in the United States with a second primary venue. Before the Music Center opened in 2005, the BSO anticipated that it would perform in the Concert Hall on 100 days each year but reduced that estimate to 40 in the months before the Music Center opened. interPLAY Orchestra typically does not use the Concert Hall for its programming in the Music Center.

Finding #9. Recent financial difficulties experienced by the National Philharmonic – one of Strathmore’s resident partners – have strained the working relationship between leadership of the Strathmore Hall Foundation and the National Philharmonic.

The National Philharmonic (NP) is a Montgomery County-based orchestra and chorale. NP was created in 2003 through a merger of the National Chamber Orchestra and the Masterworks Chorus – both Montgomery County-based music organizations – in anticipation of becoming an resident partner with Strathmore when the Music Center opened in 2005. NP’s administrative offices are based in the Music Center and NP also leases rehearsal space in the Music Center and the Concert Hall for performances. Between FY14 and FY19, NP presented between 15 and 21 performances annually in the Music Center plus an additional seven concerts annually for MCPS 2nd.

The National Philharmonic’s annual revenue ranged from \$2.3 to \$2.5 million between FY13 and FY17. However, in FY15 and FY16, the National Philharmonic’s expenses exceeded its income by approximately \$60K and \$40K, respectively. The County Executive recommended and the Council approved direct County funding for NP in FY16, FY17 and FY18, of \$250,000, \$150,000, and \$150,000, respectively – to provide operating support and help fund development of a long-term strategic plan. Although requested by NP, the County Executive did not recommend direct funding for NP in the County’s FY19 or FY20 operating budgets.

National Philharmonic has cited two primary factors in its financial challenges: annual increases in rental costs for spaces in the Music Center at Strathmore and a change several years ago in how the Arts & Humanities Council of Montgomery County awards annual grants to all large arts organizations that resulted in a 47 percent decrease in AHCMC funding for NP from FY14 to FY19 – from \$201,068 to \$107,145 annually.

NP’s financial issues have resulted in NP becoming behind in payments to Strathmore. The Strathmore Hall Foundation reports that it has provided financial assistance to NP in the past several years, including extending NP an annual line of credit for five years and leniency on a schedule for payment of back rent and fees to SHF.

Prior to adoption of the FY20 operating budget, NP representatives met with Councilmembers to request funding in the budget, indicating that an immediate lack of cash could force the philharmonic to close. The Strathmore Hall Foundation made two proposals to NP for funding assistance in FY20, but the organizations were not able to come to agreement on either proposal. The Council did not include direct funding for NP in the FY20 operating budget. Subsequently, on July 16, 2019, the National Philharmonic issued a press release indicating that it was preparing to close its doors unless it could raise \$150,000 before July 31st to continue operations.

On July 29, Jim Kelly, co-owner of Potter Violins in Silver Spring and a six-year member of the NP orchestra, reported to the NP Board and publicly that he had gathered \$275,000 in pledges from donors and that the funding was contingent on replacing the current President and Chair of the Board of the National Philharmonic. On July 30, the Chair of NP’s Board announced that NP had successfully raised on its own more than \$200,000 since its July 16th announcement. On August 10, 2019, the Board of the National Philharmonic voted to accept the proposal from Jim Kelly.

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Finding #10. The County Government owns seven other arts-related properties in the County, in addition to the Strathmore property. Each is operated on a day-to-day basis by an outside organization under contract with the County.

Montgomery County owns eight arts-related properties, and each is operated by a nonprofit or a for-profit organization under contract with the County.³ In addition, the County Government currently is in the process of developing an arts facility in Wheaton as part of the redevelopment of that area. The properties include various types of arts-related spaces, including theater space with resident theater companies, performance space for rent, gallery space, and cinemas, among others.

Similar to the lease agreement between the County and the Strathmore Hall Foundation, the County Government's contracts with the organizations that manage its other arts venues are worded to provide the organizations sole authority to direct the content of the venues' programming. The next table lists the properties, their operators, and whether the County Government funds maintenance and/or utilities costs at each venue.⁴

County Government-Owned Arts Venues

Property	Operated By	MCG Pays for	
		Maintenance	Utilities
AFI/Silver Theater	American Film Institute, Inc.	✓	✓
Black Box Theater	Theater Consortium of Silver Spring, Inc.	✓	✓
BlackRock Center for the Arts	Germantown Cultural Arts Center	✓	✓
The Filmore	Live Nation Worldwide, Inc.		
Imagination Stage	Imagination Stage, Inc.		✓
Round House Theatre	The Round House Theatre, Inc.		✓
Strathmore	The Strathmore Hall Foundation, Inc.	✓	✓
Writer's Center	The Writer's Center		✓

Source: DGS

Finding #11. County Government funding for (1) its art properties, (2) the organizations that manage the County's properties, and (3) other private local arts organizations, is disbursed throughout the County's operating and Capital Improvements Program (CIP) budgets and is not routinely compiled.

Over the past decade, the County Government has provided funding for arts venues and to arts organizations via:

- Grants through the Arts and Humanities Council of Montgomery County;
- Direct earmarks to organizations through AHCMC's annual budget;

³ In addition, Glen Echo Park is owned by the National Park Service and the County Government is responsible for operational expenses for the property.

⁴ The County Government provides funding for these venues and organizations beyond maintenance and utility costs.

- Funding in the Department of General Services' (DGS) base budget for maintenance and utilities at County-owned arts properties;
- Funding in DGS' base budget for organizations' operating expenses; and
- Direct earmarks to organizations through community grants.

OLO found that data on the County Government's arts properties is maintained in many places throughout the County Government –DGS, Department of Finance, Department of Recreation, and Regional Services Centers, among others. Review of recent CIP and operating budget documents and Council staff analyses show that the County Government is providing millions of dollars annually to local arts organizations. The total dollar amount, however, is unclear.

DGS compiled the data on spending related to the Strathmore property in Finding #7 at OLO's request. The Executive Branch does not routinely compile data on this spending for the County's other arts properties and OLO has not seen any request from the Council for the Executive Branch to do so.

Chapter 9. Recommendations

The Arts and Humanities Council of Montgomery County estimated that in 2016 there were 500 arts and humanities organizations in the County and 2,000 individual artists and scholars. Americans for the Arts, a national organization supporting the arts and arts organizations, estimated that nonprofit arts and cultural organizations in Montgomery County in 2015 supported 3,807 jobs, generated \$183.2 million in annual expenditures, and \$7.1 million in local government revenue. As one stakeholder observed, the local arts economy is full of jobs and revenue that cannot be shipped overseas.

In the United States, annual funding of arts organizations comes from three primary sources:

- Earned income (e.g., ticket sales, tuition, rentals);
- Private sector contributions and sponsorships (individual, foundation, corporate); and
- Government funding.

It is widely accepted in the arts community that private funding alone cannot sustain the arts nationally. At every level of government, one finds examples of jurisdictions working purposefully to cultivate artists, arts communities, and arts as an industry. The County Government has supported the arts in many ways over many decades, including through direct funding for local artists and arts organizations, by facilitating the development of public art, and through capital funding of public and private arts facilities in the County. The County Government owns eight arts-related properties in the County, each managed and operated by an organization under contract with the County.

The largest of the County's properties – Strathmore – has been a venue for arts programming since 1981 and has been operated by the nonprofit Strathmore Hall Foundation since 1983. The property has gallery, entertaining, and smaller performances spaces in the Mansion at Strathmore and a world-class, 1,976-seat concert hall, rehearsal space, and education space in the Music Center at Strathmore. Opened in 2005, the Music Center at Strathmore hosts six nonprofit artistic partners in its education and rehearsal space and presents over 175 shows a year, on average, in the concert hall.

The last County-wide cultural plan for the arts was commissioned by the Arts and Humanities Council of Montgomery County, the County's designated local arts agency, and was released in 2001. *Creative Montgomery – A Vision for Arts and Humanities in Montgomery County, MD*, provided observations and recommendations to guide the County Government and the Arts and Humanities Council in their efforts to help the arts thrive in the County.

Among other things, *Creative Montgomery* recommended that the County Government develop an overall strategy for its financial support of arts organizations and artists. This Office of Legislative Oversight report – focusing primarily on the County's Strathmore property – provides the County Government an ideal opportunity to examine and analyze its support of and funding for the arts in the County. OLO presents two recommendations for the County Council.

Recommendation #1: Ask the County Executive to gather, analyze, and present information and data regarding the County Government’s arts-related spending and functions.

To understand the nature of the County Government’s ownership of the Strathmore property and its relationship with the Strathmore Hall Foundation, Office of Legislative Oversight spoke with over two dozen current and former County employees in the Executive and Legislative Branches and requested budget and spending data from the Executive Branch related to the Strathmore property.

OLO found that management of County Government arts-related functions and funding is distributed across the County Government, including in the Department of General Services, Department of Recreation, Office of Management and Budget, Regional Services Centers, and Office of the County Executive, among others. In addition, as the County’s designated local arts agency, the Arts & Humanities Council of Montgomery County distributes several million dollars in County grant funding (for operations and capital projects) annually to local artists and organizations. Spending that OLO is not aware of may be slotted elsewhere in the budget. The total dollar amount is unclear.

In 2001, the Arts and Humanities Council commissioned a County-wide cultural plan developed for the local arts community. *Creative Montgomery – A Vision for Arts and Humanities in Montgomery County, MD* stemmed from a dramatic growth of arts and humanities organizations in the County, an increase in demand for County Government funding, and a recognition of the need for direction for arts in the County. *Creative Montgomery* included a finding that while the County was committed to funding the arts, the County lacked a process for assessing the community’s long-term needs and for systematically evaluating strategic opportunities in order to guide funding decisions. OLO’s recent research for this report supports this observation.

The Office of Legislative Oversight recommends that the Council ask the County Executive to compile, review, and (if applicable) update data and information on the County Government’s arts-related spending and functions to facilitate conversation about the future of the County Government’s investments in, support for and funding of the arts. Relevant data and information may be kept by County Government partners such as the Arts & Humanities Council. Pertinent questions include:

- What is the basis for the County Government’s current distribution of responsibilities among departments for management of the arts?
- What process(es) does the County Government use to evaluate and distribute arts-related funding?
- How does the County Government evaluate the impact of or outcomes from its arts-related funding?
- Recognizing that much has changed in the Montgomery County arts community since 2001 (e.g., the opening of the Music Center at Strathmore and the Blackrock Center for the Arts), what portions of the *Creative Montgomery* cultural plan are relevant to today’s discussion of the arts in the County?
- What recommendations from the 2001 *Creative Montgomery* cultural plan have been implemented and what recommendations could or should be updated and implemented going forward?

Additionally, like other multi-agency initiatives in the County Executive’s recommended budget (e.g., Positive Youth Development, Senior Initiative, Pedestrian Safety), ask the Executive to compile data in the FY21 budget that will allow the Council to see all County Government arts-related spending together, even if components of the spending are housed in different parts of the budget.

Strathmore and the Arts in Montgomery County

Recommendation #2: Ask the County Executive to begin a conversation with the Strathmore Hall Foundation regarding the County's lease agreement with the Foundation that is set to expire in 2023.

Strathmore is the largest of the eight arts-related properties owned by the County Government and includes two arts venues – the Music Center at Strathmore and the Mansion at Strathmore. Tens of thousands of people attend shows at and visit the property every year. The County Government's lease agreement with the Strathmore Hall Foundation is set to expire in four years – in September 2023.

The County Government entered into the current lease with the Strathmore Hall Foundation in 2004, in anticipation of the opening of the Music Center at Strathmore in 2005. The County and the SHF have revisited the lease several times as needed since, adopting amendments in 2008, 2010, and 2011. The lease defines the relationship between the County and the Foundation, governing issues such as property ownership and use, maintenance, artistic content of programming, and secondary use of the property.

The lease requires either party to give the other party written notice of the intent to renegotiate provisions in the lease at least three years before the lease is set to expire – or before September 30, 2020. As the Executive Branch gathers information and data in response to Recommendation #1, that data should inform the development of the County Government's vision for the future of the arts in the County. As that vision is clarified, the Office of Legislative Oversight recommends that that Council ask the County Executive to begin a conversation with the Strathmore Hall Foundation about the terms of any future lease agreement.

Chapter 10. Stakeholder Comments

The Office of Legislative Oversight circulated a final draft of this report to the Office of the County Executive, the Strathmore Hall Foundation, the National Philharmonic, and the Arts and Humanities Council of Montgomery County. OLO also circulated drafts of the findings and recommendations chapters and relevant portions of Chapter 6, “Resident Partners at Strathmore,” to the Baltimore Symphony Orchestra, Levine Music, and CityDance. OLO appreciates the time taken by all stakeholders to review the draft report and provide comments. OLO’s final report incorporates technical corrections and comments provided by these stakeholders.

The following pages include written comments in their entirety from:

- Montgomery County’s Chief Administrative Officer;
- The Strathmore Hall Foundation; and
- The National Philharmonic.



OFFICE OF THE COUNTY EXECUTIVE


Marc Elrich
County Executive

Andrew W. Kleine
Chief Administrative Officer

MEMORANDUM

September 5, 2019

To: Chris Cihlar, Director, Office of Legislative Oversight

From: Andrew Kleine, Chief Administrative Officer 

Subject: OLO Draft Report 2019-12: Strathmore and the Arts in Montgomery County

Thank you for the opportunity to comment on the Office of Legislative Oversight's (OLO) Draft Report 2019-12: Strathmore and the Arts in Montgomery County. The Strathmore Center for the Arts is one of the premier arts facilities in the County, and ensuring its continued success is one of the priorities of this Administration. The report provides a useful overview of Arts organizations in the County, historical research information regarding County support for Strathmore and the Arts, as well as information on similar facilities in other states.

Recommendations

The report's two recommendations, summarized below, provide us with an opportunity to examine our partnership with the Strathmore Center for the Arts and the County's relationship with Arts organizations.

- Ask the County Executive to gather, analyze, and present information and data regarding the County Government's arts-related spending and functions; and
- Ask the County Executive to begin a conversation with the Strathmore Hall Foundation regarding the County's lease agreement with the Foundation that is set to expire in 2023.

CAO Response

We agree with both of the recommendations. We are committed to begin a discussion with the Strathmore Hall Foundation prior to the expiration of the current lease between the County and the Foundation in 2023. Having these conversations early will help the County make prudent policy and business decisions regarding the venue. Furthermore, the Executive Branch will continue to examine ways to refine the way that we gather, analyze, and display data related to County support for the Arts. We stand ready to work with the Council on this matter and look forward to providing more detailed information and analysis as needed. Thank you for the opportunity to review the draft report and present our comments.

Chris Cihlar, Director, Office of Legislative Oversight
September 5, 2019
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AWK: aa

cc: Fariba Kassiri, Deputy Chief Administrative Officer
Debbie Spielberg, Special Assistant to the County Executive
Dale Tibbitts, Special Assistant to the County Executive
Rich Madaleno, Director, Office of Management and Budget
David Dise, Director, Department of General Services
Robin Riley, Director, Department of Recreation
Mike Coveyou, Acting Director, Department of Finance

STRATHMORE

MEMORANDUM

DATE: September 4, 2019

TO: Chris Cihlar, Director, Office of Legislative Oversight

FROM: Monica Jeffries Hazangeles, President and CEO, Strathmore

RE: Draft OLO Report 2019-12 – Strathmore and the Arts in Montgomery County

Thank you for the opportunity to review and comment on the Office of Legislative Oversight's Draft Report OLO 2019-12: Strathmore and the Arts in Montgomery County. We appreciate Leslie Rubin's thorough efforts over the last 14 months to report on the Montgomery County arts community and to understand Strathmore's overall financial structure, including its relationship with the County and its artistic partners.

The Arts Community at Large

Strathmore believes that Montgomery County's arts and humanities community is robust, collaborative, and that it celebrates the diverse artists and traditions of its residents. As the OLO report describes, it is an impressive economic engine and is poised to further develop our County's collective intellectual and creative potential. We believe there are jurisdictions around the region and the country doing much to maximize the arts' potential in their communities. Strathmore is supportive of and pleased to participate in any coordinated review and planning effort that would help cultivate a culture of philanthropy in Montgomery County, that would encourage increased collaboration between the arts and the business and tourism sectors, and that would include a survey of the current arts and humanities community to reveal future plans and innovations, collect and coordinate data, and to evaluate the effectiveness of current grantmaking and sector services.

The Public-Private Partnership

We believe the OLO report provides important documentation of the County's acquisition and support of the Strathmore property and facilities and of this successful public-private partnership. What began as a modest arts center in 1983 with an annual budget of \$30,000 and encompassing just the Mansion and 11 surrounding acres, has grown into a world-renowned organization with a \$14MM budget, six arts partners, and a campus that now includes 5 additional acres, a 195,000 sq. ft. Music and Education Center, an outdoor Pavilion, a Backyard Theatre for Children, and Sculpture Garden.

For nearly forty years, this precedent-setting enterprise has had an extraordinary impact on its community. Strathmore and Montgomery County have cooperated to create an enduring and beloved home for the arts. The County was prescient in purchasing the Mansion and grounds and in establishing a public-private partnership as the operating structure. Strathmore has leveraged the County's original and annual investments into tens of millions of dollars of public and private sector support for the benefit of millions of County residents. This is a model public-private partnership, replicated in other

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Strathmore Response to OLO Report 2019-12

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jurisdictions throughout the region, and the basis for several additional acquisitions to the County's portfolio of community arts facilities.

Since 1983, generations of Montgomery County families have gathered at Strathmore for free concerts and exhibitions, tea in the Mansion, prom-night photos on the campus, weddings, student recitals, and festivals. To reflect the richly diverse residents of our community, Strathmore has incorporated globally influenced art, artists, and perspectives throughout its exhibition programs, concerts in the Mansion and on the Lawn, and in hundreds of performances in the Concert Hall. As the largest non-profit arts presenter in the state of Maryland, the Music Center has garnered international attention as a superior acoustic venue and as the second home of the Baltimore Symphony Orchestra. And, it is home to such community treasures as the 75-year-old Maryland Classic Youth Orchestras, National Philharmonic, CityDance, Levine Music, and interPLAY Company Orchestra.

Strathmore is where we celebrate and preserve what our community values most – its art, its people, their traditions and their dreams. This is where our children come to get their first taste of classical and blues music, envisioning their own creative adventures. It is where hundreds of artists and arts administrators have launched their careers. Strathmore is home to world premiere productions such as *Free to Sing: The Story of the First African American Opera Company*; *I Am Anne Hutchinson*, *I Am Harvey Milk*; and *Iron & Coal: Survivor. And Son.*, adding to the artistic canon. It is where we have celebrated the lives and legacies of visual artists such as Grace Hartigan, Henry Wu, James Hillary, Lily Spandorff, and Kevin “KAL” Kallaugher. It is where we come to cheer on teams in the Latin Dance Competition, to honor the enduring work of Dr. Martin Luther King, Jr. each year, and to inaugurate our County Executive and County Council members.

Strathmore is also dedicated to helping the arts thrive throughout our community. Strathmore's Bloom initiative (started in 2016) has reached thousands of residents in their own East and North County neighborhoods with its East County Strings, Corridor Concerts, Step Up East County, Latin String and Percussion Orchestra, and Poetry Slam programs.

Some Important Numbers

- Strathmore contributes significantly to the \$183 million generated annually in economic impact provided by Montgomery County's arts sector (*Arts & Economic Prosperity 5 – Americans for the Arts*)
- Strathmore serves more than 150,000 people annually and has served nearly 8 million people since its inception.
- Since 2005, Strathmore has distributed nearly 8,000 free tickets to residents of the County.
- More than 642,000 2nd and 5th grade students have experienced free concerts at Strathmore

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- Strathmore has donated more than 6,000 free ticket vouchers to other Montgomery County and regional charities to generate contributed income for them through their fundraisers and special events.

As the report outlines, some of the original intentions of the 1983 lease agreement have been adapted over the years by the County and Strathmore to take into consideration the exponential growth in each other's responsibilities as the organization, grounds, and facilities have expanded. But what has importantly remained the same is each partners' commitment to do what it does best. With the County providing critical infrastructure support and utilities for an asset it owns, Strathmore can direct private sector contributions it receives to operate and develop the facilities and to create and invest in excellent artistic programming and arts education initiatives our community values.

Resident Partners at Strathmore

The Resident Partners at Strathmore were each chosen for their critical and complementary appeal. Each is a leader in its genre, offering quality program and service to specific constituencies, and each has grown more capable and fulfilled since moving into the Music Center at Strathmore. Strathmore provides operational support to all partners in a variety of ways to help ensure that the community of partners here is vital and collaborative.

Strathmore subsidizes resident partner rent through heavily discounted rates off its public rate card and through discounts proportionate to the number of performances the partner presents in the Concert Hall. Strathmore's Concert Hall rent is substantially lower than its peers of comparable size and quality in the region. Strathmore's philosophy is to make modest incremental increases that conform to its rising costs and that incorporate any increases required by collective bargaining agreements. An individual organization's expenses for any given performance are also dependent on the specific artistic choices made for that performance, over which Strathmore has no control.

Strathmore offers significant marketing, advertising, administrative, and IT assistance to its partners. It strongly advocates at County and State levels for its partners and for the arts and humanities sector, in general. Strathmore hires its partners and their ensembles for education and performance programming. And, under specific and extraordinary circumstances, Strathmore may support a partner with additional financial assistance.

While we knew it would be a challenge for multiple, independent artistic voices and competing development programs to exist under one roof, Strathmore has worked to create a collaborative environment among its partners, and we believe relationships with our partners today are stronger than ever. Programmatic relationships form organically and brilliantly. The resident partners, including Strathmore, regularly work together to offer interesting programs for the benefit of student and adult audiences. Active program collaboration currently exists between Strathmore and each of its partners as well as between partners themselves. We partner on marketing activities, we support each

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other's donor recognition programs, and we share resources (instruments, music, dates, etc.) whenever we can to help each other out.

For more than a decade before the Music Center was built, Strathmore presented a regular season of programming annually at the Mansion. As it prepared to move into the Music Center, Strathmore significantly changed its mix of programming and committed to present programming that filled a "gap" left by its partners. Currently, it does not present other symphony orchestras in residence. The majority of its classical programming is confined to the 110-seat Shapiro Music Room in the Mansion. Its main stage programming is primarily focused on world music, popular, and spoken word genres. Strathmore refrained from offering education programming entirely for the first three years in the Music Center specifically to allow our partners to establish foothold and market. When we did step in, it was with programming that did not compete and that responded to a specific need or gap in the community offerings.

To further encourage open communication at Strathmore, I regularly meet with all partner CEOs. Strathmore's departmental Vice Presidents also meet regularly with their counterparts at our partner organizations. All employees of partner organizations are invited and encouraged to attend the annual Strathmore Family Meeting; all partner CEOs have presented to our Board of Directors at its annual meeting. Since becoming President and CEO in September 2018, I have had a weekly call with the President and CEO of the BSO, met almost daily with the former President of the National Philharmonic and have already met on several occasions with its new President, and have met personally with the CEOs of Washington Performing Arts, Levine Music, CityDance, and interPLAY. I have already scheduled a group meeting of partner CEOs for October 2019 and intend to convene them on a quarterly basis.

Strathmore takes its role as steward of the County's resources very seriously and is immensely proud of the tremendous success we have achieved under this partnership for the last 38 years. Strathmore defies the national trends cited at the beginning of this report. Unlike many of its peer organizations across the country, Strathmore's audiences are *increasing*; Strathmore is repeatedly in the black, financially; demand for its education and outreach programs is expanding; national, regional, and local non-profit leaders routinely reach out to us for advice regarding management and governance; and, contributed support continues to grow. On this solid foundation and with the County's crucial partnership and continued investment, Strathmore's future is bright! We will continue to expand its relevance in our changing world and ensure it remains a special place for generations of Montgomery County families.

Cc: Karen Lefkowitz, Chair, Strathmore Hall Foundation, Inc. Board of Directors
Steve Hollman, Esq., Vice Chair, Strathmore Hall Foundation, Inc. Board of Directors
Robby Brewer, Immediate Past Chair, Strathmore Hall Foundation, Inc. Board of Directors
Fariba Kassiri, Deputy Chief Administrative Officer
Andrew Friedson, Councilmember



To: Chris Cihlar, Director, Office of Legislative Oversight
From: Jim Kelly, President, National Philharmonic
Subject: OLO Report 2019-12

National Philharmonic appreciates the Office of Legislative Oversight (OLO) report 2019-12, Strathmore and the Arts in Montgomery County.

National Philharmonic supports the recommendations of the OLO report to 1. Ask the County Executive to gather, analyze, and present information and data regarding the County Government's arts-related spending and functions, and 2. Ask the County Executive to begin a conversation with the Strathmore Hall Foundation regarding the County's lease agreement with the Foundation that is set to expire in 2023.

Much of the analysis in the OLO report concerns the National Philharmonic, its funding and its relationship with Strathmore. There is a good reason for this: National Philharmonic is the only major Music Center at Strathmore partner that is actually headquartered in Montgomery County. Indeed its offices are at Strathmore. All the other major Strathmore partners, Baltimore Symphony Orchestra, Washington Performing Arts, Levine Music and City Dance are headquartered in an outside jurisdiction (City of Baltimore for the BSO and Washington, DC for the other three).

Note also that unlike Strathmore itself, which is primarily a presenting organization, National Philharmonic is a performing ensemble of nearly eighty professional instrumentalists and one hundred eighty volunteer singers. All of these musicians live in Montgomery County and surrounding areas.

Finally, National Philharmonic is the only major performing arts organization in Montgomery County without its own performance venue. (The other major organizations are Adventure Theater, Imagination Stage, Olney Theatre Center and Roundhouse Theatre.) National Philharmonic's full time performance venue is Strathmore, where the National Philharmonic pays rent to perform (and where its performances include, for example, annual concerts for all 2nd grade students of MCPS).

For all the above reasons, National Philharmonic is eager to participate in crafting a future solution for its Strathmore residency, that will keep its music playing for all Montgomery County residents to enjoy for years to come.