

# Arts & Culture Business Plan

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## Final Project Report

Prepared for the  
Arts & Culture Steering Committee  
The Greater Cincinnati Foundation

by AMS Planning & Research Corp.

January 2007

# Outline

- Funding Needs
- Public Sector Funding Practices
- Private Sector Fundraising Capacity Assessment
- Community Benchmarking Summary
- Steering Committee Recommendations

# Capital and Endowment Needs Assessment

## Summary

# Online Survey Campaigns

**Over \$1 billion of capital needs from 2001-2026  
75% (\$956M) yet to be raised**

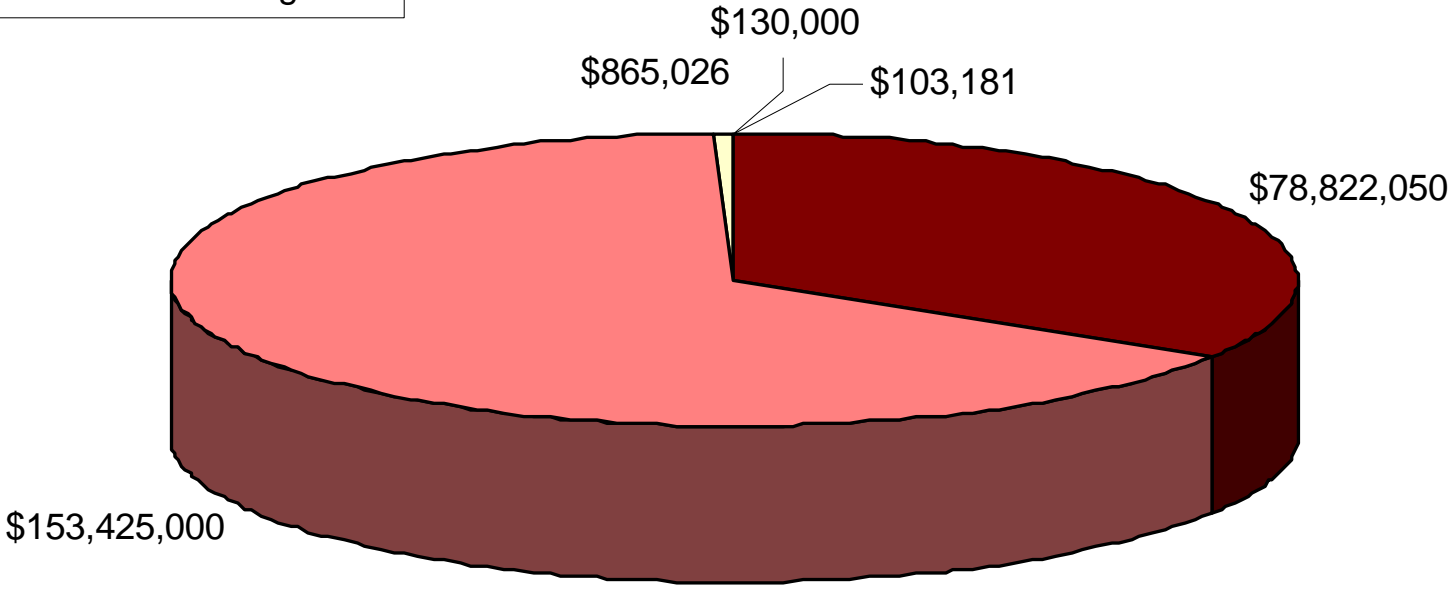


- Completed Campaigns
  - ▶ In the last 5 years
  - ▶ 26 campaigns
  - ▶ Raised over \$233M
- Current Campaigns
  - ▶ Timeline: Today to 5 years from now
  - ▶ 18 campaigns
  - ▶ \$77M goal
    - \$22M raised to date (30% of target)
- Anticipated Campaigns
  - ▶ Timeline: Over the next 5-20 years
  - ▶ 128 campaigns
  - ▶ \$879M goal

# Online Survey Completed Campaigns

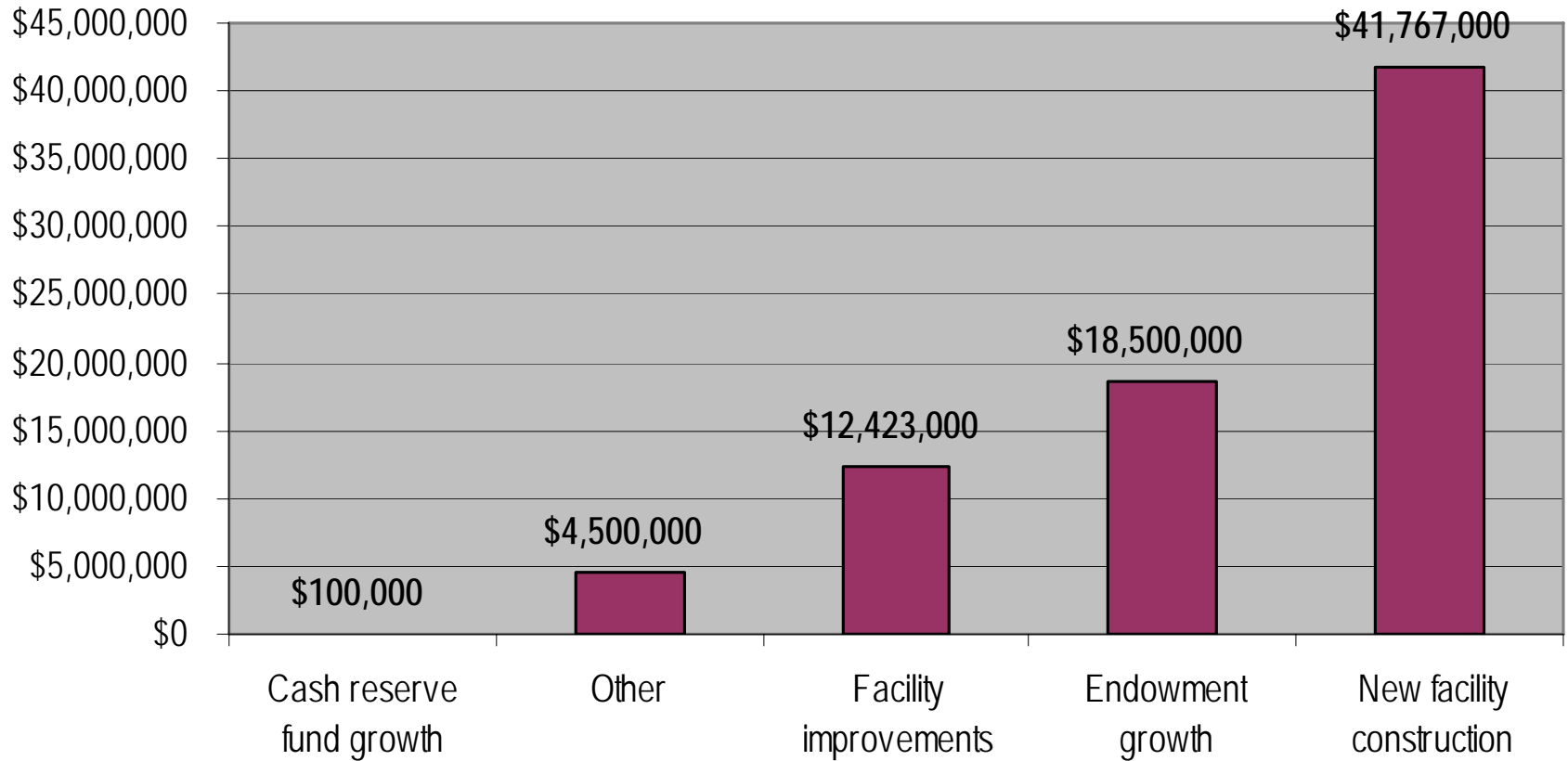
- Facility improvements
- New facility construction
- Other
- Endowment growth
- Cash reserve fund growth

**Completed Campaigns  
by Type of Campaign  
(\$233M in the last 5 years)**



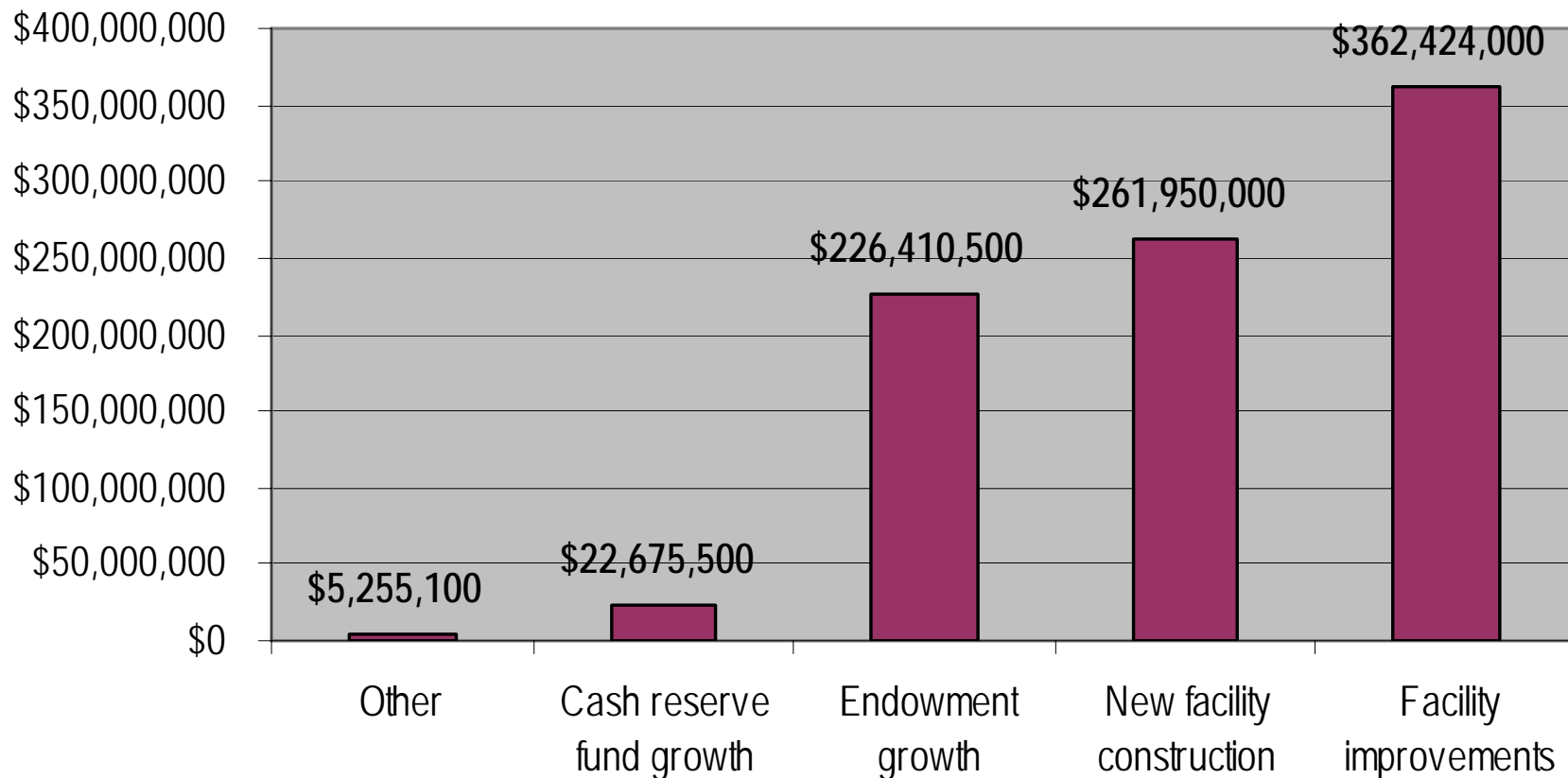
*Facility improvements and new facility construction top the list with \$212M raised.*

## Current Campaigns (now - 5 years from now)



*Facilities top the list with \$54M to raise; Endowments are becoming an increasing priority.*

## Anticipated Campaigns (5-20 years from now)



*Facilities again top the list, but endowments/cash reserves are also a key priority for the future.*

# Benchmarking Report Summary

# Cincinnati 'Primary' Organizations

(n=21)

## Fine Arts Fund Members

- Arts Consortium of Cincinnati
- ArtWorks
- Carnegie Visual + Performing Arts Center
- The Children's Theatre of Cincinnati
- Cincinnati Art Museum
- Taft Museum of Art
- Cincinnati Ballet
- Cincinnati Chamber Orchestra
- Cincinnati Opera
- Cincinnati Playhouse in the Park
- Cincinnati Shakespeare Company

- Cincinnati Symphony Orchestra
- Contemporary Arts Center
- Ensemble Theatre of Cincinnati
- Fitton Center for Creative Arts
- Kentucky Symphony Orchestra
- Madcap Productions Puppet Theatre
- May Festival

## PLUS

- Cincinnati Zoo & Botanical Gardens
- National Underground Railroad Freedom Center
- Cincinnati Museum Center

# Methodology

*Organizations are either paired with Cincinnati organizations or identified by local arts council as “primary organizations”*

## Peer & Competitive Cities

- Kansas City (25)
- Cleveland (21)
- Indianapolis (31)
- Louisville (16)
- Columbus (17)
- Charlotte (24)

## Best Practices Cities \*

- Denver (22)
- Minneapolis (27)
- Portland (19)
- St. Louis (29)

\*- identified by the project steering committee based on overall arts and culture environment, diversity of institutions and presence of creative funding strategies

# Definitions

- All data from most recent IRS Form 990\*
- Private Contributions
  - Contributions, gifts, grants, and similar amounts received directly from the public including membership dues (not payments for benefits received or payments from affiliated organizations), commercial co-ventures (sponsorships), and contributions received through special events.
- United Way/FAF/etc.
  - Solicitation campaigns conducted by federated fundraising organizations (e.g. United Way, Fine Arts Fund) and contributions received from a parent organizations, subordinate, or another organization with the same parent.
- Public Contributions
  - Grant or other payment from a governmental unit with the primary purpose to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the grantor even if the public pays part of the expense of providing the service or facility.

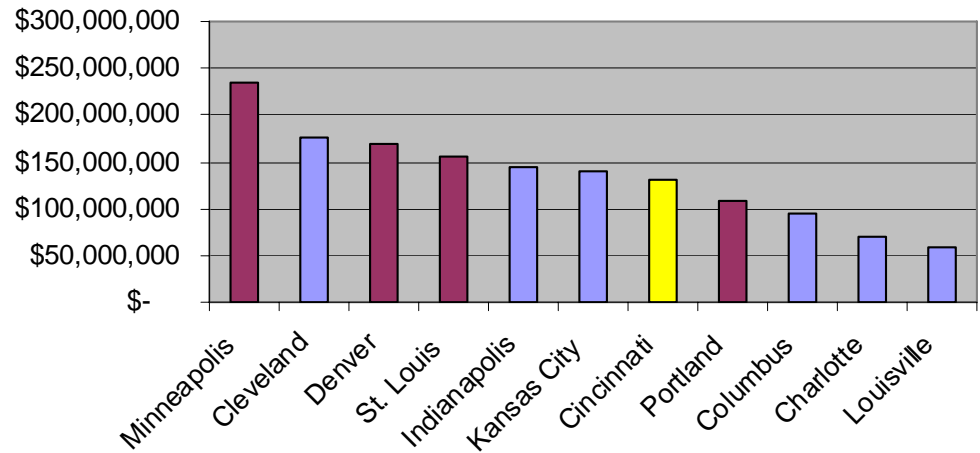
\* analysis includes only a single year of data and may reflect material variances from typical performance

# Revenues and Expenses

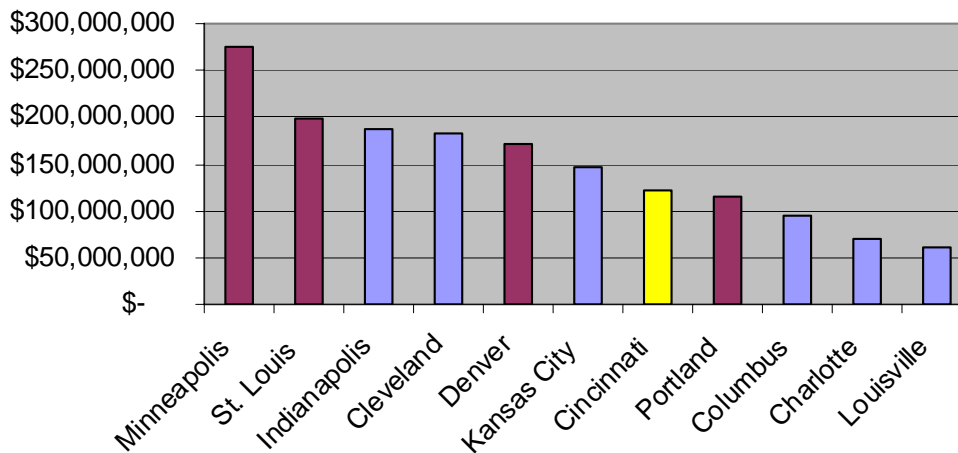
## Key

- = Peer / Competitive City
- = Best Practice City

Total Expenses



Total Revenues



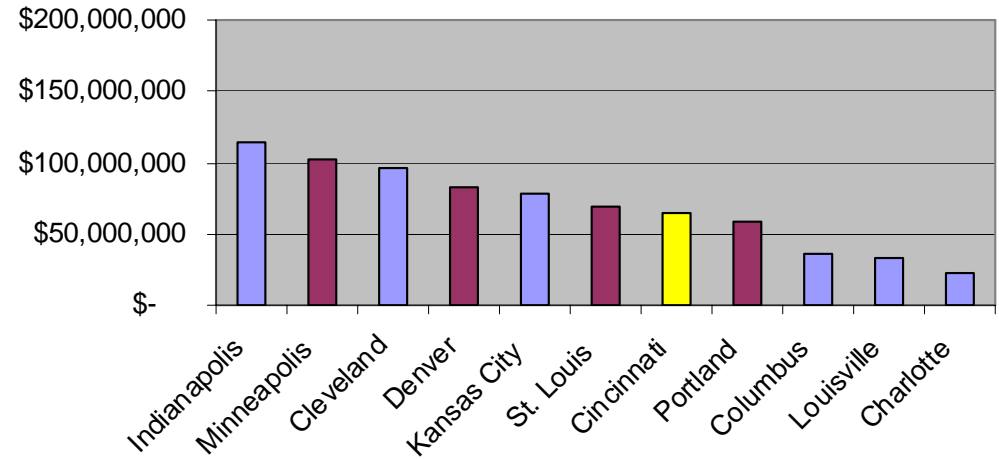
- Cincinnati organizations rank 7<sup>th</sup> in revenues and expenses overall.
- 4<sup>th</sup> among peer or competitive cities

# Earned and Contributed Revenue

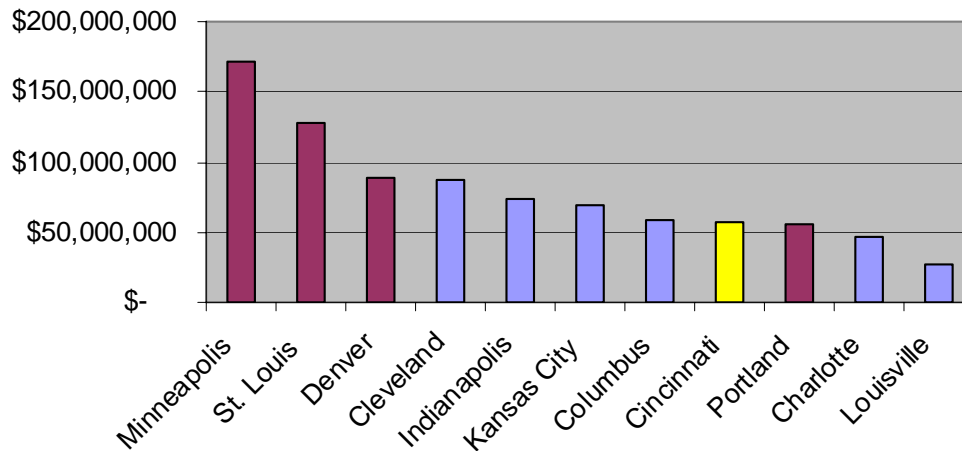
## Key

- = Peer / Competitive City
- = Best Practice City

Total Earned Revenues

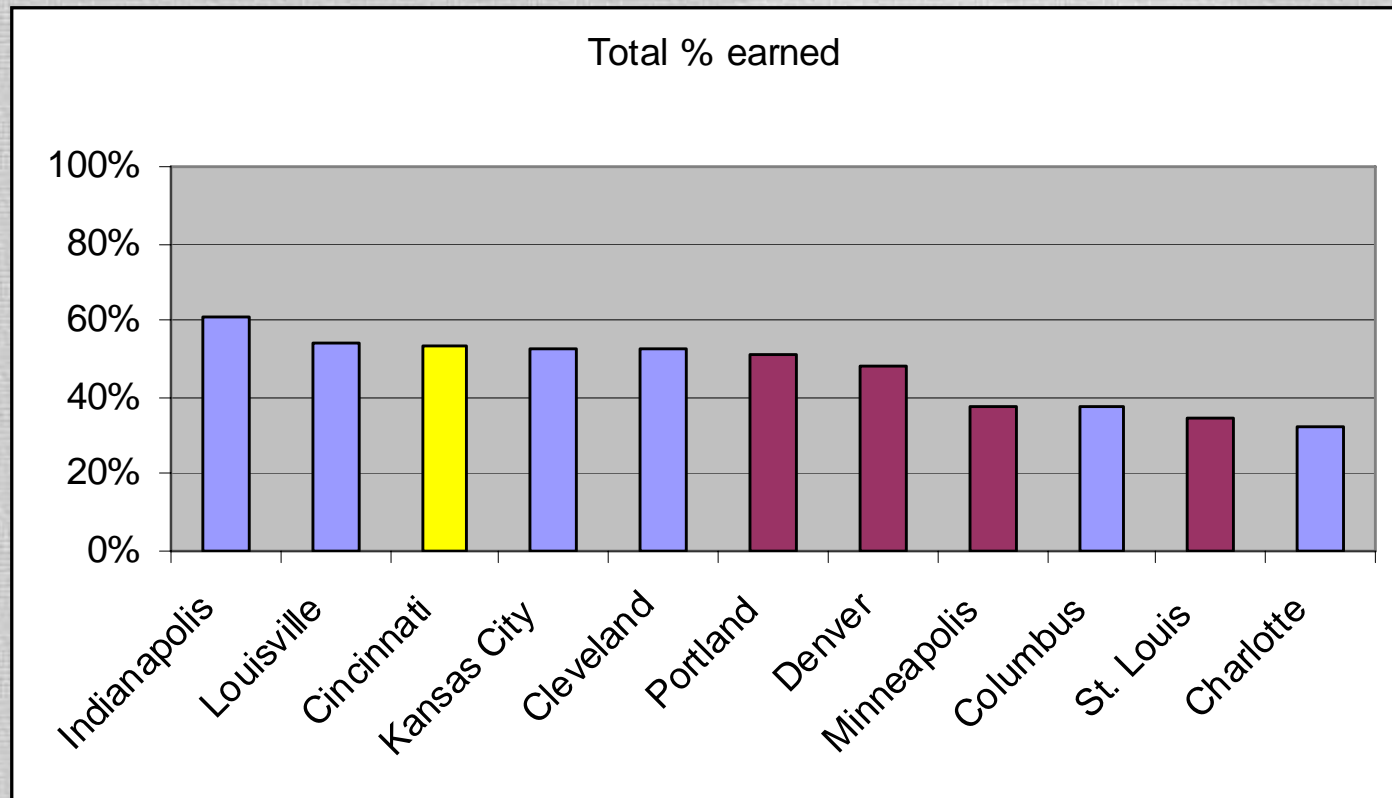


Total Contributed Revenues



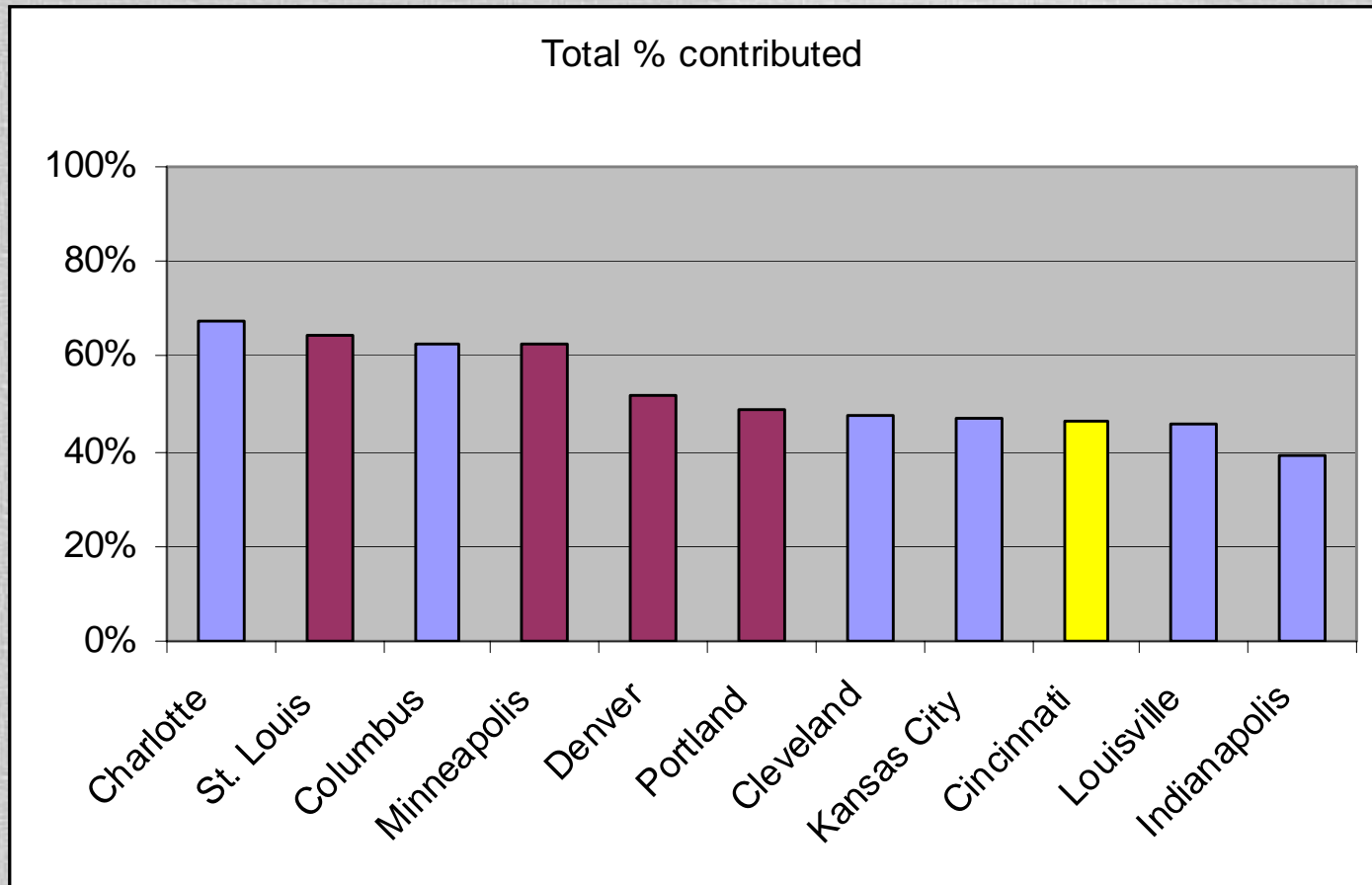
- Cincinnati organizations rank 7<sup>th</sup> in total earned revenues and 8<sup>th</sup> in total contributed revenues
- 4<sup>th</sup> and 5<sup>th</sup> respectively among peer or competitive cities

# Percentage of Earned Revenue



- Cincinnati organizations rank 3<sup>rd</sup> in the percentage of Earned Revenue generating over 50%

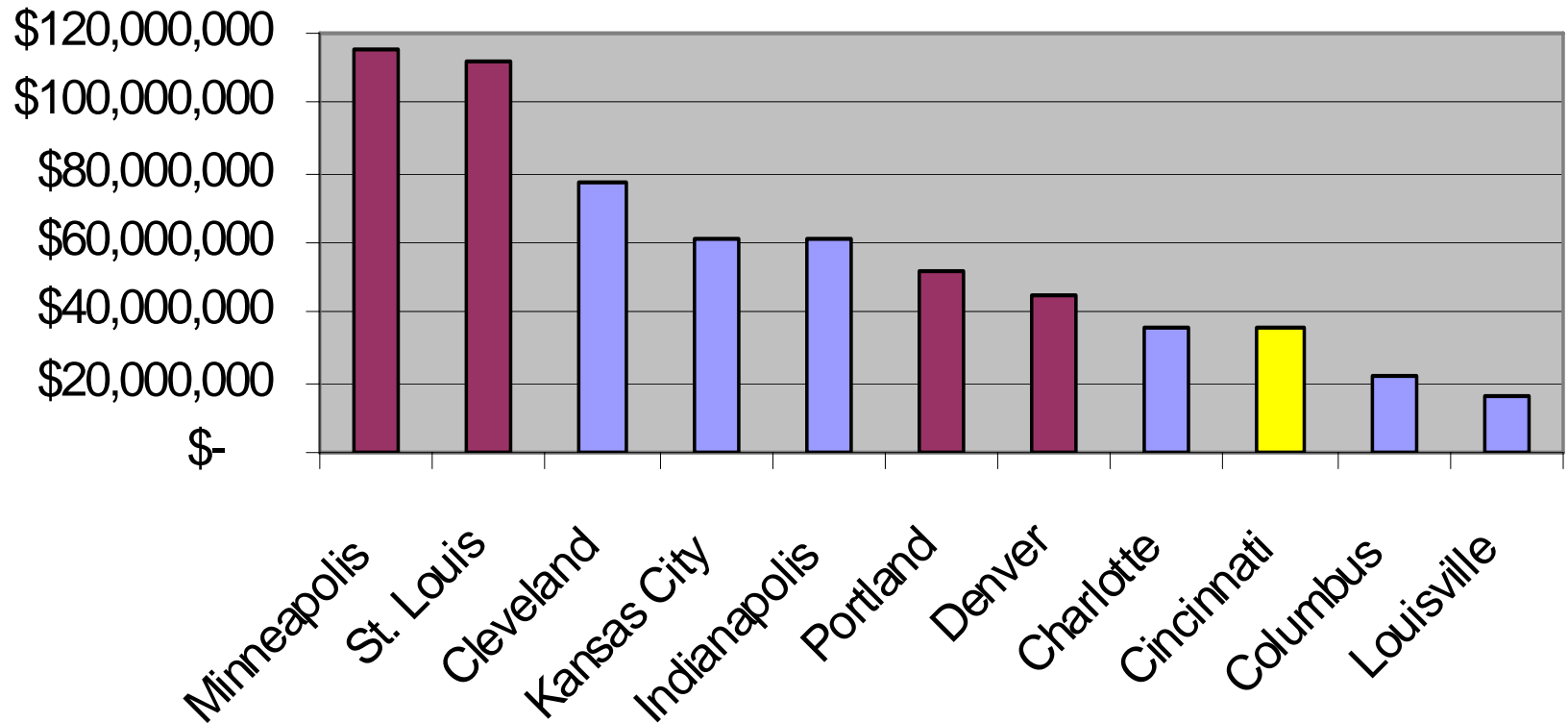
# Percentage of Contributed Revenue



- Cincinnati organizations rank 9<sup>th</sup> in the percentage of Contributed Revenue at 47%
- Below best practice cities

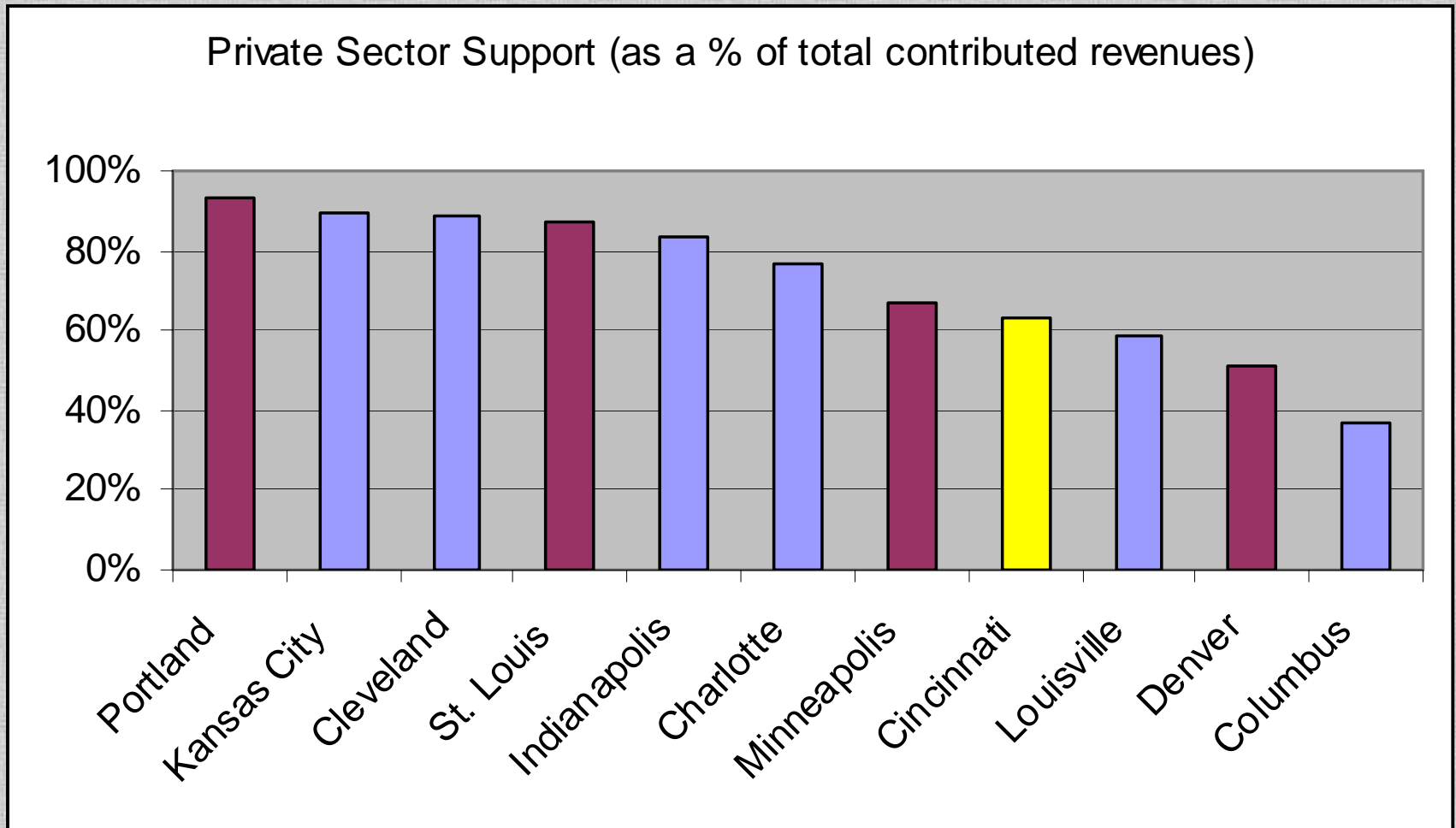
# Private Sector Funding

## Private Sector



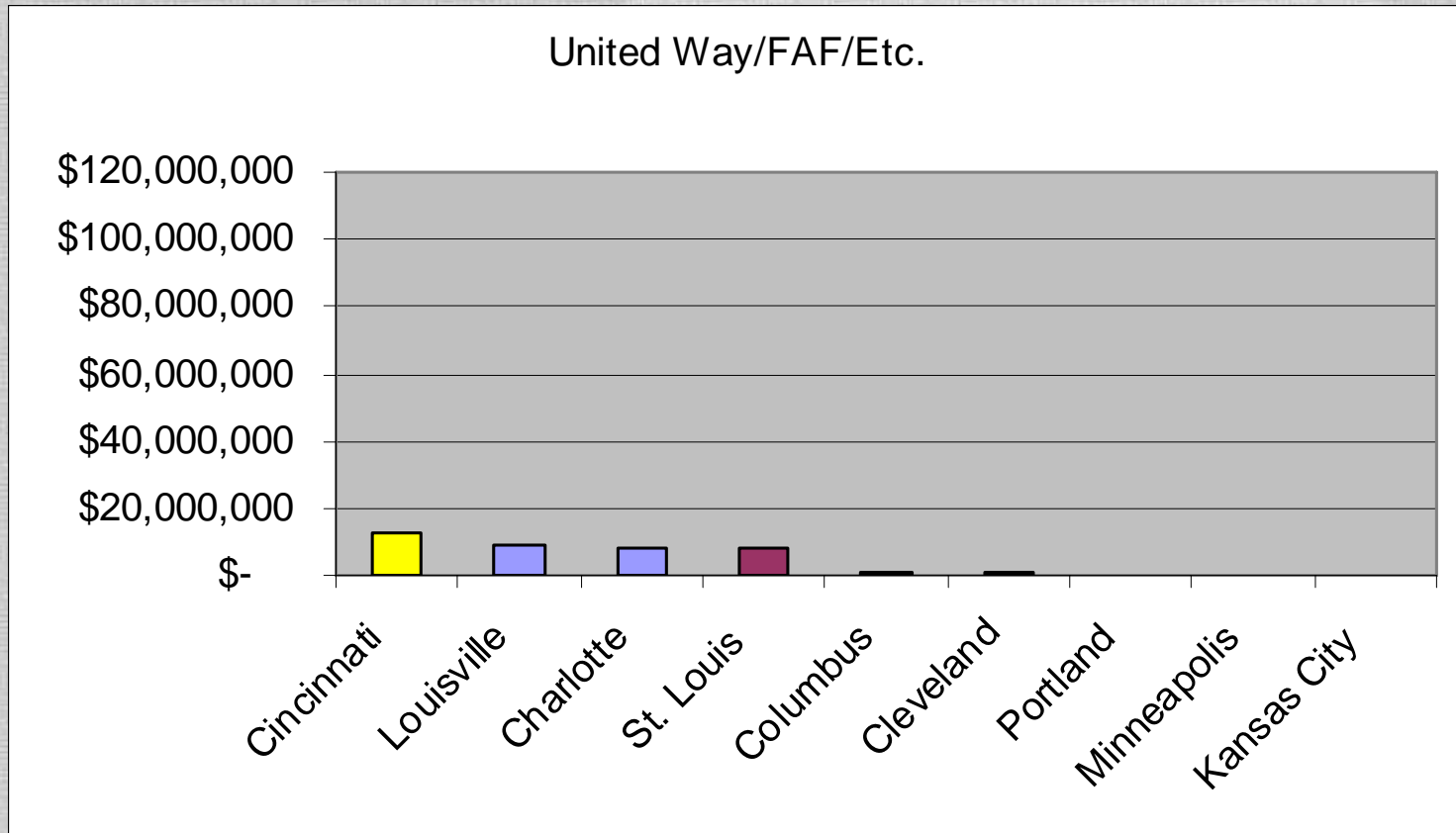
- Cincinnati ranks 9<sup>th</sup> in total private sector funding (excludes Fine Arts Fund – see slide #18)

# Private Sector Funding (excludes FAF)



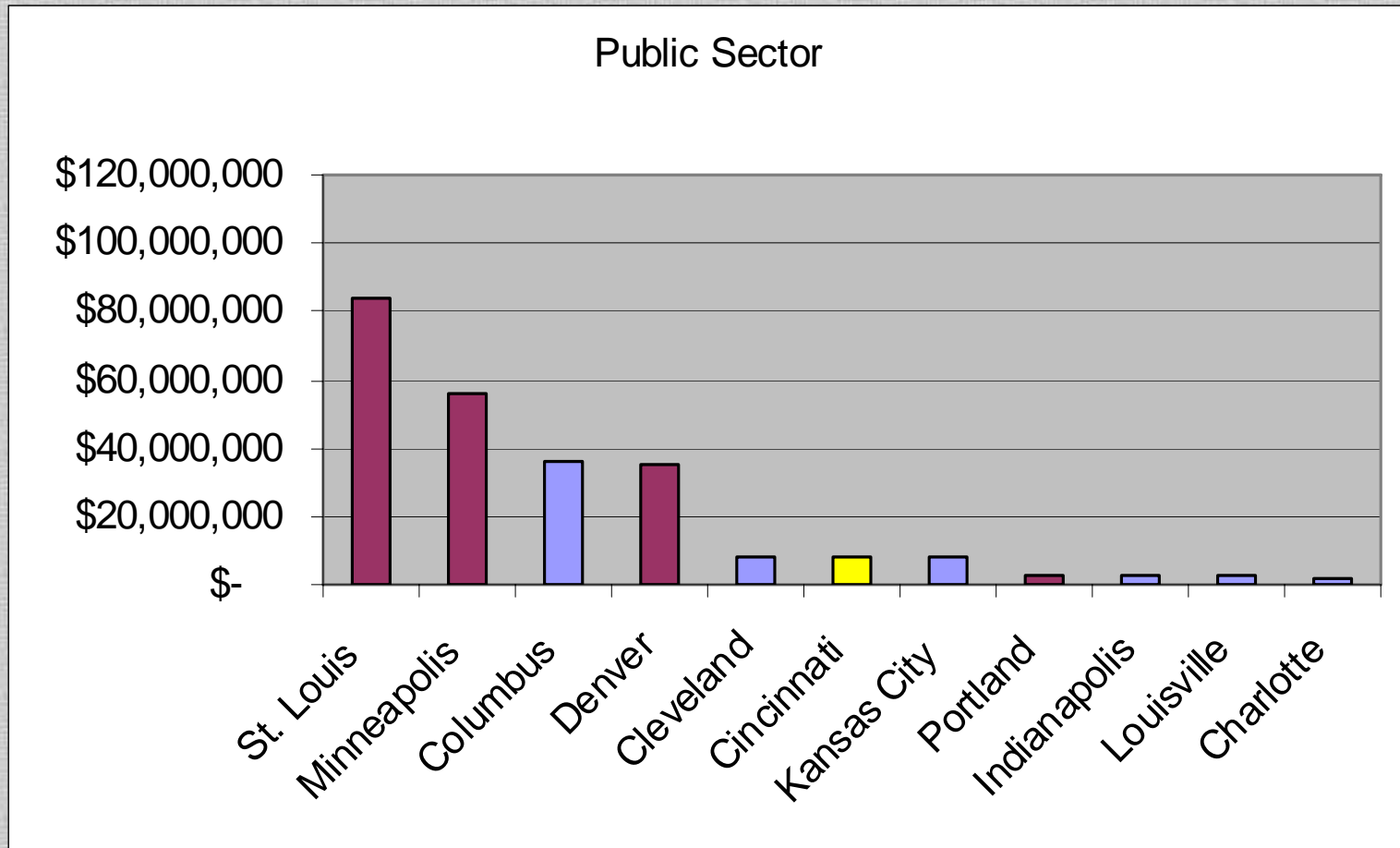
- Cincinnati organizations rank 8<sup>th</sup>, drawing 63% of their fundraising from the private sector (excludes Fine Arts Fund – see slide #18)

# Consolidated Fundraising



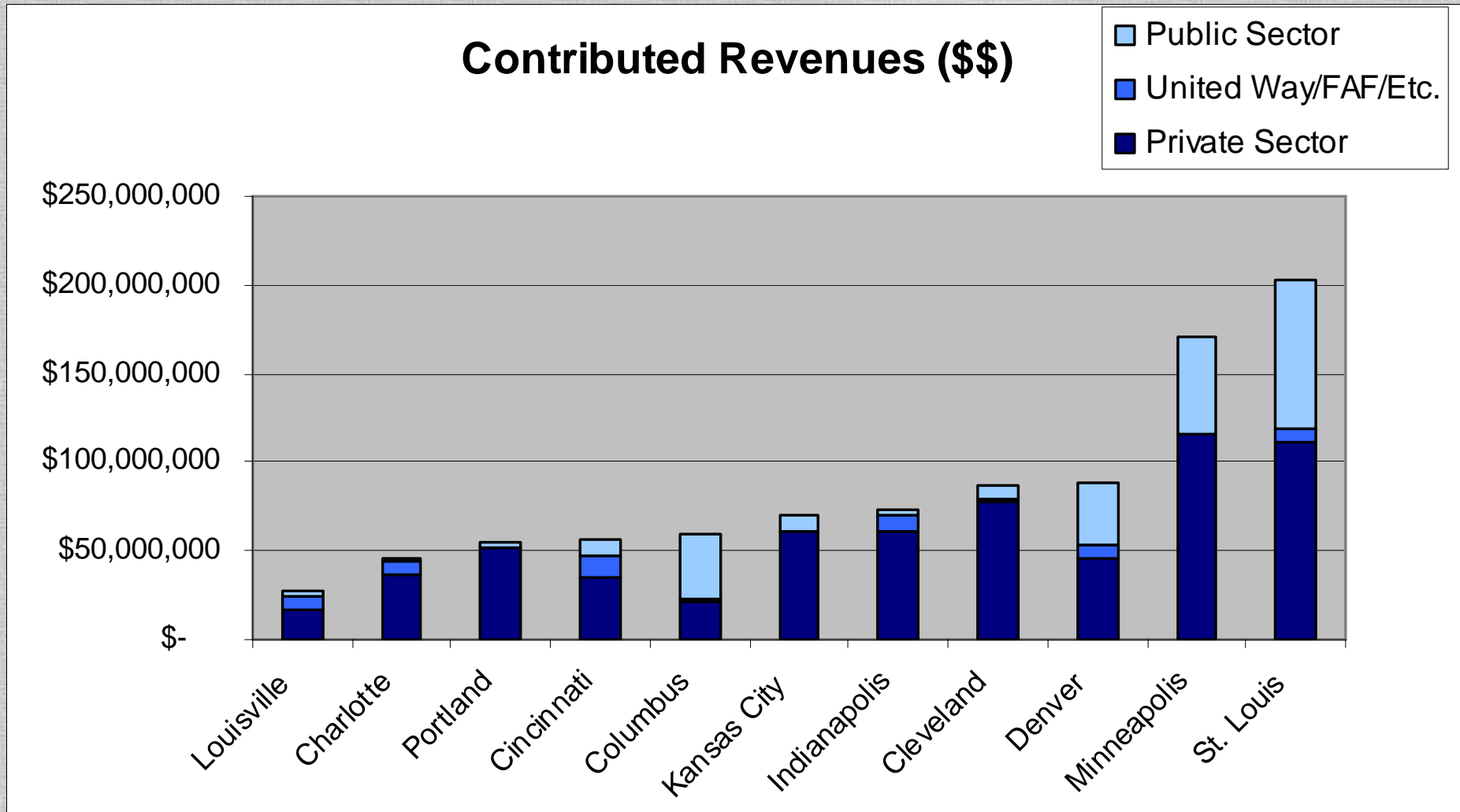
- Cincinnati ranks 1<sup>st</sup> in Consolidated Fundraising

# Public Sector Funding

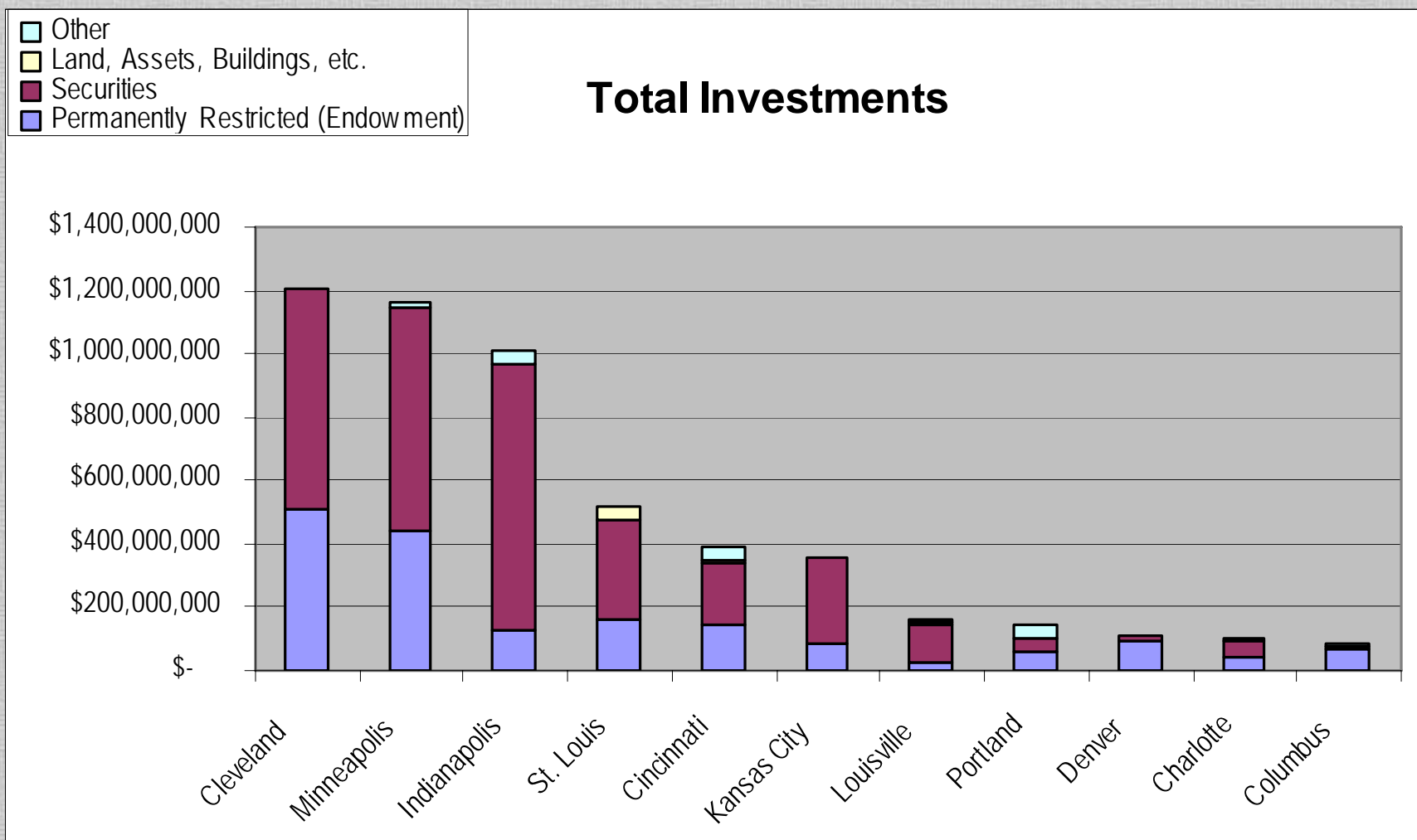


- Cincinnati organizations rank 6<sup>th</sup> in public sector funding.

# Contributed Revenue

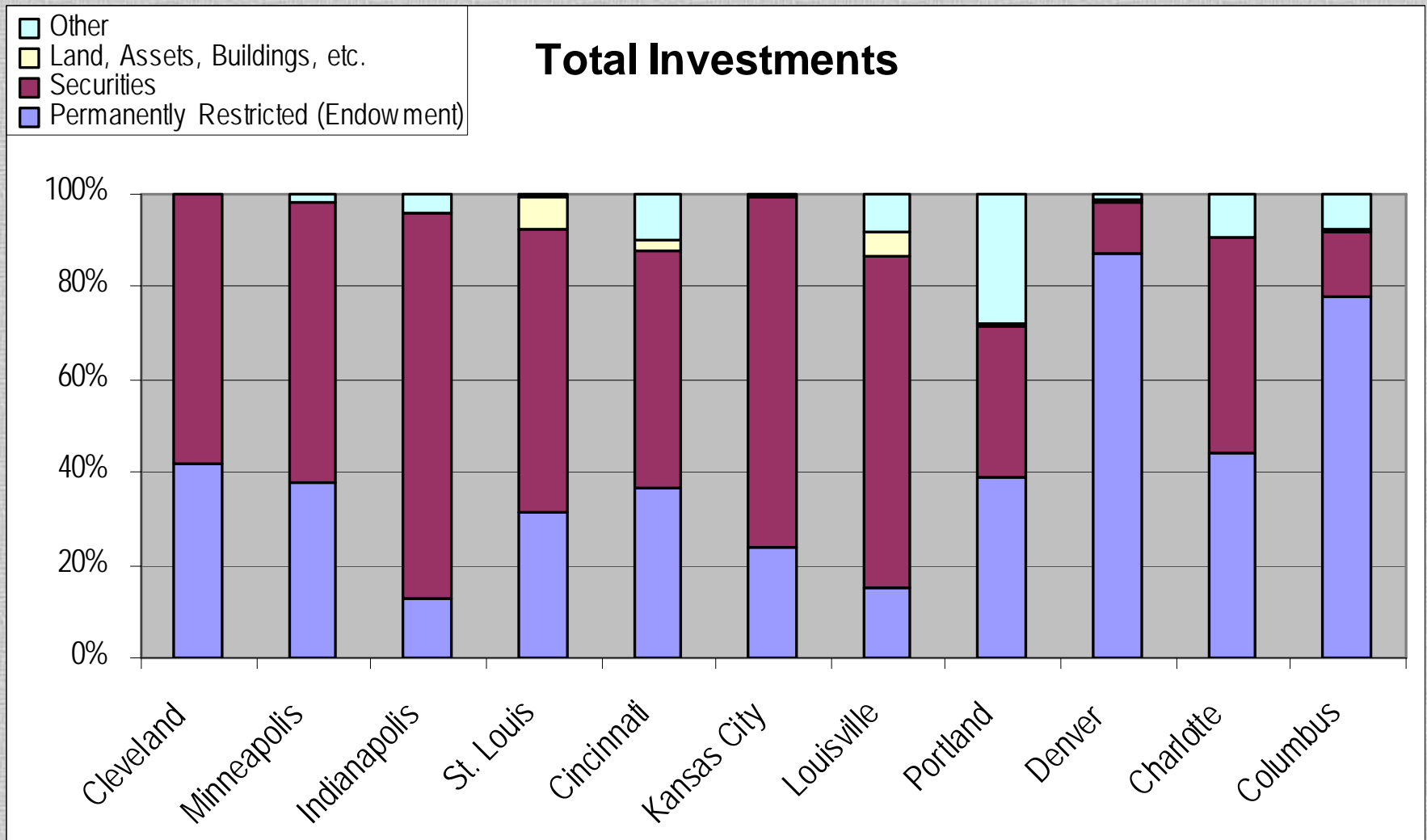


# Total Investments \$\$



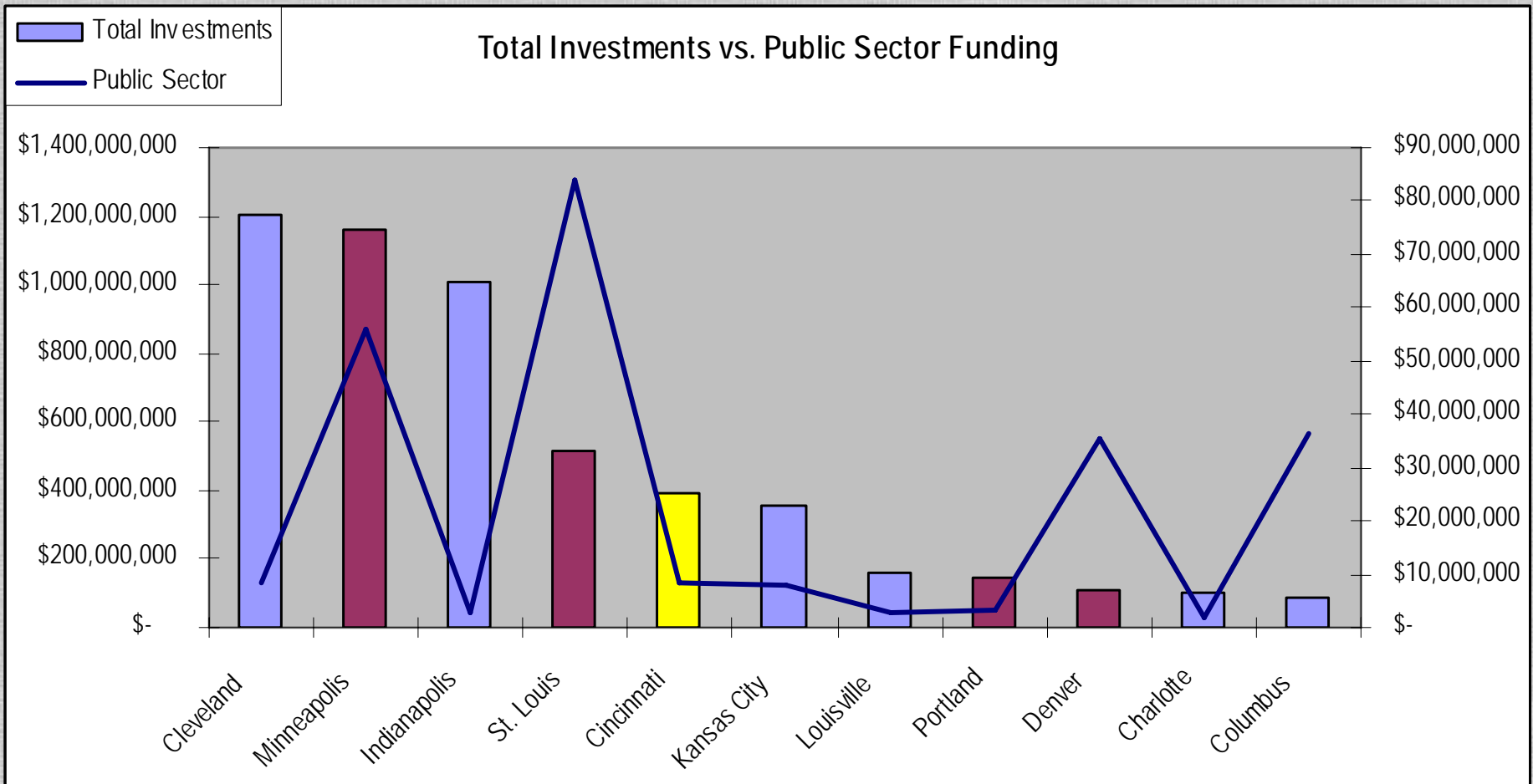
Cincinnati organizations rank 5th in current Total Investment values (includes Endowment; Securities; Land, Assets, Buildings, etc.; and Other Investments from the 990).

# Total Investments %



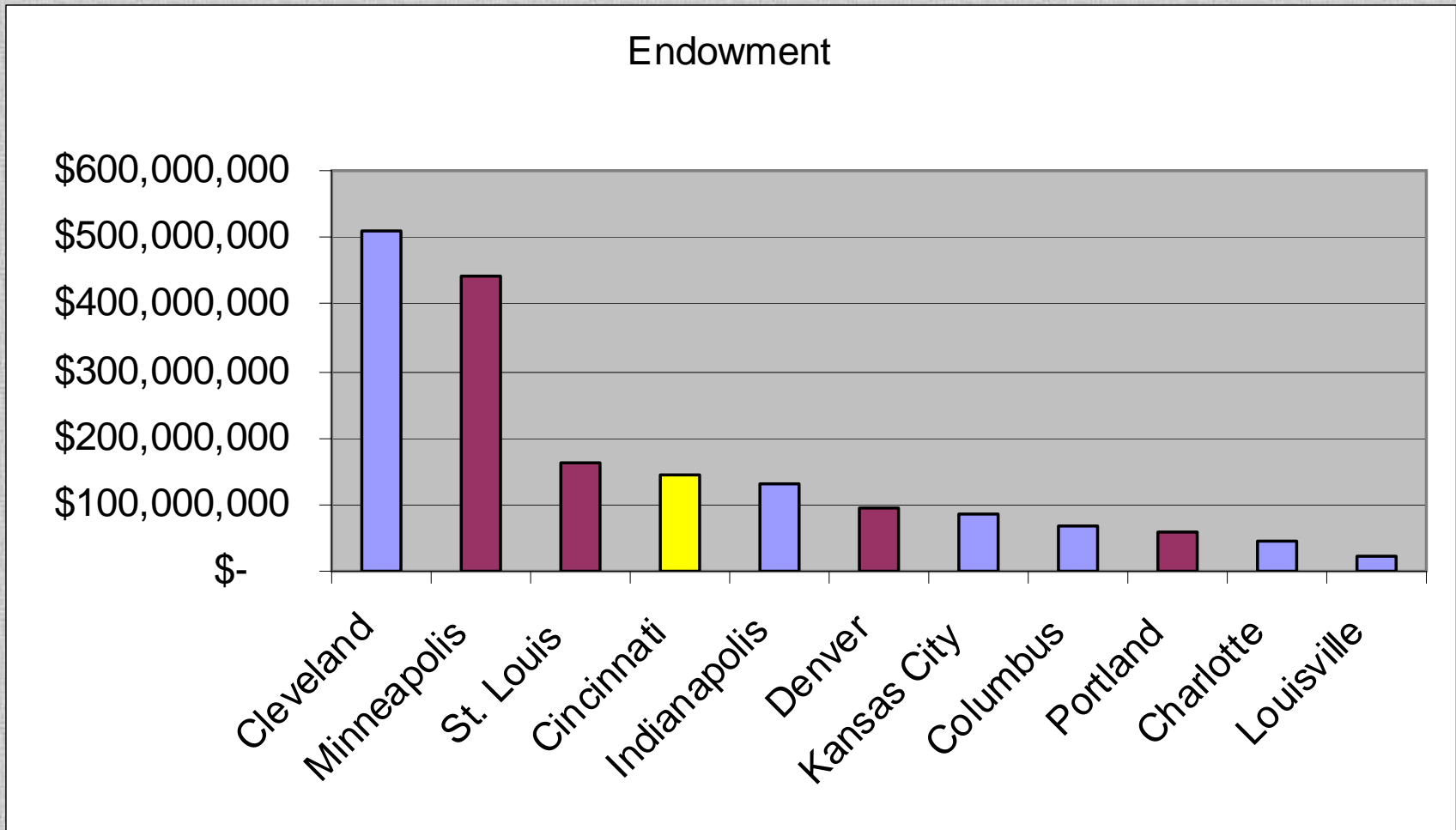
Cincinnati has the highest percentage of Investments in Land, Buildings, Equipment, etc.

# Total Investments vs. Public Sector Funding



Cincinnati ranks #5 in total investments and # 6 in public sector funding – well below Minneapolis, St. Louis and Denver.

# Permanently Restricted (Endowment)



- Cincinnati organizations rank 4th in current Endowment values

# Public Sector Funding Options

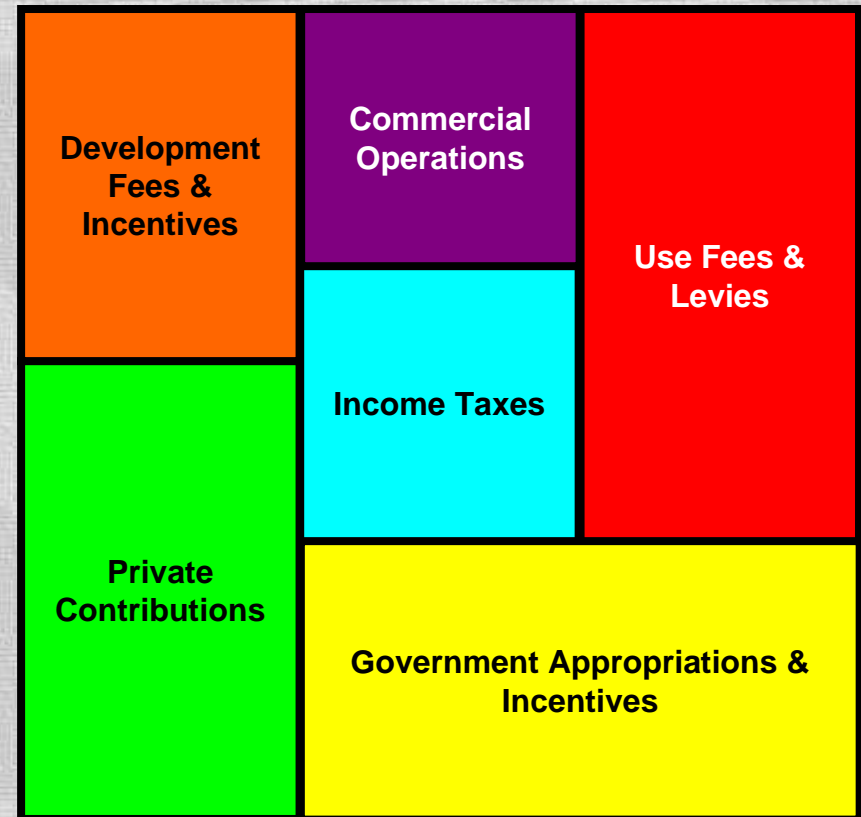
## Summary

# Objectives

- Investigate the variety of funding mechanisms used for funding arts & culture (with a focus on formalized funding structures & mechanisms)
- Understand the strategies and circumstances which allowed these mechanisms to succeed
- Determine relevance of these mechanisms in the Cincinnati environment
- Develop business plan for implementation of appropriate funding mechanisms

# Best Practices General Findings

- Wide variety of funding mechanisms in use
- Many mechanisms fund both operating and capital needs
- Funds for Arts & Culture are often shared with other community needs (tourism, heritage, recreation, etc.)
- In general, mechanisms either provide an annual funding source or repay major debt obligations
- Local funding environment and cultural support levels seem to be key in successful implementation (particularly for publicly-approved mechanisms)
- While some mechanisms instituted for specific facilities or programs, they may be applicable as community funding models
- In most cases, mechanisms provide discretionary funding (Mechanisms with dedicated funds - as opposed to General Funds - are preferred in arts community)
- Specific dollar amounts of funding difficult to establish, particularly when funding goes to General Fund



# Best Practices Summary

Property Tax	St Louis	Montana	San Francisco						
Real Estate Transfer Tax	Aspen	Washington State							
Sales Tax	Denver	Allegheny County, PA	Pittsburgh	Miami-Dade County	St Paul, MN	Montgomery County, OH	St Louis	Tempe, AZ	Salt Lake City
Admissions Tax	Pittsburgh	Cleveland	St Louis	Norfolk, VA	Chicago	Seattle	Philadelphia	Minneapolis	Portland
Rental Car Tax	Charlotte, NC	Salt Lake City	Las Vegas	Mecklenburg County, NC					
Transient Occupancy Tax	Mecklenburg County, NC	King County, WA	San Francisco	Miami-Dade County	Chicago	Tucson, AZ	Orange County, FL	St Louis	Massachusetts
Gambling Revenues	Phoenix	Massachusetts	South Dakota						
Income Taxes	Missouri								
Development Fees & Incentives	Mesa, AZ	Tucson, AZ	Grand Junction, CO						

# Public Sector Funding Results

<b>Mechanism / Program Name</b>	<b>Enacting Authority</b>	<b>Geographic Coverage</b>	<b>Term (Years)</b>	<b>Dedicated Funding?</b>	<b>Purpose of Funds</b>
St. Louis Zoo Museum District	Referendum	City & County	In Perpetuity	Y	Operations & Capital Needs
Denver Scientific & Cultural Facilities District	Special District	7 Counties	10	Y	Primarily operating with some capital support
Massachusetts Campaign for Cultural Facilities	Legislature	Statewide	10	Y	New construction, maintenance & renovation
Mesa Quality of Life Tax	Referendum	City	8	N	Capital & operating support
Building for the Arts Program	Legislature	Statewide	In Perpetuity	N	Capital construction & renovation
Massachusetts Arts Lottery	Legislature	Statewide	In Perpetuity	N	Operations & programming
King County Cultural Facility & Fixed Assets Program	County	County	In Perpetuity	Y	Facility purchase, construction & remodeling
Allegheny Regional Asset District	Legislature	County	In Perpetuity	Y	Mostly operating with some capital support
Las Vegas (Smith) Performance Arts Center Funding	County	County	20	Y	Construction of Smith Performing Arts Center
Rio Nuevo Multipurpose Facilities District	Referendum	Downtown Tucson	10	N	Capital construction & renovation
Seattle Arts Fund	City	City	In Perpetuity	Y	Capital & operating support
Missouri Cultural Trust	Legislature	Statewide	10	Y	Capital improvements, endowments

# Public Sector Funding Results

Mechanism / Program Name	Annual Yield to Arts & Culture (\$M)	Source of Funds	Mechanism Type
St. Louis Zoo Museum District	63	Property Tax	Use Fees & Levies
Denver Scientific & Cultural Facilities District	38	Sales Tax	Use Fees & Levies
Massachusetts Campaign for Cultural Facilities	25	Lodging Taxes & General Revenues	Government Appropriations
Mesa Quality of Life Tax	22 *	Sales Tax	Use Fees & Levies
Building for the Arts Program	12	Capital Bonding	Government Appropriations
Massachusetts Arts Lottery	9.6	Lottery Funds	Use Fees & Levies
King County Cultural Facility & Fixed Assets Program	7	Lodging Tax	Use Fees & Levies
Allegheny Regional Asset District	6.7	Sales Tax	Use Fees & Levies
Las Vegas Performing Arts Center Funding	6.5	Car Rental Tax	Use Fees & Levies
Rio Nuevo Multipurpose Facilities District	6 **	Tax Increment Financing	Public-private Partnerships
Seattle Arts Fund	1.2	Admissions Tax	Use Fees & Levies
Missouri Cultural Trust	0.6	Athletes & Entertainers Tax	Income Tax

\* \$110 million over five years

\*\* \$60 million over 10 years

# Cincinnati Mechanisms

Mechanism	Authority	Rate	Description	Method of Approval	Last Date of Approval	Date of Termination (if applicable)	Total Annual Revenue Provided (2005)	Dedicated % to Arts & Culture?	Funds Go To
Admissions Tax	City	3%	Levied on all for-profit entertainment (exemption for first \$1.05 of admission to non-profit events) deposited to the City's general fund. Was considered a key ingredient in funding for a proposed 'Cultural Trust	City Council	NA. Has been in place for many years.	None	\$3.5 million	No	General Fund
Bed Tax	City / County	6.5% (City 4%, County 2.5%)	Increased in 2001 to help support the renovation of the convention center	City Council	2001	None	\$3 million	No	General Fund
Sales Tax	County	6.5%	A half-cent increase approved in 1996 (for 36 years) to help fund new sports facilities. Future rate may be affected by a projected \$190 million deficit in stadium fund over next 26 years.	County Commissioners	2005	None	\$64 million (County only)	No	General Fund
Zoo Levy	County	.40 mills	Dedicated to support annual operating expenses. Accounted for 1/3 of the Zoo's total revenues in 2003	Public Voted	2003	2008	\$6.3 million	Yes	Dedicated Fund
Museum Center Levy	County	.20 mills	Expected to provide nearly \$3.6 million a year for facility operation, maintenance and improvements.	Public Voted	2004	2009	\$3.6 million (est.)	Yes	Dedicated Fund
Athletes & Entertainers Tax	City	2.1%	Cincinnati, along with most US cities with professional sports teams, imposes its City income tax on the income earned by athletes, entertainers and their various entourages, including non-athletic or non-performer employees.	City Council	2003	None	\$1 million	No	General Fund
City Funding	City	NA	City funding of Arts and Culture capital projects consists of annual support and one-time capital improvement grants from the General Fund	City Council	NA	NA	\$4.4 million from 2004-2005	NA	NA
State Funding	State	NA	State capital funding for arts & culture is approved biennially. The '05-'06 appropriations bill included \$7.6 million in funding for Hamilton County facilities (additional \$500k for Butler, \$300,000 for Clermont, and \$225,000 for Warren counties)	State Legislature	NA	NA	\$8.6 million (Hamilton, Butler, Clermont & Warren counties)	NA	NA

# Private Sector Fundraising Capacity Assessment Summary

# Methodology\*

- Purpose: to gauge the community's capacity to address the future capital and endowment needs of the arts and culture sector
- Undertaken by CCS Consulting of New York City
- GCF Identified 33 key informants representing individual, foundation and corporate donors –19 (60%) participated in the process.

\* - The relatively small number of interviews is not intended to provide evidence of fundraising capacity. The combined experience of the individuals interviewed provides useful information for future planning.

# Key Points

- The greatest strengths of the cultural and artistic community are:
  - Longevity
  - Diversity of organizations
  - Breadth of high-quality offerings
  - Long-term community support and commitment
- Private sector supporters believe that investing in the arts and culture is essential to Cincinnati's economic and community development
- There is a sense of urgency to identify and cultivate new leaders and donors to ensure sustainability

# Key Points (cont.)

- While the arts and culture sector ranked highest for 75% of respondents, 25% ranked it 2<sup>nd</sup> to education and social services.
- Future priorities are seen as larger endowments, annual support and staff leadership.
- A few individuals (20%) expressed some concern about the quality of staffing and programming of arts and cultural organizations.
- The majority believe it is time to advocate for public funding.
  - Some suggest that a form of collective effort might be the most successful

# Key Points (cont.)

- In sum, there is concern about the community's capacity to support both current and future capital and endowment campaigns without an infusion of new resources.
- The representatives of the business community in particular are supportive of a coordinated long-term planning approach:
  - About 75% felt the community has the capacity and willingness to fund a collective effort for a “cultural trust” in which they would take an active role.
  - Many respondents cited the need to collaborate and avoid potential conflict with the Fine Arts Fund to capitalize on this important relationship.

# AMS Observations

- Cincinnati's arts and cultural sector is a critical element of the community.
- Capital and Endowment needs over the next 20 years are dramatic.
- Based on the data gathered, other communities are investing more than Cincinnati in their arts and culture sector.
- Cincinnati generally lags peer, competitive and best practice cities in support from the public sector.
- There are many strategies through which the public sector funds the arts and culture.
  - Cincinnati has no dedicated public sector funding mechanism.
- The private sector is highly supportive of the arts and culture sector.
  - Near-term priorities are larger endowments, annual support and staff leadership, while longer-term projections illustrate plans for facility initiatives.
- The majority of private sector funders interviewed believe it is time to advocate for public funding.
  - Some suggest that a form of collective effort might be the most successful.

# Steering Committee Recommendations

- Principles
- “Strawman” Proposal
- Next Steps

# Agreements in Principle

1. Define the sector broadly as “cultural institutions and organizations.”
2. “Grow the pie” – develop new resources.
3. “Change the mix” – specifically increase public sector sources of support.
  - Focus initially only on Ohio
  - As an urban core economic development strategy, focus initially only on the cultural institutions and organizations located physically within Hamilton County
4. Pursue multiple public sector strategies:
  - Funding sources will be dedicated to cultural institutions
  - Capital and operating uses

# Principles (cont.)

## 5. Collective effort across sectors

- Work collaboratively on resource development and distribution (business, government and philanthropic/cultural representatives)
- Through their participation, cultural institutions and organizations will lead and own the process
- Cultural institutions may be encouraged to “take the first step” – give to get

## 6. Adopt the “Hippocratic oath”: above all, do no harm

- Protect the Fine Arts Fund
- Support the growth and development of a complete system of quality cultural institutions and organizations
- Transparent process
- Fair and equitable distribution mechanisms

# A “Strawman” Proposal

## THE CASE FOR “GROWING THE PIE”

- ✓ A vibrant cultural sector is a cornerstone of the community, economic and social success of Cincinnati.
- ✓ We must avoid a cultural crisis by identifying the best public/private solution for all of our signature cultural assets.
- ✓ We need to create a different legacy for the future.

# Proposal (cont.)

## STRATEGY

1. **Preserve** and **conserve** our tradition and legacy of vibrant, healthy cultural institutions.
2. **Stabilize** our cultural assets.
3. **Grow** and **sustain** our cultural institutions – capital, endowment and operating support.

## GOAL

Increase resources by net new \$20-30 million per year, shifting the current balance of public and private funding sources, initially for capital and eventually for operating support.

# Proposal (cont.)

## POTENTIAL TACTICS

(for public sector)

- Pursue a combination of local and state funding tools that are a “best fit” for the situation in Cincinnati

## MECHANISM

- Determine how best to develop and distribute public sector resources dedicated to cultural institutions.
- Increase awareness of the need and imperative to act now and advocate for new resources to get that done.

# Next Steps

- The Greater Cincinnati Foundation is willing to continue to convene stakeholders and proceed to implementation
- Test the “strawman” proposal with key strategic partners: GCF, Fine Arts Fund and CBC
- Reconvene the Arts & Culture Initiative Steering Committee
  - Refine the proposal, in particular whether an existing organization will take on this responsibility or a new entity will be created.
  - Identify key stakeholders
  - Develop key messages
  - Develop an implementation plan
- Engage key stakeholders