FINAL REPORT
ON THE FUTURE OF THE ARTS
IN COLUMBUS, OHIO
FINANCIAL ANALYSIS
AND PLAN

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EXECUTIVE SUMMARY

WolfBrown, a consulting company in Cambridge, Massachusetts, was engaged by the Greater Columbus Arts Council to complete work on a cultural plan for the Columbus, Ohio region. Much work had already been accomplished and the remaining tasks included:

1. *Review of previous work*. The consultants reviewed previous reports from 2006 through 2009.

2. *Interviews with arts representatives and selected leadership of the public and private sectors*. This interviews underscored considerable agreement about:

   - *The importance of arts and culture to Columbus' economic vitality*
   - *The contribution arts and culture can make to the Columbus brand*
   - *The need for the community to capitalize on its strong arts and culture base*
   - *A commitment to finishing the cultural planning process and developing a roadmap that outlines costs and potential resources*

   They also revealed the following:

   - *There is great financial stress on the cultural sector and it is not new*
   - *That stress is affecting programming, attendance, and employment*
   - *A lot of increased efficiency has already been achieved by the sector*
   - *There is a severe undercapitalization problem with inadequate cash reserves and endowment leaving little margin for error*

3. *Sustainability analysis*: WolfBrown completed an analysis of the financial condition of local arts groups including both balance sheet and operating statements. It revealed considerable stress and undercapitalization.

4. *Cultural plan financial implications analysis*. From Columbus' existing cultural plan documents, priorities were established that reflected broad community goals and enhanced what

Columbus was attempting to accomplish as a community. The priorities were costed out to garner an accurate projection of need.

5. *Development of the funding model, public policy, fundraising, grant making, administration, and infrastructure plan*. Based on the solid data developed in the previous steps, recommendations were put forward to show how the financial need could be met.

Part I of this final report provides a financial analysis of the arts sector and includes the following findings:

- Thirty-six organizations responded to the request to provide information which would allow an updating of the Americans for the Arts economic research in Columbus in 2006.[1]
- Four organizations that were surveyed in 2006 have gone out of business. Two of the 36 are merging.
- The 36 surveyed organizations reported aggregate expenditures of $72.3 million in FY 2009.
- In Columbus (as in many cities), a significant portion of the expenditures are by a small number of institutions. Eight of the institutions (22%) reported budgets of over $2.5 million, representing 80% of total expenditures. Fourteen of the institutions (39%) reported budgets of over $1 million, representing 94% of the expenditures.
- The majority of organizations surveyed are under great financial stress and have little margin for further financial pressure. Several organizations are near their survival threshold.
- In aggregate, the 36 organizations surveyed reported a 1% decrease in revenues in the period between FY 2005 and FY 2009 (from $75.1 million to $74.2 million), which represents a ***decrease of 11%*** if FY 2009 revenues are put into FY 2005 dollars (using the Consumer Price Index calculator).
- Organizations reported a 5% decrease in expenditures in the period between FY 2005 and FY 2009 (from $76.1 million to

[1] One organization with a budget of over $1 million did not respond to the request for updated fiscal information. Otherwise, all organizations with budgets of over $500,000 responded to the request for updated information.

$72.3 million), which represents ***decrease if 14%*** if FY 2009 expenditures are put into FY 2005 dollars (using the same methodology).

- The aggregate operating deficit of over $1 million for the sector as a whole in FY 2005 has been turned into an aggregate operating surplus of nearly $2 million for the sector. Organizations appear to be cutting back significantly on programming and staff in order to conserve cash in uncertain times.
- Despite this *aggregate* surplus, over 20% of organizations are reporting operating deficits for FY 2009, including nearly half (43%) of those with budgets over $1 million.
- Two-thirds (67%) of organizations report holding some unrestricted cash reserve. In aggregate these total 16% of operating budgets. However, half of the organizations hold less than 10% of their operating budgets in a cash reserve.
- One-third (36%) of the organizations report holding endowments, and with the exception of two organizations that are well endowed, these aggregate endowments represent only 25% of operating budgets on average.
- In aggregate, utilizing national benchmark indicators, the arts sector in Columbus is undercapitalized by approximately $100 million.
- Participating organizations reported hiring 11% fewer full-time employees in FY 2009 than in FY 2005. However, the number of part-time employees has increased by 20% in that same time period.[2]

Part II and III of the report put forth guiding principles distilled from previous documents, establish goals, and talk about specific initiatives. The arts community should articulate its shared commitment to:

A. CONTRIBUTING TO COLUMBUS' COMPETITIVENESS

[2] The number of full-time equivalents for part-time employees was not requested in either FY 2005 or FY 2009.

B. ALIGNING WITH BROAD COMMUNITY GOALS

C. PURSUING PARTNERSHIPS

D. ACHIEVING FURTHER EFFICIENCY AND RIGHT-SIZING

The four goals of the cultural plan that align with community goals are as follows:

- **Community Goal 1: Foster Economic Development**
- **Community Goal 2: Enhance Branding and Marketing**
- **Community Goal 3: Attract, Develop, and Retain a 21st Century Workforce**.
- **Community Goal 4: Promote Efficiency and Effectiveness**.

For the arts community, these translate into the following associated actions:

Fostering Economic Development

A. Create a new public-private partnership to address the under-investment in operations and programming in the arts sector.

B. Create a permanent cultural endowment at the Columbus Foundation to address half of the under-capitalization problem with a 10-year goal of $50 million.

Enhancing Branding and Marketing

A. The arts community will work with Experience Columbus and other community partners to align the cultural community's "Creative Columbus" brand with overall Columbus brand.

B. Arts groups will develop aggressive sales strategies through pooled marketing and ticketing for arts and entertainment, including coordinated sales and web presence.

C. The City of Columbus will develop a public art masterplan as an effective way to serve neighborhoods, support artists, and promote the creative economy.

Attracting, Developing, and Retaining 21st Century Workforce

A. Columbus will develop a unified, comprehensive community-wide creative learning system for in-school and out-of-school settings.

Promoting Efficiency and Effectiveness

A. Incentive funding will be provided through the Greater Columbus Arts Council for partnerships, alliances, and mergers.

B. The arts sector will be right-sized, aligning number and size of organizations with demand and community capacity.

Part IV of the report deals with financial needs and funding strategies.

- In the short-term, (next 18 months), the need is an additional $5 million for the arts community.
- In the medium-term (2-5 years) that need will increase to $10 million a year.
- In the long-term (6-10 years), the annual need will increase to between $15 million and $20 million per year based on the progress of the various initiatives.

To garner these funds in the short-term, the following strategies should be pursued:

- Restoration of City funding lost in recent cuts to GCAC (in proposed City budget)
- Maintain current levels of County, foundation, and corporate support
- Replace bridge funding
- One-time general fund supplement from City and County
- Complete a feasibility analysis of individual giving capacity

In the Medium and Long Term, the strategies include the following:

- Enhanced individual philanthropy (especially for cultural endowment)
- Excise tax on alcohol and tobacco products (requires voter approval)
- Increase and/or restructure hotel/motel bed tax rate
- Implement a car rental tax or other user fees
- Seat (admission) tax for some or all entertainment facilities (including OSU)
- Commercial parking tax
- Restaurant/food tax
- School district, City, and County contracts for services
- National private and federal public grants (especially for education initiative)

Part V lays out the next steps in the process:

- January - Brief an expanded group of stakeholders
- Unite community leadership around plan
- February - Roll out of plan by leadership
- Formalize the "Big Table" group into a cultural plan oversight committee
- March - Complete short-term funding commitments
- April - Initiate right-sizing and efficiency plans
- May - Complete process of GCAC reorganization to accomplish oversight of process
- June - Deliver cultural plan implementation report
- July - Secure initial pledges for medium-term funding

INTRODUCTION

WolfBrown, a consulting company from Cambridge, Massachusetts was engaged by the Greater Columbus Arts Council to complete work on a cultural plan for the Columbus, Ohio region. By the time the firm was hired, much work had already been accomplished and the remaining tasks included:

1. *Review of previous work*. The consultants reviewed previous research and planning work that had been done around these issues since 2006 as well as related planning work in the community. Reports from 2009 included:
    - *A Cultural Plan Blueprint, Greater Columbus Creative Cultural Commission, January 2009*
    - *Report on the Blue Jackets, submitted by Stephen A. Buser, November 5, 2009*
    - *CCLC Budget Cut Scenarios, November 3, 2009*
    - *Interim Findings and Recommendations, Greater Columbus Creative Cultural Commission, February 2009*
    - *Creative Columbus: A Picture of the Creative Economy of Central Ohio, June 2009*

    Additional work reviewed included:
    - *Arts and Culture in Columbus, Columbus Cultural Leadership Consortium, September 2006*
    - *Arts Participation Market Research, AMS, 2006*
    - *Columbus Creative Economy, Creative Columbus Policy Steering Committee, May 2007*
    - *Artspace Feasibility Report, September 2007*
    - *Attracting and Retaining Talent to Columbus, Chamber of Commerce, 2007*
    - *Arts and Economic Prosperity III, Americans for the Arts, 2007*
    - *Building Creative Capital, Benefactors Counsel LLC, 2007*
    - *GCAC Survey of Local Artists, 2007*
    - *Columbus 2012 BiCentennial Blueprint, June, 2008*

2. *Interviews with arts leaders and selected leadership of the public and private sectors.* These meetings underscored considerable agreement about:

    - *The importance of arts and culture to Columbus' economic vitality*
    - *The contribution arts and culture can make to the Columbus brand*
    - *The need for the community to capitalize on its strong arts and culture base*

- *A commitment to finishing the cultural planning process and developing a roadmap that outlines costs and potential resources*

They also revealed the following:

- *There is great financial stress on the cultural sector and it is not new*
- *That stress is affecting programming, attendance, and employment*
- *A lot of increased efficiency has already been achieved by the sector*
- *There is a severe undercapitalization problem with inadequate cash reserves and endowment leaving little margin for error*

3. *Sustainability analysis*: WolfBrown completed a comprehensive analysis of the financial statements of the arts groups including both balance sheet and operating statement information. At the same time, data was collected on audiences, personnel, and other useful information. Utilizing data collected in 2006 in connection with the economic study conducted by Americans for the Arts combined with current data collected with the assistance, of GCAC, the consultants performed an analysis that provided a thorough snapshot of financial trends, financial health, deficits, cash reserves, and where serious challenges and problems lie. From it, a basic sustainability model was developed. This work confirmed much of what was learned anecdotally in the interviews.

4. *Cultural plan financial implications analysis*. From Columbus' existing cultural plan documents cited in #1 above, priorities were established. In every case, the priorities reflected broad community goals and enhanced what Columbus was attempting to accomplish as a community. The priorities were costed out to garner an accurate projection of need, taking into account efficiencies already accomplished by arts groups, changed priorities, and ways to make existing dollars go further. WolfBrown then posited a realistic financial scenario showing what the funding needs are for the arts in the community for the next several years.

5. *Development of the funding model, public policy, fundraising, grant making, administration, and infrastructure plan*. Based on the solid data developed in the previous steps, recommendations were put forward to show how the financial need could be met. The funding model includes short-term, medium term, and longer term recommendations and options. They also include some discussion about roles and responsibilities of various sectors.

6. *Report Preparation and Review*. Several interim presentations of the findings were prepared and reviewed by members of the arts community, corporate leadership, public officials, and others with interest and knowledge of the situation. Revisions were made and this final version of the report is being submitted.

PART I
FINANCIAL ANALYSIS

BACKGROUND

As part of the research, the consultants gathered financial information from 36 cultural organizations in Columbus and the surrounding area (cf., Appendix A). These 36 organizations represent an updated snapshot of organizations that provided data for the 2007 Arts and Economic Prosperity III report by Americans for the Arts (AFA).[3] This information was aggregated into a "cultural budget" that indicates the level of activity in the nonprofit cultural sector and provides a picture of the financial status of organizations in Columbus.

Organizations were requested to provide actual income and expense figures for FY 2009. FY 2005 data was provided by AFA and augmented by data provided by GCAC and Forms 990.

A number of organizations received funding from GCAC in each of these two years. In order to avoid double counting of this as additional revenue, this support was not included in the aggregate revenue analyses. In addition, expenditures (which include regranting these same funds) were reduced by this amount.

Organizations were asked to provide only the portion of their budgets related to cultural activities, and they submitted income and expenses for operating funds only. This budget therefore does not include capital costs (including costs for facility construction and renovation), although information on such projects is provided separately.

There were 47 organizations that participated in the research conducted by AFA. Four of these 47 are no longer operating. Of the remaining 43, 32 (74%) responded to a request for updated data that was put out by GCAC. In addition, there are four organizations who did not participate in the AFA research who were added to the current research because they are of significant size.
A list of participating organizations is provided at the end of this report.

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[3] One organization with a budget of over $1 million did not respond to the request for updated fiscal information. Otherwise, all organizations with budgets of over $500,000 responded to the request for updated information.

LEVEL OF FINANCIAL ACTIVITY

Figure 1 below provides the distribution of responding organizations by budget size.

Figure 1: Responding Cultural Organizations by Budget Size			
	# of orgs.	*% of orgs.*	*% of aggregate budgets*
Less than $250,000	14	39%	1%
$250,000-$999,999	8	22%	5%
Over $1 million	14	39%	94%
Total	**36**	**100%**	**100%**

The aggregate of responding cultural organizations' budgets in Columbus represents $72.3 million in expenditures for FY 2009. Of this, 94%, or $67.6 million, is attributable to organizations with budgets of over $1 million. Within that category, eight of the institutions have budgets of over $2.5 million, accounting for 80% of the aggregate expenses. As is the case in many of the communities where the consultants have worked, the majority of dollars are concentrated in a few, larger organizations.

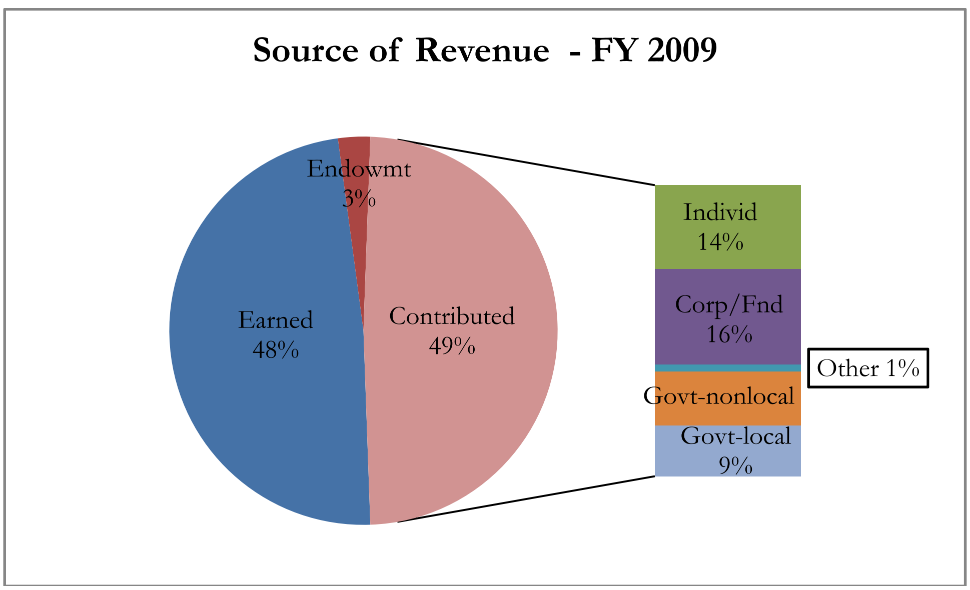
Figure 2 on the following page presents the aggregate information on cultural organizations responding to the survey.

Figure 2 Columbus Cultural Organization Financial Data		
Earned Income	*FY 2005 Actuals*	*FY 2009 Actuals*
Admissions/Ticket Sales	20,639,135	13,906,104
Other Program Revenue	7,453,089	10,880,484
Income from Endowment	2,175,832	1,953,283
Other Earned Income	10,690,800	11,282,058
Total Earned Income	40,958,856	38,021,929
Contributed Income		
Private Support - Individuals	7,529,285	10,319,466
Private Support - Corporations	9,550,442	7,270,801
Private Support - Foundations	3,655,425	4,568,484
Private Support - Other	2,921,264	891,652
Public Support - Federal	310,019	193,873
Public Support - State	1,415,542	1,691,467
Public Support - Local	5,067,586	6,514,083
Public Support - Other	3,685,553	4,747,238
Total Contributed Support	34,135,116	36,197,064
TOTAL REVENUE	75,093,972	74,218,993
Salaries and Benefits	35,995,561	39,018,864
Fees for Contracted Services	9,028,574	5,604,711
Other Operating Expenses	31,081,734	27,642,437
TOTAL OPERATING EXPENSES	76,105,869	72,266,012
Net Income (Deficit)	(1,011,897)	1,952,981

SOURCES OF REVENUE

Organizations were asked to provide detailed information on sources of revenue, including earned income from admissions, interest, and other sources; and contributed income from private sources such as individuals, corporations, and foundations, and public sources such as federal, state, and local government. Figure 3 and the chart on the following page provide the aggregate information obtained about these categories of revenue.

Figure 3: Columbus Financial Data-Sources of Revenue				
Earned Income	FY 2005 Actuals		FY 2009 Actuals	
Admissions/Ticket Sales	20,639,135	27%	13,906,104	19%
Other Program Revenue	7,453,089	10%	10,880,484	15%
Income from Endowment	2,175,832	3%	1,953,283	3%
Other Earned Income	10,690,800	14%	11,282,058	15%
Total Earned Income	40,958,856	55%	38,021,929	51%
Contributed Income				
Private Support - Individuals	7,529,285	10%	10,319,466	14%
Private Support - Corporations	9,550,442	13%	7,270,801	10%
Private Support - Foundations	3,655,425	5%	4,568,484	6%
Private Support - Other	2,921,264	4%	891,652	1%
Public Support - Federal	310,019	0%	193,873	0%
Public Support - State	1,415,542	2%	1,691,467	2%
Public Support - Local	5,067,586	7%	6,514,083	9%
Public Support - Other	3,685,553	5%	4,747,238	6%
Total Contributed Support	34,135,116	45%	36,197,064	49%
TOTAL REVENUE	75,093,972		74,218,993	



Earned and contributed income: The two years shown here indicate a 1% reduction in revenue, likely attributable to the challenging economic times. (If adjusted for inflation to 2005 dollars, this actually represents an 11% reduction in revenues, as described below.) Aggregate earned revenues have dropped 7% over the 4 years, while contributed revenues have grown by 6%. Nationally, earned revenues generally range from 40 to 60% of total revenues, which suggests that in aggregate, organizations in Columbus are at the average level of percentage of earned revenues, despite the drop.

Sources of contributed support: Contributed revenues have in part offset the losses in earned revenues for organizations, most significantly in the area of individual giving, which has increased by 37% (from 7.5 million to $10.3 million). Foundation/corporate giving in the same time period has dropped by 10%, from $13.2 million in 2005 to $11.8 million in 2009. While federal support has dropped, all other public sector revenue sources have increased by 27%, from $10.1 million to $12.9 million. Public sector support has increased as a percent of total revenue from 14% to 17%.

DECREASES OVER TIME

Organizations reported a 1% decrease in revenues in the period between FY 2005 and FY 2009 (from $75.1 million to $74.2 million), which represents a decrease of 11% of FY 2009 revenues are put into FY 2005 dollars (using the Consumer Price Index calculator).

Figure 4: Decrease in Operating Revenues Over Time (in millions)

	FY 2005	*FY 2009 (expressed in FY 2005 dollars)*	*% change*
Total operating revenues	$75.1	$67.1	(11%)

Organizations reported a 5% decrease in expenditures in the period between FY 2005 and FY 2009 (from $76.1 million to $72.3 million), which represents decrease if 14% if the same adjustment is made.

Figure 5: Decrease in Operating Expenditures Over Time (in millions)

	FY 2005	*FY 2009 (expressed in FY 2005 dollars)*	*% change*
Total operating expenditures	$76.1	$65.3	(14%)

This reduction in expenses, which was greater than the reduction in revenues described above, has changed the aggregate operating deficit of over $1 million reported in FY 2005 to an aggregate operation surplus of $1.9 million in FY 2009. (See below for more discussion on operating deficits).

HUMAN RESOURCES

Employees

Organizations were asked to provide information about their employees. The following table summarizes the resulting information. Not surprisingly, organizations with budgets of under $1 million reported very few employees (a total of 88, only 5 of which are full-time). The balance (932 with full-time and part-time combined) work for those organizations with budgets of over $1 million.

Figure 6: Employees			
	# respondents	*# full-time employees*	*# part-time employees*
Less than $250,000	14	5	83
$250,000-$999,999	8	31	44
Over $1 million	14	541	316
	36	**577**	**443**

By way of comparison, the chart below shows the resulting data for those organizations who participating in both FY 2005 and FY 2009 (32 organizations)[4]. Full-time employees have been reduced by 11% in the four years between FY 2005 and FY 2009, while part-time employees have increased in number by 20%. Moving to part-time employees clearly is a strategy organizations have used to reduce costs.

Figure 7: Changes in # of Employees (32 orgs.)			
FY 2005 # full time	*FY 2009 # full time*	*FY 2005 # part-time*	*FY 2009 # part-time*
591	526	330	397

VOLUNTEERS

Organizations were also asked to report the number of volunteers and hours of contributed time. Over 17,000 volunteers contribute over 385,000 hours of time to cultural organizations in Columbus. Using current Independent Sector value of $20.25 per hour for volunteer labor would result in a contribution of over $7.8 million by these individuals. If staff were to be hired to replace these volunteers, it would require close to 200 additional people hired (using the assumption of 40 hours per week, 50 weeks per year).

Figure 8: Volunteers		
	# of volunteers	*Hours worked*
Under $250,000	961	27,693
$250,000-$999,999	769	29,200
Over $1 million	15,498	328,377
Total	**17,228**	**385,270**

4 Note that while financial data was provided for all 36 participating organizations for both FY 2005 and FY 2009, additional information regarding employees for FY 2005 was not available for the four organizations who were added to the FY 2009 data set.

ATTENDANCE

Organizations were asked to provide information on total attendance in their most recently completed fiscal year. This number was to include attendance at cultural events that the organization produces and/or visits to exhibitions, galleries, and museums. It also includes those attending classes offered by the institutions. Total attendance reported by the 36 organizations responding to the survey was over 2 million in FY 2009. While not all organizations were able to provide additional information on paid versus unpaid admissions, those who did provide the information indicated that nearly two thirds (64%) of these attenders paid to attend events.

Figure 9: Attendance

	FY 2009
Under $250,000	83,911
$250,000-$999,999	93,510
Over $1 million	1,866,504
Total	**2,043,925**

BALANCE SHEET ANALYSES

Accumulated Debt/Operating Deficits

Organizations were asked if they had any long term debt. Of the 36 organizations that responded to this question, seven responded positively (19%). One organization with a budget under $500,000 reported having debt, and that debt was attributed to cash flow issues. Four of the seven reported that the debt was related to their facility. For one, it was related to exhibition development.

It is striking to note the difference in aggregate deficits and surpluses in the two years of data presented here. In FY 2005, the organizations were operating at an aggregate deficit of over $1 million dollars. In FY 2009, the organizations have reversed this and are reporting expected aggregate surpluses[5] of nearly $2 million. As mentioned above, this change is largely the result of expense cuts that these organizations have put in place during these difficult economic times.

While most organizations in Columbus are not currently burdened by long term debt, a number of organizations are operating at annual deficits. It is important to keep in mind that surpluses in one organization can hide deficits in another in any particular year. The charts below show the organizations operating at a deficit in FY 2005 and FY 2009.

[5] Note that while all numbers reported by organizations for FY 2005 are actual operating results, 15 of the 36 organizations are working with fiscal years that end December 31, which means that FY 2009 results are projections rather than actual results. However, 3 of those 15 are projecting operating deficits, so projections are not necessarily overly optimistic.

Figure 10: Organizations Reporting Operating Deficits in FY 2005						
	# w/ deficits	*Total respondents*	*% of resp.*	*Aggregate reported deficits*	*Aggregate budgets w/ deficits*	*%*
Less than $250,000	7	14	50%	($19,244)	$588,215	3%
$250,000-$999,999	1	8	13%	($101,016)	$775,893	13%
Over $1 million	5	14	36%	($2,459,808)	$33,791,144	7%
Total	**13**	**36**	**36%**	**($2,580,068)**	**$35,155,252**	**7%**

Figure 11: Organizations Reporting Operating Deficits in FY 2009						
	# w/ deficits	*Total respondents*	*% of resp.*	*Aggregate reported deficits*	*Aggregate budgets w/ deficits*	*%*
Less than $250,000	1	14	7%	($185)	$1,900	10%
$250,000-$999,999	1	8	13%	($7,602)	$260,000	3%
Over $1 million	6	14	43%	($807,268)	$16,940,284	5%
Total	**8**	**36**	**22%**	**($815,055)**	**$17,202,184**	**5%**

Over one third of participating organizations reported operating deficits in FY 2005, with the reported deficits totaling 7% of related operations. Five of the 13 (38%) that reported deficits had budgets of over $1 million.

In FY 2009, only 22% of organizations reported operating at a deficit, 6 of which had budgets of over $1 million (75%). Total deficit as a percent of operations for that year was 5%. Of the organizations reporting deficits, 3 (all with budgets of over $1 million) did so in both FY 2005 and FY 2009.

In this context, it is important to keep in mind that four organizations that were included in the original AFA data set have ceased operations. While these four organizations were all small organizations (their aggregate budgets were approximately $100,000), this is further evidence of the reduction in expenditures that occurred during this period of time.

Cash Reserves

Cash reserves are generally considered an important measure of an organization's financial stability, with some suggesting that 10 - 25% of an organization's annual operating budget should be set aside in cash reserves. Organizations in Columbus were asked if they have an unrestricted cash reserve. The figures on the following page summarize the responses received to this question.

Figure 12: Organizations with Cash Reserves			
	# of "yes" responses	*# of respondents*	*% of resp.*
Under $250,000	10	14	71%
$250,000-$999,999	4	8	50%
Over $1 million	10	14	71%
Total	**24**	**36**	**67%**

Figure 13: Cash Reserves as Percent of Operating Budgets			
	Aggregate reserves	*Aggregate budgets w/reserves**	*%*
Under $250,000	$374,939	$816,972	46%
$250,000-$999,999	$464,811	$1,857,097	25%
Over $1 million	$8,663,209	$55,040,144	16%
Total	**$9,502,959**	**$57,714,213**	**16%**
*Total budgets are for those organizations that replied "yes" to the question about cash reserves. Accordingly, it does not match the total expenditures reported in Figure 2.			

The aggregate cash reserves of $9.5 million represent 16% of total organizational expenditures of $57.7 million for responding organizations (FY 2009). The percentage is of course smaller if all organizations are included (13% of total expenditures). A closer look reveals that only 18 organizations (50%) meet the standard of holding 10% of operations in reserve, and only 7 (19%) meet the higher standard of 25%.

It is a sign of careful management that over two thirds of participating organizations report having reserves, although such reserves are smaller than is recommended, indicating that organizations in Columbus are somewhat under-capitalized in this respect and thus are financially vulnerable.

Permanent Endowment

Holding a permanent endowment is another generally recognized characteristic of financially stable organizations. One suggested standard is that organization hold 200% to 500% of operations in such an endowment. Organizations in Columbus were asked if they have a permanent endowment. The figures on the following page summarize the responses received to this question.

Figure 14: Organizations with Permanent Endowment			
	# of "yes" responses	*# of respondents*	*% resp*
Under $250,000	3	14	21%
$250,000-$999,999	1	8	13%
Over $1 million	9	14	64%
Total	**13**	**36**	**36%**

Figure 15: Endowment as Percent of Operating Budgets			
	Aggregate endowment	*Aggregate budgets w/endmt**	*%*
Under $250,000	$95,146	$297,232	32%
$250,000-$999,999	$55,000	$260,000	21%
Over $1 million	$31,526,274	$52,450,143	60%
Total	**$31,676,420**	**$53,007,375**	**60%**
*Total budgets are for those organizations that replied "yes" to the question about cash reserves. Accordingly, it does not match the total expenditures reported in Figure 2.			

In Columbus, slightly over one third (36%) of the organizations responding to the survey reported holding permanent endowments. Not surprisingly, most of the smaller organizations do not have any, but nearly two thirds (64%) of those with budgets of over $1 million do have permanent endowments. However, in aggregate, these endowments are significantly smaller than the national benchmark of 200% to 500% of operations.

Closer analysis of the data shows a slightly less robust picture, however. Two organizations have extraordinarily high levels of endowment. If those two organizations are eliminated from consideration, the percentage of operating budgets represented by endowment drops from 60% to 25%. In addition, 9 organizations (out of the total of 13) have endowments that are less than 50% of annual operations, which is significantly below the desired level. As measured by the standard of having endowments, organizations in Columbus appear to be under-capitalized.

Other Assets

Organizations were also asked if they owned a building, property, or equipment. The following table summarizes the responses to this question.

Figure 16: Other Assets					
	# of "yes" responses	*# of responses*	*%*	*Aggregate value*	*Note*
Less than $250,000	3	14	21%	$3,331	
$250,000-$999,999	7	8	88%	$5,672,655	
Over $1 million	12	14	86%	$71,354,373	Includes 4 with buildings
Total	**22**	**36**	**61%**	**$77,030,359**	

Over 60% of responding organizations indicated that they held such assets, with those with budgets of less than $250,000 reporting the fewest (not surprisingly). Of those who provided further information, four indicated that those assets included buildings. While owning a facility can increase operating costs, it also provides a level of stability that is important.

CAPITAL PROJECTS

Organizations with budgets over $500,000 were asked to provide information on any capital projects they are conducting or are planning to conduct during the period January 2009 through December 2011. There were 11 capital projects reported by the respondents, with a total reported value of nearly $66 million. This represents a significant investment in the cultural sector.

Figure 17: Capital Projects Planned or Underway		
	# of projects	*Estimated value*
New Buildings	3	$41,100,000
Rebuild/renovation	5	$21,750,000
Endowment	3	$3,000,000
Total	**11**	**$65,850,000**
Note that of the 11 projects, there were 4 that did not specify estimated cost/goal. Accordingly, the total value is underestimated.		

PART II
CULTURAL PLAN
PRIORITIES AND GOALS

BACKGROUND

The arts community in Columbus had completed a great deal of planning prior to this project and there was no shortage of recommendations regarding the future. The challenge was to establish priorities in order to produce something that was both achievable and could galvanize attention and support.

Consequently, a comprehensive review of previous cultural planning documents was completed. A guiding question informed the process: which of the identified priorities would do most to foster the aspirations of the arts community while at the same time supporting broad community goals? At an historical moment of scarcity and challenge, the idea was to selected initiatives that would be supported widely and receive strong support.

A further priority was to find additional ways for the arts community to be as efficient as possible. Already much consolidation and strategic partnering had occurred. Many of the efficiencies, including combined financial management, marketing, and ticketing as well as shared programming, go well beyond what has been accomplished in other cities. Still, anything that could make the arts community operate more cost effectively would make the plan more supportable.

Thus, distilling ***strong guiding principles*** from previous documents and interviews, the arts community should articulate clearly its shared commitment to:

A. **CONTRIBUTING TO COLUMBUS' COMPETITIVENESS**: Helping to tell the Columbus story.

B. **ALIGNING WITH BROAD COMMUNITY GOALS**: Pursuing goals and priorities that have been established in other community-wide planning initiatives.

C. **PURSUING PARTNERSHIPS:** Developing strong partnerships with business, government, education, sports, tourism, and entertainment in support of these goals

D. **ACHIEVING FURTHER EFFICIENCY AND RIGHT-SIZING**: Promoting strong management practices and right-sized activities and organizations that align with community capacity and demand.

COMMUNITY GOALS

With these guiding principles, the plan articulates the following community goals:

- **Community Goal 1: Foster Economic Development**
  A healthy arts and cultural community is integral to achieving the community's broad economic progress. Currently, that health is in jeopardy because of the severe financial pressure that the arts groups are under. That situation must be addressed before other goals can be accomplished.

- **Community Goal 2: Enhance Branding and Marketing**
  Cultural organizations and individual artists play a key role in promoting the Columbus brand, attracting visitors, and promoting the community as a great place to live and work. This provides an opportunity for the arts community to align its efforts with those of the public and private sector for greater impact.

- **Community Goal 3: Attract, Develop, and Retain a 21st Century Workforce**
  Attracting, developing, and retaining a 21st century workforce in Columbus will contribute to the community's competitiveness. Creative learning is a key element of that education and is something that the arts community can provide and enhance.

- **Community Goal 4: Promote Efficiency and Effectiveness**
  Long-term public and private support for arts and culture requires accountability in the efficient use of resources and the effectiveness of organizational management. The arts community has already begun the process of self-analysis, consolidation, and strategic partnerships and will continue to work toward additional strong business practice.

In each case, the arts community, in serving its own agenda, can promote the broader community's agenda.

PART III
TRANSLATING GOALS INTO ACTIONS

What will it take to accomplish each of these goals? What are the strategies and actions associated with each of these goals?

➢ Community Goal 1: Foster Economic Development

A. Create a new public-private partnership to address what has become a $5 million annual under-investment in operations and programming of the arts sector.

That sector locally is worth $300 million/year to the community according to a study by American for the Arts. The new public and private dollars invested will produce a further multiplier impact on the local economy.

Three associated actions are required:

- *Action 1: Restore cuts in City funding to GCAC*
- *Action 2: Secure "bridge" funding from County, Foundation, and corporate sector*
- *Action 3: Develop new and expanded funding sources toward $5 million goal*

B. Create a permanent cultural endowment at the Columbus Foundation to address half of the under-capitalization problem with a 10-year goal of $50 million.

An excellent model to study is The Greater Charlotte Cultural Trust currently held at the Foundation for the Carolinas with assets of over $100 million. It was created in the 1990s to address a similar challenge.

The associated actions required are:

- *Action 1: Secure initial challenge gift of $5 million*
- *Action 2: Develop a long-term funding strategy with particular emphasis on individual donors*

➢ Community Goal 2: Enhance Branding and Marketing

A. The arts community will work with Experience Columbus and other community partners to align the cultural community's "Creative Columbus" brand with overall Columbus brand.

A unified brand and associated strategy to promote it is an essential first step in bringing the arts in line with broader branding efforts that have strong public and private sector backing and resources associated with them.

B. Arts groups will develop aggressive sales strategies through pooled marketing and ticketing for arts and entertainment, including coordinated sales and web presence.

Other communities are far ahead in this area. Several can be studied including Philadelphia (PhillyFunGuide), Santa Clara County, CA (Artsopolis), and Boston (ArtsBoston).

C. The City of Columbus must develop a public art masterplan as an effective way to serve neighborhoods, support artists, and promote the creative economy.

The full potential of such a program can only be realized when the long-term vision is established and the community can coalesce around it. An example of what can be accomplished can be seen in the public art program administered by the Scottsdale Cultural Council in Scottsdale, Arizona.

➢ Community Goal 3: Attract, Develop, and Retain 21st Century Workforce

A. Columbus will develop a unified, comprehensive community-wide creative learning system for in-school and out-of-school settings.

There are various models of this around the country but one of the most fully developed is the "Thriving Minds" initiative in Dallas, an integrated $70 million system for in-school and out-of-school creative learning.

The associated actions required are:

- *The arts community partnering with school districts, universities, human service sectors, and governmental sectors to create unbroken pathways of learning opportunity through the life span*
- *Arts groups working with neighborhood groups and families for equitable distribution of resources*
- *Developing a "creative learning workforce" through professional development programs with higher education*

- *Appointing the Greater Columbus Arts Council as the managing partner and fund raiser*

➢ Community Goal 4: Promote Efficiency and Effectiveness

A. Develop incentive funding through GCAC and others for partnerships, alliances, and mergers.

It is important to remember that Columbus arts organizations have already accomplished more than their peers in most communities with respect to partnerships and shared services. But further efforts should be incentivized through funding.

B. Conduct study to ensure most effective model for community-wide sustainability of the cultural sector.

When the Cleveland arts community found itself in crisis a decade ago, the Cleveland Foundation commissioned such a study. The results led to major changes in both organizations and funding streams that produced greater stability and sustainability.

C. Right-size sector where necessary, aligning number and size of organizations with demand and community capacity.

One outcome of a community-wide sustainability study will help determine redundancies and parts of the arts sector that may be overbuilt or inefficiently structured. A strong commitment to restructuring and re-engineering can lead to a better alignment of demand with supply as has occurred with the re-engineering of the San Jose Symphony into the smaller and much more appropriately structured Symphony Silicon Valley.

PART IV FUNDING NEEDS AND STRATEGIES

BACKGROUND

After establishing cultural plan priorities, goals, and actions, this project called for two additional steps:

- Detailing what the cultural plan would cost
- Describing how it would be paid for

This section of the report addresses both issues.

NEW RESOURCES REQUIRED

To accomplish the cultural plan priorities and goals, new resources will have to be secured. Three time frames have been laid out below with the total dollars identified for each phase.

- **Short Term (18 Months): One-time $5 million**

In the next 18 months, $5 million in new resources will be required, focused primarily on the financial challenges faced by arts groups reported in Part I. This amount equals roughly 7% of current cultural sector direct spending and represents 2/3 of annual revenue loss of the arts groups over the last 5 years, adjusted for inflation. The balance of that loss should be made up by new efficiencies and right-sizing the sector, which is one of the goals of the plan.

- **Medium Term (2-5 years): Additional $10 million/year**

During the next two to five years, an additional $10 million/year will be required for the stability, sustainability, and new initiatives identified in the plan. A third of these resources will be allocated to the operations and cash reserves of the arts groups whose financial problems and undercapitalization has been described earlier in this report. One third will be invested in such new initiatives as creative learning and joint marketing/branding. The final third will be allocated to seed a pooled endowment at the Columbus Foundation.

- **<u>Long Term (6-10 years): $15-$20 million/year</u>**

After five years, the financial need of the arts in Columbus will increase from $10 million/year to between $15 million and $20 million/year. A more precise number can be determined a year or two prior to the adjustment.

At least half of these funds should be allocated to the permanent cultural endowment at the Columbus Foundation until it reaches 200% of the then current operating budgets of local arts groups (a standard national benchmark). The balance should be allocated to the proposed new initiatives based on budgets developed through further planning and piloting.

PRELIMINARY THOUGHTS ON FUNDING

On December 10, 2009, a headline appeared in *Cincinnati.com* that said: "Nippert gives $85 million to Cincinnati Arts." The accompanying article cited a major gift by a single individual donor that would provide nearly $100 million to the arts in Cincinnati. Coincidentally, this was almost the same amount as had been indentified in Columbus as the undercapitalization level of local arts institutions.

The article highlights a major challenge for the arts in Columbus. **Individual philanthropy is under-developed in Columbus relative to other major cities in Ohio and elsewhere.** Yet of all philanthropic sectors, individual giving generally offers the greatest potential for significant growth in the long-term.

Unfortunately, in Columbus, **increases in revenue are required immediately and in the short term they will still have to be largely borne by government, corporations, and foundations**. But if the funding dilemma in Columbus is to be solved, a strong effort will need to be made to change the pattern and mix of support. **In the long term, individual philanthropy must ultimately carry a greater share of the load.**

- **<u>Short Term (18 Months)</u>**

The first $5 million will be challenging since the needs are so immediate and there has been so little time to prepare. The consultants' recommendations are as follows:

- Restoration of City funding lost in recent cuts to GCAC (in proposed City budget)
- Maintain current levels of County, foundation, and corporate support
- Replace bridge funding
- One-time general fund supplement from City and County
- Complete a feasibility analysis of individual giving capacity

Medium and Long Term Strategies

The funds required for the medium and long-term timeline will need to be thought about in terms of community priorities and opportunities that emerge over time. They will further depend on the will of public and private sector leadership and the ability to attract major donors to the cause. The following should be explored as possible avenues for support in some combination:

- Enhanced individual philanthropy (especially for cultural endowment)
- Excise tax on alcohol and tobacco products (requires voter approval)
- Increase and/or restructure hotel/motel bed tax rate
- Implement a car rental tax or other user fees
- Seat (admission) tax for some or all entertainment facilities (including OSU)
- Commercial parking tax
- Restaurant/food tax
- School district, City, and County contracts for services
- National private and federal public grants (especially for education initiative)

PART V
NEXT STEPS

This report completes the assignment of the team from WolfBrown. But for the community, the tasks are just beginning. How can Columbus ensure that there will be successful follow-up to the findings and recommendations reported here? A tentative outline follows:

- January - Brief an expanded group of stakeholders
  - Unite community leadership around plan*
- February - Roll out of the plan by united community leadership
  - Formalize the "Big Table" group into a cultural plan oversight committee
- March - Complete short-term funding commitments
- April - Initiate additional right-sizing and efficiency plans
- May - Complete process of GCAC reorganization to accomplish oversight of process
- June - Deliver cultural plan implementation report
- July - Secure initial pledges for medium-term funding

*This is essential. Unless this happens, this will simply be another report.

APPENDIX A LIST OF PARTICIPANT ORGANIZATIONS IN FINANCIAL ANALYSIS

Ballet Met Columbus
Central Ohio Symphony
Chamber Music Columbus
City Music
Columbus Association for the Performing Arts
Columbus Children's Theatre
Columbus Dance Theatre
Columbus Gay Men's Chorus
Columbus Landmarks
Columbus Museum of Art
Columbus Symphony Orchestra
Contemporary American Theatre Company
COSI
Dublin Arts Council
Franklin Park Conservatory
Friends of Early Music
Greater Columbus Arts Council
Inner City PAC
Jazz Arts Group
King Arts Complex
Northwood ARTSpace
Ohio Art League
Ohio Citizens
Ohio Dance
Ohio Designer Craftsmen
Opera Columbus
Phoenix Theatre for Children
ProMusica Chamber Orchestra
Shadowbox
Six String Concerts
The Artists' Organization
Thurber House
VSA
Westerville Community Bands
Wexner Center for the Arts
Worthington Arts Center