Preserving WRR

Quality of Life Committee

August 29, 2006
Background

• The Dallas City Council has repeatedly reviewed unsolicited offers to sell or modify WRR (1986, 1992, 1996, 2002/03)

• This issue will likely continue to be raised because WRR’s coverage area, location on the dial, and commercial status are extremely attractive to suitors

• All past offers have involved either the sale of the station, reduced coverage area, or loss of management
  – None of the previous offers allowed for preservation of the classical music format in the Metroplex
Current Proposal

• KVTT-FM (91.7), in partnership with Salem Communications Corporation, approached the City with a proposal to swap the WRR commercial license frequency for a similar non-commercial license frequency and a significant cash payment
Current Situation

• According to Arbitron Ratings, the average number of listeners to WRR throughout the day is approximately 15,000
• Based on recent sales of stations in similar markets, the value of the WRR asset could be between $80 - $100 million
What Makes This Offer Different?

• Frequency offered for trade has a full Class C license and essentially the same coverage area as WRR (see coverage maps in Appendix A)
• Dollars involved are substantial enough to create an endowment fund to insure future success for WRR
• Allows the City to continue broadcasting City Council meetings
• Allows the City to maintain control of management and music format
• Allows the City to maintain its commitment to classical music and to ensure it prospers
What is a Non-Commercial License?

• The Federal Communications Commission (FCC) issues commercial and non-commercial licenses

• Non-commercial radio stations receive program sponsor support or underwriting support from companies wishing to make the programs possible

• Program Sponsors receive on-air acknowledgement in the form of ten or fifteen second announcements broadcast during the program breaks
What is a Non-Commercial License? (Cont.)

• Similar to commercial formatted paid advertisements, non-commercial program sponsors can:
  – Stimulate inquiries for additional information about their business
  – Communicate a company’s purpose
  – Increase a company’s visibility
  – Popularize a business or cause
  – Strengthen a corporate image

• In addition, non-commercial program sponsors receive the added benefits of:
  – A commercial free, clutter free environment allowing their company’s message to stand out
  – Demonstrating corporate philanthropy
  – Enhancing employee pride
What is a Non-Commercial License? (Cont.)

The following changes would have to take place with current advertisers:
- Revising the length of current announcements from :30 seconds to :10 or :15 seconds
- Revising the creative elements of the program credit announcements to adhere to the FCC Guidelines as follows:
  - Program Sponsors must be identified by name
  - The program credit may include factually descriptive information about the sponsors products, product line, or services; The information can not be qualitatively or promotionally descriptive
  - The credit may include brand or trade names that help identify the underwriter, but do not promote
  - The credit may include the sponsor’s well-established corporate slogan.
  - The credit may include a phone number or web address, but no accompanying call to action
  - No call to action
  - No superlatives or comparatives
  - No comparisons with other products or business
  - No endorsements/statements
  - No reference to prices for products or services
# WRR Financials

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</thead>
<tbody>
<tr>
<td><strong>Net Revenues</strong></td>
<td>2,330,000</td>
<td>2,495,000</td>
<td>3,352,000</td>
<td>3,653,171</td>
<td>4,678,702</td>
<td>4,702,727</td>
<td>3,719,789</td>
<td>3,474,556</td>
<td>3,498,608</td>
<td>3,695,101</td>
</tr>
<tr>
<td><strong>Net Profit</strong></td>
<td>429,259</td>
<td>215,679</td>
<td>258,851</td>
<td>361,443</td>
<td>819,195</td>
<td>1,066,768</td>
<td>558,572</td>
<td>481,642</td>
<td>273,890</td>
<td>345,131</td>
</tr>
</tbody>
</table>

Source: City of Dallas Audited Annual Comprehensive Financial Statements (CAFR)

¹ CAFR not finalized: FY2004-05 information is as of May 3, 2006
## Non-Commercial Classical Stations in Top 20 Markets

<table>
<thead>
<tr>
<th>Market Name</th>
<th>Market Rank</th>
<th>Call Letters</th>
</tr>
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<tbody>
<tr>
<td>Los Angeles, CA</td>
<td>2</td>
<td>KUSC</td>
</tr>
<tr>
<td>Philadelphia, PA</td>
<td>6</td>
<td>WRTI</td>
</tr>
<tr>
<td>Houston-Galveston, TX</td>
<td>7</td>
<td>KUHF</td>
</tr>
<tr>
<td>Boston, MA</td>
<td>9</td>
<td>WGBH</td>
</tr>
<tr>
<td>Detroit, MI</td>
<td>10</td>
<td>WRCJ</td>
</tr>
<tr>
<td>Atlanta, GA</td>
<td>11</td>
<td>WABE</td>
</tr>
<tr>
<td>Phoenix, AZ</td>
<td>14</td>
<td>KBAQ</td>
</tr>
<tr>
<td>Minneapolis-St. Paul, MN</td>
<td>15</td>
<td>KSJN</td>
</tr>
<tr>
<td>San Diego</td>
<td>16</td>
<td>XLNC (Tijuana)</td>
</tr>
<tr>
<td>Baltimore</td>
<td>19</td>
<td>WBJC</td>
</tr>
</tbody>
</table>

Source: MUSIClassical
Can WRR Prosper as a Non-Commercial Station?

• 80% of all classical music stations are non-commercial
• 54 of the top 100 ranked Arbitron markets have non-commercial classical stations
• Currently, non-commercial classical radio stations in the top 10 markets on average are close to or exceed the revenues generated by WRR
• WRR will continue to provide the same classical service that listener’s enjoy today
Why the City of Dallas Should Consider a Frequency Swap?

• Current FCC rules allow non-commercial stations to compete and prosper

• Using the media reported $50 million cash payment for swapping frequencies, an endowment could be established
  – At a 5% return rate, this would mean $2.5 million annually for the arts, with WRR having the right of first refusal to cover any operating deficits should they occur

• Now is the time to end recurring speculation of selling WRR and preserve classical music in the Metroplex for generations to come
Recommended Next Steps

Step 1
• Secure an appraisal of WRR and market analysis to determine current day value and market trends for the future of terrestrial radio
• Hire a consultant to write an acceptable business plan for WRR
  – Consultant to secure input from current listeners supporters, advertisers, and employees

Step 2
• Review output of Step 1 above with stakeholders
• Evaluate all information and reconsider recommendation to move forward

Step 3
• If approved in the above steps, issue an RFP to secure the best competitive deal for the City
Appendix A – Coverage Map

(101.1 FM)
Appendix A - Coverage Data (101.1 FM)

LONGLY RICE REPORT for WRR
Field Strength Breakdown:

Population data for field strength above 90.00 (dBuV/m):

<table>
<thead>
<tr>
<th>Total Population</th>
<th>Total Housing Units</th>
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</thead>
<tbody>
<tr>
<td>2,235,490</td>
<td>859,812</td>
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</tbody>
</table>

Population data for field strength above 80.00 (dBuV/m):

<table>
<thead>
<tr>
<th>Total Population</th>
<th>Total Housing Units</th>
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</thead>
<tbody>
<tr>
<td>3,747,127</td>
<td>1,410,966</td>
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</tbody>
</table>

Population data for field strength above 70.00 (dBuV/m):

<table>
<thead>
<tr>
<th>Total Population</th>
<th>Total Housing Units</th>
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</thead>
<tbody>
<tr>
<td>4,621,379</td>
<td>1,788,192</td>
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</table>

Population data for field strength above 60.00 (dBuV/m):

<table>
<thead>
<tr>
<th>Total Population</th>
<th>Total Housing Units</th>
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</thead>
<tbody>
<tr>
<td>5,060,772</td>
<td>1,963,053</td>
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</table>

Population data for field strength above 54.00 (dBuV/m):

<table>
<thead>
<tr>
<th>Total Population</th>
<th>Total Housing Units</th>
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</thead>
<tbody>
<tr>
<td>5,272,250</td>
<td>2,050,537</td>
</tr>
</tbody>
</table>
Appendix A – Coverage Map
(91.7 FM)
Appendix A - Coverage Data
(91.7 FM)

LONGLEY RICE REPORT for KVTI
Field Strength Breakdown:

Population data for field strength above 90.00 (dBuV/m):
  Total Population: 1,543,829          Total Housing Units: 585,911

Population data for field strength above 80.00 (dBuV/m):
  Total Population: 3,153,056          Total Housing Units: 1,206,905

Population data for field strength above 70.00 (dBuV/m):
  Total Population: 4,307,069          Total Housing Units: 1,664,727

Population data for field strength above 60.00 (dBuV/m):
  Total Population: 4,912,200          Total Housing Units: 1,901,027

Population data for field strength above 54.00 (dBuV/m):
  Total Population: 5,143,079          Total Housing Units: 1,997,711