



MEMO

To: Mayor and City Council Members
From: Chris Hillman, City Manager
Date: August 18, 2017
Subject: Tickets for Shows at the Pavilion at the Irving Music Factory

The Second Amended and Restated Entertainment Center Lease Agreement (Section 3(e)) provides the city the exclusive use of one of the three largest box suites in the performance hall/amphitheater at the Entertainment Center and a monthly food/beverage allowance as additional rent. ***The Pavilion at the Irving Music Factory does not provide box suites like the city owned at Texas Stadium.*** Instead, there is a Premium Seat section in the theater. The city has been provided with the exclusive use of seven (7) Premium Seats in the front row of the Premium Seat section for all events promoted and produced by Live Nation. Premium Seat tickets include access to the Live Nation VIP Club before, during, and immediately following each show. The city will also receive two (2) VIP parking passes for each show.

Additionally, the Lease Agreement provides the city with a \$12,500 per month food and beverage allowance for use during shows. Servers will provide food and beverage service at the seats during each show. Per Live Nation and Legends procedures, food and beverages purchased through the servers at the seats will be applied toward the city's food and beverage allowance, but ***purchases made at concession stands or in the VIP Club cannot be applied towards the allowance.***

Because the project was funded using tax-exempt bonds, the city must comply with Internal Revenue Service (IRS) regulations limiting the benefit that the city may receive from the venue. To comply, staff, bond counsel, and the city's financial advisors have determined the maximum annual benefit that may be received. The annual value of the Premium Seats will be applied to this maximum first, then actual usage of the food and beverage allowance will be applied. If the city reaches the maximum benefit prior to the end of the bond-year, then the food and beverage allowance will no longer be available for use for the remainder of the year.

The Premium Seat tickets and food/beverage allowance are intended to be used for the performance of city business. This may include, but is not limited to, promoting the City of Irving, entertaining economic development prospects, and meetings with officials from other governmental entities. Use of the tickets for business purposes are exempt from federal income tax reporting. The IRS considers the personal use of tickets to events to be income that must be reported. To comply with IRS regulations, the Mayor and Council Members will sign an acknowledgement upon receipt of tickets stating their name, the number of tickets received, the show, the date of the show, the date of receipt of the tickets, and that the use of

the tickets is for a business purpose. If any tickets are used for personal purposes, it is the responsibility of the Mayor or Council Member to report the value of the tickets and any food/beverage allowance used to the IRS as income.

The city's tickets are not transferrable and may not be sold.

In discussions with Live Nation (the operator of the Pavilion), staff was informed that it is critical to have at least half of the city's Premium Seats filled for each show. To accomplish this, the Mayor and City Council Members will have priority for all shows. If more than half of the tickets remain available after the Mayor and City Council Members have provided their preferences, the tickets will be distributed to the Irving Convention and Visitors Bureau (ICVB) for any business use in compliance with the ICVB's Seat Use Policy. If the ICVB is unable to use the tickets, the City Manager may use the tickets to recognize city employees for exceptional performance. Tickets may also be returned to Live Nation to prevent the city's row of seats from being empty for an event.

Ticket Distribution

A process for the equitable distribution of the seven Premium Seat tickets has been developed. This process will be reviewed after the first six months to make any improvements. Staff is also exploring options to expand the number of seats available for city use.

The Premium Seat tickets and food/beverage allowance are intended to be used for the performance of city business. Business uses may include, but are not limited to, promoting the City of Irving, entertaining economic development prospects, and meetings with governmental officials from partner organizations.

Staff will distribute a show list to the Mayor and City Council Members two months at a time. For example, on September 1 staff will distribute a show list for October and November. The first four (4) tickets to each show are reserved for the Mayor for business purposes. The Mayor may release all or a portion of tickets prior to each show.

The remaining three (3) tickets to each show (and any tickets released by the Mayor) are available to City Council Members for business purposes. A lottery will be performed every four (4) months to determine the order of show selection for City Council Members. For the first 2-month period, tickets will be distributed in priority order based on the lottery. For the second 2-month period, tickets will be distributed in reverse order from the lottery. Staff will have City Council Members draw numbers for the lottery during lunch at the Budget Retreat on Wednesday, August 23.

City Council Members will rank their top 10 shows in order for each 2-month period (including the number of tickets desired, up to 3) and submit the list to staff. Tickets will be distributed based upon the lottery order and Council Members' show rankings. Council Members will be given tickets to the highest ranked show on their list each time through the lottery order. The lottery order will be repeated until all requested show tickets are distributed.

If any shows have fewer than half of the tickets being used, then the remainder of tickets will be made available to the ICVB for any eligible use within their ticket use policy or used by the City Manager to recognize exceptional employee performance. If tickets are not able to be used by the Mayor, City Council Members, the ICVB, or the City Manager for employee recognition, then the city will notify Live Nation. Live Nation will ensure that the seats are filled.

The process will be reviewed after the first six months of shows to make any improvements.

Staff will provide printed tickets and parking passes to the Mayor and City Council Members prior to each show to be picked up at City Hall. A printed ticket for each attendee is required by Live Nation for each show. An electronic ticket option is not provided by Live Nation.

Attached to this memo is a list of all announced shows for September and October. **Please submit your top 10 show list in rank order to tickets@cityofirving.org by Friday, August 25.** Staff will determine shows through the lottery on Monday, August 28.

If you have any questions regarding tickets, please contact Brad Kearney at bkearney@cityofirving.org or 972-721-8070.