

CASE STUDY



AT&T PERFORMING ARTS CENTER

FUNDRAISING AND UNCERTAINTY



AUTHORS:

Ana Kolendo
Peter Frumkin

This case was prepared for a class discussion rather than to demonstrate either effective or ineffective handling of an administrative situation, and is based on interviews with 14 present and former volunteer board members, senior staff, and community leaders, as well as press coverage, annual reports, and internal documents. The authors are deeply grateful to their interviewees for their hospitality and collaboration.



Credit: AT&T Performing Arts Center, Margot and Bill Winspear Opera House, Photo credit: Andreas Praefcke.

In January 2008, with physical construction of the brand new AT&T Performing Arts Center (AT&T PAC) campus underway for three years and a grand opening scheduled in 20 months, the Center's capital campaign reached its \$275 million goal. In fact, a \$10 million pledge from Nancy Hamon had just put the total amount pledged above the goal, to \$277 million. The same day, the board of the Center (then known as the Dallas Center for the Performing Arts) voted on a proposed increase in the goal for the capital campaign, to \$338 million. The purpose of this increase was the aesthetic enhancement of the public spaces of the two new buildings, as well as an upgrade to the rehearsal hall that would also make it a suitable venue for performances and special events.

This was neither the first nor the last time the board would need to consider whether the funding demands of their ambitious building project could be covered by their capital campaign. Time and again, the question before the board was: how much of a performing arts center could Dallas afford?

The planning for the AT&T PAC proceeded in bursts, and during the initial stages, the project advanced only by virtue of the efforts of the Dallas Opera and the Dallas Theater Center (DTC). The first push was spearheaded by John Dayton and Bess Enloe, former chairs of the Opera and DTC respectively, at the requests of these organizations. In the early years, Dayton and Enloe had only one other fellow board member, although the board eventually expanded to about 12 people, all of them trustees and generous supporters of either the Opera or the DTC, and all friends of Dayton and Enloe for decades. They met in their living rooms. Except for personal assistants employed by individual members, the project was being run by volunteers without any professional staff. They did, however, retain multiple top-tier professional consulting firms to help them plan.

In early 2000, their professional consultants informed the nascent board of a \$100 million chasm between their ambitions and their means. The project cost was estimated by Donnell Consultants Incorporated at \$265 million. This budget projection was based on a preliminary building program written by the board, with the assistance of other consultants, after two years of conversations with future resident groups and other community stakeholders. The AT&T PAC knew that the costs of running the campaign, acquiring the land, clearing the site, building parking, paying for construction bonds, starting an operational endowment, and staging public events like groundbreaking, as well as other miscellanea, would increase that budget further. Meanwhile, another consultant, the Brakeley Company, thought the AT&T PAC capital campaign could reasonably expect to raise no more than \$160 million in private, philanthropic support. The City of Dallas expected to fund some of the costs with municipal bonds and would eventually make an \$18 million investment in the AT&T PAC, as well as furnish some land. Yet the gap between expected costs and expected funds remained large. Just as the consultants delivered their reports, the AT&T PAC hired its first staff member—the founding president and CEO, Bill Lively. Lively had a master's in education and started his career as a member of the faculty at the Southern Methodist University in Dallas, where he eventually became the associate dean of the arts school and then the vice president for development and public affairs. In that capacity, Lively had designed and directed a campaign that raised \$280 million for the university before his departure. A native Dallasite, a gaunt man, and an avid mountain climber, Lively knew Dallas and its donors; he was a singular fundraiser with a lifelong passion for music and football. "I don't think he ever sleeps," said Enloe.

One challenge accepted by both Lively and the board in his hiring was his lack of experience building, programming, or operating a performing arts venue. The board chose him and he took the job since during his tenure at AT&T PAC he would have one main responsibility: raising money. "I didn't want to run the Center. I wanted to build it," said Lively. "Bill wanted to raise the money for what we wanted to build," said AT&T PAC and DTC trustee, Deedie Rose. "He didn't want to tell anyone what to build or how to build it. That was the kind of CEO he was." Lively was conscious that the organization needed to face other challenges, like planning its operations and its finances, but both he and the board thought that the majority of his time needed to be dedicated to devising and executing a strategy for the capital campaign, and that others—including trustees, professional consultants, and other staff, once they were hired—would do the bulk of the work necessary for success after opening. Once the Center approached its first season in 2009-2010, a new president would be hired to oversee programming and operations. Lively would move on to work his fundraising magic elsewhere.

The disconnect between cost and funding projections was one of the first questions Lively had to address. The board's certainty about key aspects of the building program limited the prospects for a reduction in estimated costs. They were committed to building a campus of two buildings: an opera house and a dramatic theater. They also felt strongly that the architecture had to be distinctive and that certain technical standards with regard to acoustics and backstage capabilities had to be met. A plan to stagger the construction of the buildings, and thus delay some of the capital costs, was briefly entertained. The opera house would be built first, with the \$160 million in philanthropic funds projected by Brakeley. A multi-form theater for the DTC would follow in a second phase. However, the DTC feared that the first phase would exhaust funds and community enthusiasm for a new performing arts facility. Enloe had even asked her friend and the DTC chairwoman at the time, Deedie Rose, to join the AT&T PAC board so as to prevent the phasing plan. "The Theater Center is the smaller nonprofit, and we'd help the opera hall get built, but then the theater would never happen," said Rose. After the phasing plan was scrapped due to the DTC's objections, the board was left with only two options for dealing with the gap between cost and funding estimates: discarding either the project or the Brakeley study. "If we do believe the report, we shouldn't start this project, because there's not going to be enough money to build it," said Lively.

The Brakeley Company's approach to quantifying a reasonable goal for the Dallas capital campaign was to conduct confidential interviews with Dallas donors. In these conversations, Brakeley shared a preliminary case statement for the proposed performing arts center and asked its interviewees about any potential causes for hesitation, as well as the size of their potential gifts and their expectations about who else would give and how much. In its report, Brakeley outlined the key considerations that could limit the size of philanthropic pledges and concluded that the scope of the project needed to be revised and the capital campaign goal set at \$160 million.

In the end, Lively chose to think of the Brakeley report as limited in its conclusions about the availability of funds among traditional arts donors. "That study was addressing predominantly reliable sources who had some history giving to a project such as this," said Lively. "We knew we had to identify a whole other legion of donors." A project like the AT&T PAC had never been attempted in Dallas before, and some of the donors the Center needed to involve had never given in Dallas or to the arts. Thus, their future gifts could not be captured in a study, and Lively's approach to establishing a realistic target for fundraising was based on a best guess, combined with his knowledge of Dallas and his experience fundraising there. For him, there were two key questions. First, was there enough wealth in Dallas to pay for the project? The answer to the first question was a resounding yes. Second, could the AT&T PAC motivate a sufficient portion of the individuals, foundations, and companies who held this wealth to fund their project? "You can't scientifically quantify that," Lively said. "A capital campaign is a psychological exercise, and if you doubt you can do it, you can't do it," Lively said. "Was it risky? Absolutely."

"I walked into the first meeting, and I said, here's where we are, board members," Lively remembered. "We have a vision. We have us. And we have a feasibility study that was developed by the Brakeley Company, and that feasibility study says, 'We might be able to raise up to \$160 million dollars to build a world-class center.' But you can't rebuild the Meyerson next door for that. So this study is of no use to us." Lively continued, "Can we do this? Absolutely. We have to believe in it and have to be faithful to the mission, and here we go." Following that speech, he gave each of his board members a copy of Stephen Ambrose's *Undaunted Courage*, a book about Lewis and Clark's exploration of the American West. He asked them all to read it that night. "If they could do that, we could do this," he said. A year later, he gave them copies of *The Devil in the White City*, the story of Chicago's 1893 World's Columbian Exposition, another building project that at first seemed daunting.

At its inaugural meeting with Lively and the newly expanded board, the trustees voted to proceed with a campaign to raise \$275 million despite the Brakeley study's conclusions. Lively described this act as a matter of Old West gumption. "That was uniquely Texan, in my opinion," he said. "Their study was really inaccurate," said Enloe, who then added wryly: "Or at least we didn't like it." In the end, the fundraising goal the board chose was based on the initial estimates of the amount of money needed to accomplish their objectives. Still, their faith in finding funds for any and all building program features was not without bounds. Over the next few years, as the design committee kept discovering more and more opportunities to enhance the project's value by adding elements—such as another underground parking garage and a destination park—the board placed a soft cap of \$300-325 million on the total project cost. They also prioritized funding artistic spaces (the stage and backstage), over operational spaces (the lobby and restaurant).

In a way, the story of overcoming the financial obstacle became part of the sales pitch for the AT&T PAC. In interviews, a few of the donors told of the Center's planning committee rejecting and thwarting the consultant predictions with pride. In the AT&T PAC fundraising bulletin, *Stages*, Lively described the organization as "scaling what often seemed insurmountable obstacles."¹ The narrative of the campaign as Lively shaped it became about accomplishing something unprecedented, ambitious, and unique that beat people's expectations. The size of the campaign became a selling point rather than a stumbling block. This narrative appealed to the locals' perception of Dallas as a city of big ambitions, and the money poured in.

During the two decades that the Dallas Opera and the DTC nursed and shaped the scope of the AT&T PAC project, several specific features of Dallas and its culture served as touchstones. The earliest to influence the AT&T PAC plans was the proposal to build an Arts District downtown. The official district was envisioned in the 1970s as a vibrant, mixed-use neighborhood where all of the city's major cultural institutions were within walking distance of each other as well as restaurants, shops, and cafes. The area would draw tourists, encourage pedestrian activity, and spur economic development. The institutions themselves would also benefit from physical proximity to each other, increasing their collective prominence and appeal. The city planners hoped the Arts District would look European, comparing their plans to the Centre Pompidou in Paris and the Tivoli Gardens in Copenhagen. Of course, as far as its citizens were concerned, Dallas was already as good as or better than these world-renowned cultural capitals, but too few people outside the city knew about this yet. In other countries, people still thought of Dallas as an oil and cattle town made famous by J.R. Ewing, and the new Arts District would point out their mistake. If the 20-block, 63-acre district was filled by a passel of buildings of scope and architectural distinction that fit the city's nickname of "the big D," Dallasites surely would not mind.

The first organization to move to the Arts District was the Dallas Museum of Art (DMA), which commissioned a design by Edward Larrabee Barnes. In 1978, the museum asked voters for \$25 million for an Arts District facility, while other arts groups, including the Opera and the Dallas Symphony Orchestra, asked for another \$30 million. The bond failed. A year and a publicity campaign later, a smaller bond issue passed, with \$25 million for the DMA and \$2.25 million to buy land for the Symphony. From then on, Dallas voters were generous towards the arts groups, approving another \$28.6 million for the Meyerson Symphony Hall in 1982.

The Meyerson Symphony Hall project ran into large, highly publicized, and controversial cost overruns and construction delays. "Some of that criticism was justified, some was not, but the perception was there," said Dayton. The turbulent infancy of the Meyerson depleted the community's goodwill toward costly cultural projects and derailed early discussions between the Opera, the now defunct Dallas Ballet, and the DTC about a new home. The discussions had gotten far enough for the city to spend \$26 million on a 5.6 acre site in 1983, but now the performing arts center project stalled. Neither a capital campaign nor a bond issue seemed possible. Instead, community groups convinced the city to build an outside amphithe-

ater for performances by small groups with city money, and the DTC built a cheap temporary facility nearby, a tin house designed to last only five years. When the Meyerson Symphony Center opened, it was three years late and cost \$81.5 million to build. An additional \$24.5 million had been spent on parking, grounds, and land for a total cost of \$106 million—\$56 million more than originally anticipated.ⁱⁱ The city had contributed \$56 million to the capital costs and would contribute \$1.5 million every year to the operations.ⁱⁱⁱ Meanwhile, the rest of the Arts District fell victim to the cycle of real estate boom and bust. In 1998, Dallas Morning News reporter David Dillon described it as "acres of parking lots and the relics of developer excess, including the massive base of a skyscraper that never got off the ground." Brakeley concluded that donors would find the idea of a new performing arts center to invigorate this stagnating neighborhood compelling.

The opening of the Meyerson also exerted a powerful positive influence over prospective donors, since the hall was a resounding success with the world's architectural press after opening, despite setbacks during construction. The architect chosen by the Symphony was I.M. Pei, and the acoustician, Russell Johnson. Although their artistic ambitions for the building had been cited as one of the reasons for the cost overruns earlier, now these ambitions became a cause célèbre. The lobby, with its unorthodox but aesthetically pleasing geometries and its travertine and marble finishes, was resplendent. Three hundred journalists, including critics from international daily papers, covered the opening festivities.^{iv} Their reviews of the architecture and the acoustics were almost universally breathless, and the issue of financial prudence, even with the Symphony's capital campaign still incomplete, dropped from the public eye.

The success of the Meyerson made the fundraising climate hospitable again for cultural projects. By the mid-1990s, the Opera and the DTC were once again discussing plans for a new home together, next to the Meyerson on the land tract purchased for them a decade earlier by the city. Both organizations had powerful boards and generous supporters, but, unlike the Symphony, neither could succeed at a large capital campaign on its own. By uniting forces, and tapping both donor "families" as well as broadening the project to allow for other uses and donors outside their support base, these two founding companies thought they could finally succeed. Once they secured a planning grant from ExxonMobil in the late 1990s, they incorporated the Dallas Center for the Performing Arts Foundation.

Both the Opera and the DTC wanted to move due to the limitations of the venues in which they performed. Founded in 1957, the Dallas Opera was recognized as a leading regional opera company and aspired to become one of the top opera companies in the nation, a peer to the Lyric Opera of Chicago and the San Francisco Opera. This aspiration required the company to grow both financially and artistically, but in its home, the Music Hall at Fair Park, further growth along either dimension seemed unlikely. “It is a roadshow house,” said Dayton about the Music Hall, “meant to receive traveling Broadway shows, not a facility that had anywhere near the stage capabilities to support a regional opera company. It’s a cinematic auditorium, meaning it’s fan-shaped, clearly designed for amplified sound, not for raw voice. The Symphony got out as soon as they could, and the Opera wanted to follow close on their heels.”

In addition to limiting the quality of the Opera’s productions with its poor acoustics, small stage, and cramped backstage, the city-owned Music Hall also prevented the Opera from expanding its season, and therefore its budget and audience. In 1998, the Opera had an annual budget of about \$9 million, roughly twice its size a decade earlier. About 40 percent of its revenues came from ticket sales, and about 50 percent from contributions. Its seasons consisted of five productions with 21 performances. It had 11,000 subscribers and filled an average of 90 percent of the Music Hall’s 3,420 seats with paying ticket-buyers. The percentage of the total seats sold had flatlined in recent years. Expanding the season seemed like the only way to continue growing, but the Music Hall’s schedule was full, with performances by Dallas Summer Musicals, a Broadway series, and the Texas Ballet.

For all these reasons, the Opera wanted a new home. However, it could neither mount a successful capital campaign of sufficient size nor fill a venue’s schedule on its own. “Dallas Opera was an institution that couldn’t justify a facility of this size and cost by itself. It would need to partner with other cultural institutions to make this a viable, long-term operating facility,” said Dayton.

A partnership with the DTC—a seasoned group with an artistic reputation and financial stability on par with the Opera’s—seemed like a logical choice. The Dallas Theater Center was founded in 1959 and had since become an acclaimed regional theater company with a professional resident troupe of actors. In 1992, DTC had sold almost 100,000 tickets; by 1997, that number was down to 82,000. In 1998, the DTC had a budget of \$3.9 million, with ticket sales of \$1.4 million and contributions of \$2.4 million, but the general trend in ticket and subscription sales was still one of decline. The DTC curtailed the number of

performances, but still the overall percentage of capacity sold declined, too.

“We’ve had the same artistic director for 15 years, and things around here just got stagnant, with our programming and our fundraising and our ticket sales. There was no enthusiasm, no excitement, there was nothing building for this place,” said the managing director of the DTC, Mark Hadley. “We were in a 50-year-old building designed by Frank Lloyd Wright, which was very comfortable for the patrons, but backstage, it was very hard on us to produce theater. It boxed us in in terms of what we could do.”

Unlike the Opera, the DTC had complete control over the operations and scheduling at its two venues, the Kalita Humphreys Theater and the Arts District Theater, both of which it managed. In the Kalita, the company was severely handicapped by the theater’s technical limitations, and in the Arts District Theater by financial ones. The Kalita’s backstage areas were dark, cramped, and in need of repair. Frank Lloyd Wright had been opposed to elevators in principle, and only one was installed for transporting sets to the stage from the loading dock. Apocryphally, the elevator had to be hidden from Wright by stacks of boxes when he came to visit. The flyhouse could support only a limited weight and had just nine lines for flying in sets, though the DTC had jerry-rigged some extra ones over the years. The house had 491 seats. Of these seats, for the past decade the DTC had filled just 61 percent. Because the DTC had built the theater, the city allowed the company its almost exclusive use for \$1 per year. The DTC offices were next to the Kalita, as were the homes of many of the company’s wealthy subscribers, who lived in Highland Park. Hadley thought the proximity of this affluent enclave made the DTC seem elitist, whereas a downtown location would make theater seem more accessible. Attendance at the temporary Arts District Theater confirmed this suspicion.

Overall, embarking on a plan to build the performing arts center represented a risk for the DTC. In initial discussions, a seating capacity of 700 was floated for the theater, and the company wondered whether it could fill all those seats. Eventually, the capacity was revised down to 575. The rent would certainly be higher than the \$1 per year paid at the Kalita Humphreys, yet a flexible, technologically advanced new theater would offer the DTC a blank canvas. The excitement around a new, marquee building in downtown Dallas would give the company an opportunity for rebirth. “It wasn’t really an option not to make this happen,” remembers Hadley about the discussions taking place among DTC staff. “Here comes the building. It kind of forces our hand. What do we want to be in that building and how do we make it happen?”

Eventually, as construction on the Center proceeded, the DTC board looked at its strategic plan. They hired a new artistic director who was a good match for the organization's revised and sharpened vision, and launched an advancement campaign to raise \$12 million in support of productions and increased occupancy expenses for the first five seasons in the new venue.

After two years of planning, with the help of professional consultants, the new AT&T PAC board led by Dayton and Enloe identified several other artistic groups that wanted to perform in a better, newer venue. They included the Fort-Worth-based Texas Ballet and the internationally focused dance presenter, TITAS, for the 2,200-seat opera hall. The groups who wanted to perform in the smaller theater venue with the DTC included Anita Martinez Ballet Folklorico and Dallas Black Dance. Additionally, the new performing arts center would host a Broadway series, a lecture series produced by the AT&T PAC, and other touring and presented events. The schedules of both the proposed opera house and the theater were beginning to look full.

DALLAS PHILANTHROPIC LANDSCAPE

The Dallas philanthropic climate is distinguished by the city’s extraordinary concentration of wealth and the giving community’s high profile social calendar of events, as well as a competitive spirit that animates donors to fund endeavors that will make Dallas better than other cities in Texas, or the nation, or the world. Despite having an average household income that is slightly below the national average, Dallas has one of the largest concentrations of wealth in America. Dallas was the fourth most popular city to call home in the Forbes 400, the annual list of wealthiest people in the United States with fortunes over a billion. Dallas was home to 24 billionaires in 2009. The city is also a popular location for Fortune 500 company headquarters. In this list, Dallas ranks third in the United States, with 14 companies headquartered there in 2009.

In Dallas, philanthropy frequently acts as a social glue. Several of our interviewees remarked on the importance of the networks of donors and volunteers that surround specific organizations. A few organizations, like the Symphony and the DMA, plan seasons of social events for their donors. One nonprofit, the Dallas Business Council for the Arts, places business executives on arts boards, where they can network professionally, in exchange for a guarantee of financial support from their employers. The social aspect of the philanthropic scene makes some boards tightly knit—most of the AT&T PAC core board members had been good friends for decades.

CAPITAL CAMPAIGN ORGANIZATION AND STRATEGY

The consultant plans had anticipated that the organization would need multiple full-time employees to start the design and capital campaign, but Lively wanted to run a cheap, lean operation. (The campaign ended up costing only 3.5¢ for every dollar raised.) “My first year, I was the president and CEO of me. I had a secretary. That was on purpose because we built the model around the cadre of qualified volunteers.” At the end of his first 12 months, Lively hired employee number three, a publications specialist to produce marketing materials. After another year, he hired a vice president to manage the construction.

The opportunity to become one of these qualified volunteers was a perk offered to interested donors. The Brakeley report reminded its clients at the AT&T PAC that enthusiastic, generous boards always form the backbone of any capital campaign. For this reason, Brakeley worried about the AT&T PAC board’s small size. Indeed,

extraordinarily committed trustees like Caren Prothro, who became the chair of the capital campaign, and Howard Hallam, the chairman of the board, were crucial to the Center’s fundraising efforts. But Lively also used the empty spaces on his board as an ultimate fundraising tool. They allowed him to offer a philanthropic opportunity of a lifetime—a chance for donors to be closely involved with the project they were funding, to make decisions, and to shape the future of the performing arts in Dallas—to people with means to make sizable gifts. The lean staffing at the organization itself also advanced this enterprise since, without staff, the board was never in danger of crossing the line and overmanaging. At the same time, armies of consultants were available to do the grunt work. The opportunities for involvement presented to the trustees were exciting—Deedie Rose, Bess Enloe, and John Dayton all sat on architect selection committees, for example. Dayton even went to London for long stretches of time to work on the design for the Winspear Opera House with the architects at the offices of Foster and Partners. All of the people joining the board and being given unparalleled opportunities to be closely involved and make a large impact were also expected to make sizable, seven- or eight-figure contributions.

“These volunteers came on board with a clear view of the expectations of each of them,” Lively said. “I said to each something like this when they were appointed: ‘I’m inviting you to join this great adventure and serve and lead and, when I’ve earned the right, I want you to make a gift of X million dollars. There’s no ambiguity about that, and if you don’t want to do that, you really shouldn’t join. That’d be a waste of your time and ours.’”

Everyone asked to join the board on these conditions agreed, although one individual refused initially before joining two years later. In addition to the ability to make a gift, the AT&T PAC looked for board members who could expand what Lively termed its “circles of influence” within the prospective donor community. “If we had all the same kinds of people—age, interests, profession, neighborhood—it was encumbering. The common denominators were the commitment for the project and the ability to make a large gift.”

In general, the AT&T PAC got the gifts it requested more often than not—Lively said he calculated their batting average to be .700. “But we studied the pitchers. And we didn’t pitch very often,” Lively said. “It was all done unscientifically, but very strategically.”

The exact process followed was for Lively to meet confidentially “with people of means” to identify and discuss donor prospects in their friendship networks three times a week for “many hours.” In this process, Lively described himself as the choreographer. He would ask wealthy people about their friends. First, he would want to know who had the means to make a seven-figure gift. Then he wanted to know what specific reasons would compel that person to make the donation. “We tried to find all of the messages and all of the reasons that someone would support this thing,” he said. For most of the potential donors, the primary reason to support the new performing arts center was civic pride. Some of these donors did not enjoy the performing arts at all and in fact dreaded attending theater and opera. But they were impressed with the vision of what the buildings would mean for the city. Of the 133 donors who gave gifts of \$1 million or more, most had never given to the arts before. This number was encouraging to community leaders and donors who had expressed concerns that the capital campaign would drain all the arts funding. On the other hand, others wondered if committed arts leaders and supporters were being crowded out. Lively described the rationale behind these non-arts donors’ gifts as follows: “They made an investment in the future of one of the greatest cities in America—I’ve heard that one many times. They’ve made the city whole. They enhanced the quality of its landscape. They completed the Arts District. They did something that was good for the City of Dallas.”

In his meetings, Lively also wanted to know who knew the person best and understood their thinking about philanthropy. Sometimes, he was acquainted with a donor and familiar with his or her philanthropy from his years running the campaign at Southern Methodist University, but many donors were new to him and to Dallas. Two \$10 million gifts came from people he had not met before the campaign.

Lively and his contacts would also discuss the merits of various settings for the prospect’s first introduction to the AT&T PAC, whether the first interaction should be a private conversation, a dinner party, or a reception at the Preview Center with its 20th-story view onto the site and its architectural models. After the first meeting, he would analyze how that contact went and then plot a course for the second contact. When the time came to make the “ask,” he would discuss which “messages” should be presented to a prospect and which order would make the messages appear at their most effective. Then he would try to identify the best person to relay these messages and ask for the money. Sometimes, they would determine who the best person was to ask the prospective askers to do the asking and develop a strategy for getting them to say yes. They even discussed who the best person was to make the call for an appointment.

At the meeting with the prospect, the chosen trustee or donor and Lively would discuss the project and stress the points they had previously decided would most appeal to that specific person. Many of the people asked by Lively to go to these meetings had already made large gifts themselves and could talk about the size of their commitment and their rationale. “They could say, I have done this for these reasons, and I think this is important. Then they would pass the baton to me, and I would describe the project and talk about specific particulars, and then I would make the ask or join a volunteer in making the ask,” said Lively. After this meeting, the crucial steps were following up with the prospects to get commitments, and then keeping in touch to inform them of key project developments so as to assure them of good stewardship of their funds. Lively also noted that despite the extensive planning of every detail, the actual interactions almost never completely adhered to the painstakingly developed script.

In Lively’s view, the most crucial decision for every ask was choosing the asker. “People will give to people, no matter what the project is, if they trust the people,” Lively said. “People of integrity will ask people of integrity for a gift and they’ll get it, because these guys will trust that the cause is noble.”

The AT&T PAC also provided its donors with a steady stream of opportunities for recognition. “We were lucky to be able to publicly celebrate most of our donors,” Lively said, noting that for some prospects, seeing that substantial commitments had already been made by respected Dallas philanthropists was persuasive. The AT&T PAC’s quarterly newsletter, *Stages*, was a sumptuous, professionally designed periodical printed on glossy cardstock the size of a folded newspaper and filled with profiles and pictures of smiling couples who had made seven- or eight-figure donations to the Center. Perhaps in order to distinguish the AT&T PAC project from the birthing pains at the Meyerson, Lively started each newsletter with a column in which he assured his audience, sometimes in italics, that both the construction and the campaign were on budget and on schedule. The dribble of press releases announcing gifts was relentless, creating the impression of inevitability of success. “We went through two economic downturns even before this latest fiasco and two wars, and we just kept chugging along,” said Enloe. Periodically, acclaimed celebrity performers like Tommy Lee Jones, Sidney Poitier, Dame Julie Andrews, and Hillary Swank would make appearances at the Center’s lecture series, the Brinker Forum, or at its events. These appearances would be heavily publicized and followed by pictures of major donors with these actors in *Stages*, conveying the impression that the AT&T PAC board was a desirable social institution to join. For a few years, Chuck Norris was listed as an official member of the board, though it is unclear if he ever came to the meetings.

Thus, from board building to staffing to articulating a purpose, the activities of the AT&T PAC focused almost single-mindedly on ensuring the success of the ambitious capital campaign. As the date of opening approached, however, questions about the shape and financial feasibility of the Center's future operations became increasingly urgent.

Like so much of the planning, the Center's business model was left to the volunteers on the operations committee of the board. This committee was chaired by Roger Enrico, formerly the CEO of PepsiCo and now the chairman of the board of Dreamworks Animation SKG. He and other trustees served as the principal clients for consultants who studied the issue and returned with forecasts and reports. One of the goals for the business plan was reducing, if not eliminating, the need for unearned income within the annual budget. The hope was that the new AT&T PAC could sustain itself on earned revenue and compete as little as possible with other nonprofit organizations for gifts and grants. Lively thought this could be achieved with some creative thinking about untraditional sources of revenue, like premium memberships that would allow access to the artists and new models for working with corporations on sponsorships. Devising a plan took the consultants and the operations committee several years. In the end, their model called for an operating budget of \$25-30 million, with the bulk covered through earned income sources and only \$2.5-3 million raised through gifts and grants. (It should be noted that the AT&T PAC considers funds from corporations as income earned through its sponsorship programs.) Lively negotiated a contract with the city for \$2.5 million in annual operating support and secured a sponsorship deal with Lexus for the future Broadway series. He also began discussions with other corporations, one of which, AT&T, became the PAC's general sponsor in 2009 by agreeing to contribute an undisclosed amount to annual operations.

At the time the plan was devised, Dallas community leaders worried about the lack of detail and about the business plan's lengthy period of gestation. The staff of those groups slated to perform in the new Center also wished they had more details. While the volunteers on the AT&T PAC board were mainly interested in the feasibility of the annual fundraising requirements, the professional staff at the resident companies were keenly interested in details—such as the scheduling process, fees, policies on unions, and the presence of Center staff at set load-ins. They needed estimates of how much their performances in the

new venues would cost, and they wanted them several years ahead of the opening season. The Opera was commissioning a new work for its inaugural 2009-2010 season and had to commit itself financially in 2005 to make this happen. The DTC was making casting commitments. Meanwhile, the programming staff at the Center had yet to be hired. At this point in time, with no performing arts center yet in existence, the staff there was still limited and focused on the capital campaign.

Faced with this uncertainty about operations, the performing companies took different approaches to their first season budgets. The Opera asked the AT&T PAC operations committee and its consultants for absolute worst case scenario estimates of the Opera's future expenses. Meanwhile, the DTC simply came up with the cost estimates themselves. Managing director Mark Hadley described this process as follows: "They were working on very broad pro formas that they had developed with outside consultants. It was in very broad strokes. So we had to guess on what some things would be, but honestly, we weren't that far off. We took whatever information we had from them and then threw our decades of experience in."

The business plan's broadness frustrated some funders, too. In addition to worrying about the impact of increased competition for philanthropic funds, they also expressed concerns about the impact of aggressive revenue targets. Bruce Esterline, vice president for grants for the Meadows Foundation, worried about the effect of the AT&T PAC on the larger cultural ecology in Dallas. "We were concerned about the impact of higher rents on the resident performing arts groups, some of whom were dealing with their own financial challenges at the time," he said.

The mayor's office had concerns, too. They wanted certainty that the AT&T PAC would not need more than \$2.5 million a year in unearned income to operate. They were afraid the Center would need more money from the city, and a privately raised endowment to support their operations seemed like a good idea. Former councilwoman Veletta Lill said Lively assuaged the local government officials' concerns by promising that the Center would raise an endowment once the capital campaign was complete.

THE DECISION

As the AT&T PAC surpassed the original \$275 million goal set for its capital campaign, its leaders could look back with satisfaction on a multi-year record of success in attracting large gifts. With 20 months still left before opening, there was time to raise even more funds for the future Center. Moreover, multiple suggestions for aesthetic and operational enhancements to the two halls seemed attractive and had broad support among the trustees. One major component of this expansion in capital budget would fund a more luxurious lobby. Another would turn a space currently suited only for rehearsals into a space that could accommodate smaller scale performances and host special events, expanding the Center's opportunities for earning income. These suggested enhancements would require extending the capital campaign and raising an additional \$60 million. Yet the new Center also had to consider raising operational funds and replacing Lively, an experienced fundraiser and a critical orchestrator of the campaign so far, who planned to depart before the Center's opening. How could the leaders of the AT&T PAC decide on the amount of funds they could reasonably expect to raise? How should they choose the right point to transition the focus of the organization from fundraising to future operations?

OUTCOMES

In January 2008, on the day Nancy Hamon made the \$10 million pledge that put the AT&T PAC over its target, the board unanimously approved an increase of the capital campaign goal from \$275 million to \$338 million. The success of the campaign to date was a significant factor in their decision. Given the scale and budget to which the board had already committed, compromising on any aspect of the campus was difficult. By approving the campaign's capital expansion, the board was committing to raising an additional \$63 million for construction costs before undertaking a long-discussed campaign for an operational endowment. Twenty months were remaining until opening. The costs of building the new performing arts center continued to rise.

Lively left at the end of December of the same year to raise money for his other passion—football—at the helm of the Superbowl XLV host committee. After completing that project, he agreed to take the position of CEO of the AT&T PAC's neighbor, the Dallas Symphony, but resigned the job before starting, citing health reasons. By the time of his departure from the AT&T PAC, \$327 million had been raised for the capital campaign and an additional \$18 million was committed for other purposes, like moving costs for the resident groups and a small endowment.

The AT&T Performing Arts Center's grand opening in October 2009 attracted large crowds and attention from the international press. By then, the financial crisis had already begun. At the beginning of fiscal year 2010, in August, new pledges towards the capital campaign stopped coming in. The reported total of capital campaign contributions was still only \$330 million. All construction bills were paid by virtue of \$150 million in construction bonds issued in 2006 and due for repayment in 2041. As of August 2011, the AT&T PAC was still \$50 million short of covering these bonds. Both the sluggish pace of recession fundraising and operating deficits in the first two years of operations contributed to this shortfall.

The operational deficits were exacerbated by the recession. In the first two years, the City of Dallas contributed only \$0.8 million a year instead of the expected \$2.5 million. This amount is expected to decrease to \$0.2 million for 2012. Early estimates of operating income proved optimistic, and the AT&T PAC began its first year hoping to raise \$5-6 million in annual funds. When both fundraising and revenues proved disappointing, the Center finished its first year with a deficit just short of \$3 million. In the second year, this deficit increased further still.

The tenants of the new performing arts center have also faced financial challenges. The Dallas Theater Center

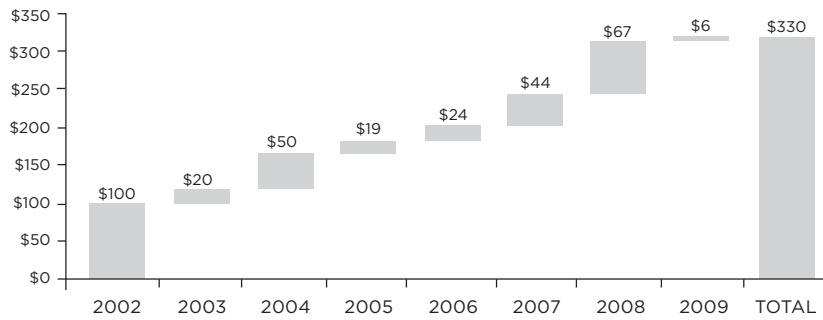
expected the costs of operating in their new venue to increase dramatically and launched a \$12 million advancement campaign to cover the expenses of growing into its new venue. By May 2011, \$8 million of the total had been pledged, and these funds have reduced the impact from the economic recession and higher operating costs. The Dallas Opera also found its costs increasing due to higher facility costs and the more artistically ambitious program that the change of venue had made possible. In its first year at the AT&T PAC, the deficit for the Opera was \$1.5 million, and for the second, \$4 million. These mounting deficits forced the Opera to cut one of its full-scale productions for the 2011-2012 season in an attempt to balance the budget.

For the Center, finishing the campaign with the buildings already in existence is proving to be a grind. To some degree, this was due to the recession, but to another, it is due to the difficulties inherent in raising money outside of the building process. Before, the dream for the transformative power of a new performing arts center was easier to evoke for prospective donors. Now, the AT&T PAC is a reality rather than a dream. Its ambitions for transforming Dallas are still there, but daily compromises, large and small, are needed to navigate operational and financial challenges. The new performing arts center is no longer a blank canvas for any and all civic dreams.

FIGURE I
CAPITAL CAMPAIGN
PLEDGES BY YEAR

Based on news articles and press releases

Progress of the Dallas Center for the Performing Arts Capital Campaign
 USD Millions



Key Milestones:

2002:

Board sets campaign target at \$275 million

 Winspear family makes a \$42 million gift

2004:

Wyly family pledges \$20 million

2006:

\$150 million in construction bonds guaranteed by pledges issues

2008:

Campaign reaches original target of \$275 million. Board unanimously approves raising target to \$338 million.

Dec 2008:

Bill Lively finishes his term as President and CEO

This case was last revised in September 2011.

ABOUT THE AUTHORS

Dr. Peter Frumkin is a professor of nonprofit leadership and director of the Center for High Impact Philanthropy at the University of Pennsylvania. His books include *On Being Nonprofit*, *Strategic Giving*, and *Serving Country and Community*.

Ana Kolendo is a research associate at the University of Texas at Austin. Previously, she worked at Harvard Business School and McKinsey & Co.

NOTES

- ⁱ Lively, Bill. "Behind the Scenes." *Stages*. Winter 2005.
- ⁱⁱ "From beginning to end series: making of the Meyerson." *Dallas Morning News*, August 6, 1989.
- ⁱⁱⁱ "Public, private records chronicle years of wrangling." *Dallas Morning News*, August 6, 1989.
- ^{iv} Pederson, Rena. "The sound of success." *Dallas Morning News*, August 10, 1989.

A JOINT INITIATIVE OF:



THE HARRIS SCHOOL
PUBLIC POLICY | THE UNIVERSITY OF CHICAGO

NORC
at the UNIVERSITY of CHICAGO

FOR MORE INFORMATION:

CULTURALPOLICY.UCHICAGO.EDU/SETINSTONE