


Memorandum

November 4, 2019

TO: E&C Committee

FROM:  Leslie Rubin, Senior Legislative Analyst
Office of Legislative Oversight

SUBJECT: OLO Report 2019-12: *Strathmore and the Arts in Montgomery County*

PURPOSE: Worksession, no action required

Expected participants:

Executive Branch	David Dise, DGS Cynthia Brenneman, DGS Josh Watters, OMB
Strathmore Hall Foundation	Monica Jeffries Hazangeles, President and CEO
National Philharmonic	Jim Kelly, President Harris Miller, Board Chair Piotr Gajewski, Music Director and Conductor
Baltimore Symphony Orchestra	Theresa Cameron, Vice President, BSO at Strathmore
Arts and Humanities Council of Montgomery County	Suzan Jenkins, President

On November 7th, the E&C Committee will discuss Office of Legislative Oversight (OLO) report 2019-12, which was released on September 10, 2019. This report responds to the Council's interest in information about the County-owned Strathmore property, the County Government's relationship with the Strathmore Hall Foundation, the Foundation's operation of the property, and the Foundation's relationship with its resident partners.

The following are attached to the Staff Report:

Strathmore Hall Foundation update	©1
National Philharmonic update	©3
Baltimore Symphony Orchestra update	©6
OLO Report 2019-12 Findings and Recommendations	©9

Report Summary

This section summarizes key findings from OLO Report 2019-12.

- 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 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.
- The County Government is primarily responsible for maintenance of the Strathmore property and associated costs. 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 Strathmore Hall Foundation has six resident partners in the Music Center at Strathmore. 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 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.
- 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. 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 budgets and is not routinely compiled.

Report Recommendations

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.

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.

STRATHMORE

MEMORANDUM

DATE: November 4, 2019

TO: Leslie Rubin, Senior Legislative Analyst, Office of Legislative Oversight

FROM: Monica Jeffries Hazangeles, President and CEO, Strathmore

RE: Requested update since issuance of OLO Report 2019-12 – Strathmore and the Arts in Montgomery County

I am pleased to provide this update regarding Strathmore's relationships with its partners, specifically the National Philharmonic and the Baltimore Symphony Orchestra, and to give a brief overview of near- and long-term plans for the Strathmore Hall Foundation, Inc.

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. As the report outlines, **both parties have adapted the agreement over the years to account for growth and changes as each has expanded. What has importantly remained the same, however, 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.

Update since September Issuance of the Report

Resident Partner Relationships

In my first year as President and CEO, I have actively worked to improve our relationships with our partners. By making this a top priority, **I believe relationships with our Music Center partners are the strongest they have been in 15 years.**

In the past two months, all employees of partner organizations were invited and encouraged to attend the annual **Strathmore Family Meeting** at which each partner presented for the first time. I **attended the opening concerts** of the National Philharmonic and the Baltimore Symphony Orchestra to support my colleagues and present a unified front following a tumultuous and divisive summer. I **convened the first of what will be quarterly Partner CEO meetings** to foster strategic thinking as a group, increase communication, and encourage new collaborations. Additionally, I have a weekly call with the President and CEO of the BSO, meet monthly with the President of the National Philharmonic, and along with my board Chair, Karen Lefkowitz, attend the National Philharmonic Board meetings.

Strathmore Highlights

Strathmore, likewise, has had a very successful start to its own 39th season. Its first five performances in the Concert Hall were sell-outs. We hosted all 12,000 MCPS 5th graders for our original educational production *Primary Blues*. We launched the second year of classes and free concerts at Good Hope Neighborhood Recreation Center as part of our Bloom Initiative; and, we opened the newly renovated historic Mansion with an acclaimed art exhibition, sensory-friendly concerts for children, and the return of the beloved Afternoon Tea Musicales. In our continued work to support Inclusion,

STRATHMORE

Diversity, Equity, and Access, I designated a staff-led diversity advisory team; held two facilitated diversity workshops for staff; enrolled myself and Executive staff team in all-day diversity training programs and have had the diversity advisory team attend implicit bias training. Currently, I am evaluating implicit bias training options for all Front of House staff and Teaching Artist teams.

Upcoming in the Near Term (2019-2021)

Strathmore is preparing to undertake a year-long **strategic planning process**. Our last five years have been marked by tremendous growth. That expansion has come with both benefits and costs that motivate us to engage in some transformative thinking. Changes in the market and new futures require fresh ideas and planning. And, more than ever, we need to optimize our ability to be strategic and responsive to opportunity.

Artistic highlights for the next couple of years include: a deepened relationship with **StepAfrika!** that will feature Strathmore as a commissioning and producing partner; a highly visible and noteworthy **75th Anniversary Celebration of Maryland Classic Youth Orchestras**; and, our **Strathmore Children's Chorus** will make its first trip to perform at Carnegie Hall.

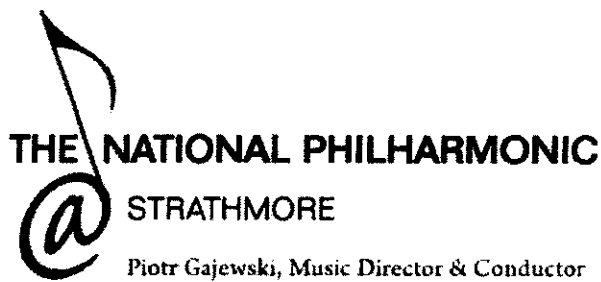
Long-Term Possibilities

As I indicated in my formal Letter of Response to the OLO Report, Strathmore takes its role as steward of the County's resources very seriously and is immensely proud of the success we have achieved under this partnership for the last 38 years. Strathmore defies the national trends cited at the beginning of the OLO report. Unlike many of its peer organizations across the country, Strathmore's audiences are *increasing*; Strathmore is financially healthy; demand for its education and outreach programs is expanding; non-profit leaders routinely reach out to us as a model; 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 have every reason to believe there will be a **growing need for quality arts experiences** as our population grows. We will be inspired to **expand our relevance and extend to new audiences**. As technology transforms the way we receive and engage with the arts, we will innovate and explore **new forms of arts delivery and interaction**. We will **strengthen our Bloom Initiative** to be sustained year-round and to be embedded in neighborhoods around the County. And, with our expertise and capability, **we have the potential to magnify our collaboration with new partners across the entire state.**

Our physical plant and campus will continue to evolve as well. **We anticipate further investment in the upgrade and replacement of structural elements of the Music Center** (soon-to-be 15 years old) as original systems and materials degrade and new solutions emerge. We will **stimulate more interaction with our campus** through creative placemaking and art installations. And, the development of **Strathmore Square** at the adjacent Grosvenor-Strathmore Metro station offers the opportunity to expand Strathmore's relevance and deepen its relationship with its surrounding community. **We envision a community fully immersed in creative pursuit!**

As a leading arts organization in a community of more than one million people, Strathmore has a responsibility to connect with and stimulate creativity in all corners of the County. We look forward to our next 40 years of making the arts as vibrant and available to everyone as possible.



October 24, 2019

Leslie Rubin

Senior Legislative Analyst | 240-777-7998

OFFICE OF LEGISLATIVE OVERSIGHT | MONTGOMERY COUNTY COUNCIL

100 Maryland Avenue | Rockville, MD 20850

Re: National Philharmonic FY20 Quarterly Update

Since taking over the role as President on August 12, 2019, we have made significant progress in stabilizing the National Philharmonic. We have focused on debt reduction and rebuilding the right management team so that we can effectively and efficiently move the organization forward. The team will be vital to executing our short-term plans to stabilize the organization, revise the strategic plan, and move forward with planning for future seasons. Below is a list of accomplishments and pending strategy.

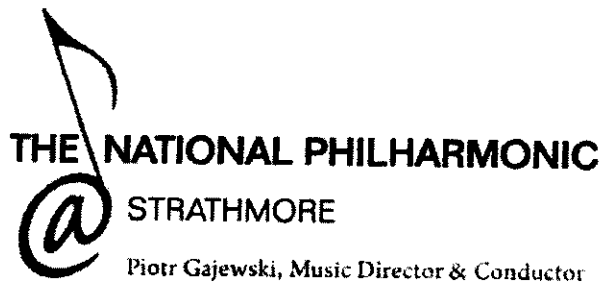
Presently, please note that contrary to a comment made to me in our meeting with the AHCMC and MD State Arts Council, the National Philharmonic has never had a going concern note in any of our audits. Further, there was never a \$600k surplus reported to the AHCMC or MD State Arts Council as far as we can see on any financial reports from those time periods.

1: Debt Reduction:

A: We have eliminated significant debt to vendors from previous season. This was close to \$168,000 on day 1. To date we have \$13968 in the over 90-day column. We have had difficult conversations with vendors to get back on good terms and we have successfully overcome those challenges.

B: We have paid down our debt to Strathmore (Line of Credit from \$150k to \$130k. We are currently in negotiations to discuss options for an interest free payment plan.

C: The maxed-out line of credit with Capital Bank has been reduced from \$250k to \$232,775 as of 10/08/19. This is scheduled to receive \$5,000 payments per month to continue to reduce this balance.



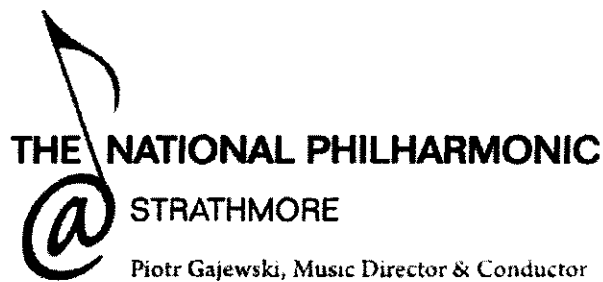
2: Staffing: We currently have a budget to include 4 full time (or $\frac{3}{4}$ time) positions, and 4 part-time positions as follows: All positions are staffed except for Director of Development who will be hired by November 1.

Executive:	President (Money remains in the budget as former President received one-year salary in transition agreement.)
	Music Director
Full-Time or $\frac{3}{4}$:	Director of Development,
	Director of Education (3/4 time: 25-30 hours per week)
	Institutional Relations Manager (3/4 time: 25-30 hours per week)
	Artistic Operations Manager (3/4 time: 30 hours per week)
Part-Time:	Chorale Conductor
	Development Assistant
	Librarian
	Personnel Manager for Orchestra
	Personnel Manager for Chorale

A: A new Marketing Consultant has been engaged, who is currently revising all our marketing vendor agreements and strategy. We started marketing the season very late, and as such we have been tweaking our strategy as we evaluate its effectiveness. We have never tracked any marketing efforts in the past for effectiveness. We now look at vendor agreements and eliminate vendors that do not add value in delivering our strategy and there will be significant improved results and budget savings as a result.

B: We have split the job of Institutional Relations into two positions. (Institutional Relations Manager and Director of Education) This will allow for more hands-on deck and more effective strategy and implementation of County Council initiatives, as well as our own strategic plan to bring equity to various parts of our county and to grow our presence in Maryland. We plan to focus on music education projects that help to educate young students up through adult classical music enthusiasts. Our Music Director is also working as Interim Conductor for Potomac Valley Youth Orchestra and we will work towards more collaboration with this organization.

C: The last position, which is most important, is our new Director of Development. We have invested in this position, budgeting for a more competitive salary so that we can find a great candidate. I have had over 75 applicants and the final three interviews with the remaining three candidates. We have selected Tiffany Jordon who comes with a long history of success in non-profit development positions. We look forward to her start on November 13, 2019.



3: Budget projections and revision: Much time has been focused around this year's budget. We revised our revenue/ticket sales projections to more achievable goals and highlighted the focus on individual gifts. We have increased our budget 45% in Individual Gifts, and we have achieved 60% of that goal in the first quarter of FY20. This year's budget shows a surplus of over \$200k whereas last year's year-end financials showed a deficit of over \$300k.

4: Strathmore: We are in ongoing negotiations with Strathmore. To date, we were able to secure a reduction in rent, reduction in production costs, and a modest discount on facility concert hall rentals for this season only. We hope to have further discussions later in the fiscal year in regard to next years rental rates and overall relationship.

5: Board of Directors: 6 members of the Board have resigned, but we have grown by 4 new members. We now have a total of 18 Board of Directors, all of whom are enthusiastically engaged to help the National Philharmonic. The directive from our new Board Chair, Harris Miller, is one of teamwork and development of donors. We will continue to build a more diverse Board by intentionally seeking diverse members in our community.

6: General Comments: The Annual Meeting was held on September 23, 2019, and new Board members elected. National Philharmonic has now acknowledged all donors to the save NP campaign and the NP Rescue Effort. We have met all grant deadlines on time with successful results so far. We were also able to successfully launch our first concert, including a pre-concert lecture, and post-concert activities for the season opening weekend.

Next steps:

1: Revise and Implement a new Strategic Plan: Once the Director of Development has been hired, we will start by discussing our past strategic plan and setup meetings with interested parties from the Board, musicians of the orchestra and chorale, music directors and staff to review the past and discuss/finalize the strategy. We will implement a patron focus group so that we may learn from our patrons what we do well and areas in which we need to improve our product. The focus will be on building community and educational relations and generate programs to increase ticket sales. My estimated timeline to start this process is November 1 through January 30, 2020.

2: Complete FY 21 season planning by November 30, 2019

3: Continue to focus on diversity and equity in our county through programming and by setting the intent to hire personnel as well as attract Board members with the best qualifications from all backgrounds. We will partner with organizations in our community that speak to this message.

In closing, we appreciate the willingness of the Maryland State Arts Council and The Arts and Humanities Council of Montgomery County to work through the financial challenges at National Philharmonic. We are all working towards a sustainable organization that provides cultural benefits to Montgomery County and other surrounding areas for many years to come.

Sincerely,

Jim Kelly
President

I. Organizational Background & Context

Despite significant artistic achievements, the BSO has faced financial challenges over many decades. Even with the efforts of many people, including generous gifts, we have experienced consistent deficits with annual losses totaling \$16 million over the past decade alone.

The most recent contract with our musicians expired in September 2018, at the start of the 2018-19 season. In October 2018, the BSO proposed a new Collective Bargaining Agreement that included a change from a 52 to 40-week contract. Included in this proposal was a core subscription season from September through June. The BSO's proposal also addressed work rules related to engagement activities at the Music Center at Strathmore and in Montgomery County, such as musician services to the community and other educational outreach including up to four (4) *Musical Monday* events and the OrchLab program.

In Spring 2019, the BSO worked collaboratively with our musicians and leaders in Annapolis to create House Bill 1404 (HB 1404)—the John C. Merrill Act, a bill calling for \$1.6M in financial support from the State in each of the next two years, as well as authorizing a workgroup to help further examine our business model. The BSO had every reason to believe that the initial \$1.6M would be forthcoming.

Unfortunately, the State did not release funding and indicated that funds would not be allocated. Without this critical lifeline, the Board of Directors had no choice but to vote to lock out the BSO's musicians beginning on June 17, 2019 in the face of significant cash flow challenges.

The musicians were compensated on the terms of the expired contract for the duration of the 2018-19 season up until the lockout effective date in June. With performances suspended for the summer, musicians were not paid their salaries but were eligible to receive unemployment compensation. At the start of the lockout, the BSO had already paid the musicians' health and dental premiums through June 30. The BSO was also able to provide medical and dental benefits to musicians for the months of July, August and September 2019 thanks to generous contributions from members of the BSO Board of Directors and other loyal donors from the Baltimore and Montgomery County communities. Life and instrument insurance benefits were also extended through this period.

II. The BSO: Where are we today?

A. Contract Negotiations and 1-Year Ratification

On September 9, 2019, the BSO lifted the lockout and offered work in preparation for the season opening. At the same time, the BSO presented two revised offers funded, in part by, loyal friends of the BSO. Both proposals were initially rejected, with the work stoppage moving into a strike. At the same time, both board and musicians recognized the importance of coming together to create an achievable plan for the future while also delivering our mission of music performance and music education.

The BSO and musicians and the Musicians' Association of Metropolitan Baltimore, Local 40-543, announced at a joint press conference on September 23, that they reached a one-year agreement.

For more information, please see the press release summarizing the contract announcement.
<https://www.bsomusic.org/misc/bso-updates/baltimore-symphony-orchestra-and-musicians-reach-one-year-agreement-concert-season-to-open-this-weekend/>

B. Impact on 2019-2020 Programming

Concert programming at Strathmore was not impacted during the work stoppage. The balance of the 2019-20 season will resume at the Meyerhoff and Strathmore locations as planned.

III. Vision & Sustainability: Where Are We Headed?

The BSO has engaged the nonprofit management consulting and research firm TDC, led by Principal Susan Nelson. With a portfolio of working including the League of American Orchestras as well as specific peers who have navigated similar challenging transformations such as the orchestras in Detroit and Philadelphia, Ms. Nelson and TDC are uniquely poised to help the BSO develop an effective business and capitalization model. An engagement with deliverables due by December 31, 2019 will include outcomes such as a current state analysis (inclusive of detailed financial and predictive analyses of audience and donor behavior over the past ten years to better understand future trends, in turn informing what types of short- and long-term investments are required to generate additional income and opportunities for either improvement or new exploration); a future vision; and, a business model that supports that future vision.

Central to this work is the perspective of many key stakeholders, including our musicians, Board and leaders in Montgomery County, where they will explore the following kinds of questions:

- What is the role of the BSO in Baltimore and Montgomery County today? Tomorrow?
- Who are the BSO's audiences? What does the organization want to give to those audiences? What can it expect in return?
- What is its role in the preservation and progression of symphonic music?
- What is its responsibility to its artists? What are the responsibilities of its artists to the community?

Additional input and collaboration will be provided by the Vision Committee— a newly formed standing committee of the BSO Board resulting from the newly ratified contract (and comprised of Board members, musicians, staff, and community representatives and others)—and the BSO Board, as well as the state workgroup. While funding from HB1404 will not be allocated for FY20, the workgroup outlined has been formed and continues to meet with a goal to make initial recommendation by October 31, 2019.

Collectively, the BSO feels more confident than ever before that it has the right internal and external experts helping to inform and navigate the important organizational change ahead so as to ensure the future impact and relevance of a beloved cultural anchor for Baltimore, Montgomery County, and for Maryland.

IV. Financial Position & Health

A. *FY2018 Audited Financial Statements*

The BSO's audited FY18 financial statements for the year ended August 31, 2018 contain an auditor opinion that notes uncertainty about the BSO's ability to continue as a "going concern".

This going concern uncertainty was based in part upon uncertainty as to whether the BSO would be able to meet its contributed and earned revenue forecasts while in a protracted work stoppage and/or continued bargaining. It is important to underscore that a growing concern opinion is neither an indication of the BSO's future. It is important to note that the BSO's audited financial statements also show that the financial results for FY18 have improved versus the prior three years; and, reinforce the work underway to move the BSO toward a sustainable business model.

B. *FY2019 Forecasted Results*

The BSO forecasts a deficit for FY2019. Despite effectively saving on limited expenses associated with musician salaries over the summer as well as marketing, production and artists expenses associated with a limited number of summer concerts, the BSO also experienced a loss in summer rental revenue as well as an underperformance in contributed revenues in the environment of tough contract negotiations and 4th Quarter work stoppage.

C. BSO Endowment Trust

Central to the BSO's long-term financial health remains its endowment. The Baltimore Symphony Endowment Trust is a separate legal 501(c)(3) supporting organization in which the principal and income of all property received are held by the Trustees with a goal to insure support to the BSO in perpetuity. The Endowment Trust stands as one of the BSO's most significant and loyal funders. In keeping with the agreement establishing the Trust as a separate entity in 2006, the Trust is able to distribute to the BSO *up to* 6% of the funds' rolling five-year average in the form of an annual draw with an annual funding *goal* of 5% (at the top range of best practice standards). The Endowment Trust has in fact exceeded its annual 5% funding goal in recent years (the fiscal year 2018 draw was 5.75%). In addition, the Trust has provided significant loans to support the BSO's operations.

The *Resounding* Campaign was launched to grow the BSO's operating endowment to a size that is more proportional to our annual budgetary needs. We have made progress in our campaign – having secured \$49.6M in commitments towards our \$65M campaign goal, including \$33.6M towards the Operating Endowment (\$20M has been secured and received to-date, while \$13.7M is pledged over time or designated as future estate gifts). The balance of commitments (\$15.9M) have supported the BSO Annual Fund over the past five years and/or signature education programs including OrchKids.

Despite this success, our total endowment stands at roughly \$70M (including a \$10M restricted fund for the maintenance of the Meyerhoff Hall) with funds available to support operations at just \$60M—an amount that pales in comparison to the endowments of peer orchestras and the needs of our \$29M budget (standard best practice targets *at least* a three multiplier). In reality, the BSO still needs to significantly grow the operating endowment from its current \$60M to \$100M through the continuation and expansion of the *Resounding* Campaign. The capitalization and business model work of TDC will further inform these efforts as well as highlighting more immediate, shorter-term working and transformation capital.

V. Staff or Leadership Changes

Two significant high level staff appointments were announced during the 18-19 season. Effective June 10, 2019, **Theresa A. Cameron** assumed the position of Vice President, BSO at Strathmore. Ms. Cameron had been the founding Executive Director of Van Ness Main Street. She has previously held positions with Americans for the Arts and served as Chief Executive Officer of the Arts and Humanities Council of Montgomery County for over a decade

Also, in June, the BSO welcomed **Allison Burr-Livingstone** back to the BSO family in her new role as Vice President of Development. Previously, Ms. Burr-Livingstone had held several senior positions on the BSO Development team before spending the past five years at Visit Baltimore as Associate Vice President of Public Affairs.

It is anticipated that both Ms. Cameron and Ms. Burr-Livingstone will be collaborating on fund raising opportunities in Montgomery County and the greater DMV area surrounding the BSO's Strathmore-based operations.

More recently, on September 26, 2019, Barry Rosen, Chairman and CEO of Gordon Feinblatt LLC, was elected to be the new chair of the BSO Board—the result of a long-planned leadership transition. The Chairman and CEO of Gordon Feinblatt LLC and head of the firm's Health Care Practice Group, Barry returned to the BSO's Board of Directors in 2014, assumed chairmanship of the Governance Committee in 2016 and has served as Vice-Chair of the Board since September 2018. Barry's professional and civic involvement includes service on several statewide health commissions and the Board of Sponsors for The Sellinger School of Business and Management at Loyola University, as well as both Sinai Hospital of Baltimore and Lifebridge Health.

Strathmore and the Arts in Montgomery County

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. (AHCMC), 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 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.

Strathmore and the Arts in Montgomery County

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.