



**DRAFT – for discussion purposes only**

# Cain Center for Arts Center Board Discussion

July 17<sup>th</sup> 2019



**CAIN  
CENTER  
FOR THE ARTS**

- **Objectives Through 2022**
- **Considerations For Success**
- **Financial Outlook Projections**

# Objectives Through 2022

## Preparing

## Building

## Opening

## Maturing

*Through July 2020*

*July 2020 through Dec. 2021*

*April to July 2022*

*July 2022 +*

*(capital campaign)*

*(construction period)*

*(partial year of programming)*

*(full year of programming)*

### Primary Objectives by Year

- ▶ Meet / Exceed Fundraising Targets (*115% Pledges, 80% Cash*)

- ▶ Develop Initial Programming Plan (*Hire PT Program Coordinator*)

- ▶ Establish an Outreach Network (*Volunteer management*)

- ▶ Scale up Staffing (*Tech/Ops Dir., Volunteer Coordinator, etc.*)

- ▶ Refine the Program Plan (*Fixed v. Variable Options*)

- ▶ Implement Technology Requirements (*e.g. Ticketing platform*)

- ▶ Manage Construction Completion (*e.g., Timeframe, Cost Overrun*)

- ▶ Capitalize on Marketing and Outreach (*Generate and act on early interest*)

- ▶ Launch the Center (*Strong, but not unrepeatable, opening events*)

- ▶ Implement Program Plan (*Presentations and Partnerships*)

- ▶ Manage for Brand Growth (*Reputation and customer service focus*)

- ▶ Become a Tourism Destination (*seek to expand regional influence and determine county / state funding options*)

- ▶ Push for Subscriptions / Endowments (*continued funding channels*)

# Considerations For Success

---



*Build Credibility*



*Manage Risk*



*Staff for Growth*



The Cain Center for the Arts has the opportunity to take control of the Cornelius Arts Center; to swiftly optimize operations while enabling Cain Center branded programs throughout construction

*Proposed Action: Form an Optimization Task Force*

## Opportunity Overview

	FY18	FY19	Near-Term Optimization
Expenses	\$ 268,863	\$ 283,554	\$ 275,000
Revenue	\$ 163,637	\$ 164,280	\$ 210,000
Net	\$ (105,226)	\$ (119,274)	\$ (65,000)

- Program pricing is currently **~30% below market rates**
- Center hours are only 9am to 5pm (Monday to Friday) and 9am to 12pm (Saturday), **40% greater coverage** can be provided by expanding / shifting hours to reach working professionals and after-school audiences
- **Township credibility** can be enhanced through demonstrating the ability to increase revenue, reduce township funding requirements, and decrease the Parks Departments administrative time managing the CAC
- **Donor credibility** can be increased through the rebranding the location (2 mins from townhall) to demonstrate progression, hold fundraising events, and conduct interim programming



Nationwide, construction cost overruns average 15% to 25%,  
a 20% contingency is recommended

*Proposed Action: Increase Construction Contingencies and Monitor Contract Protections*

## Risk Overview

Overrun Percentage	Cost Overrun	Contingency Gap (\$3.4M)
10%	\$ 2.2 M	Covered
15%	\$ 3.3 M	Covered
20%	\$ 4.4 M	\$ 1 M gap
25%	\$ 5.5 M	\$ 2.1 M gap

- Construction is estimated to be completed by the end of December 2021, with a **move-in target of April 2022** - a total cost projection of \$22M
- Contingencies have been set-up in total amount of \$3.4 M**, however this may be \$1 M or more less than the average overrun
- The impact of cost overruns will not only impact expenses, but will **delay the center opening and its first-year revenue potential**



Staff size is most strongly correlated to organizational maturity, with 4-5 resources in the start-up phase and 7-8 resources (plus volunteers / support) for steady-state operations

*Proposed Action: Plan for the following roles and hiring sequence*

## Positions By Year\*

Preparing	Building	Opening	Maturing
<p>1. Executive Director (full-time)</p> <p>2. Development Associate (full-time)</p> <p>3. Administrative &amp; Marketing Assistant (full-time)</p> <p>4. Program Coordinator (part-time)</p> <p>▪ Volunteer / Outreach Coordinator (non-paid, Advisory Board Position)</p>	<p>4. Program Director (full-time)</p>	<p>2. Development &amp; Marketing Director (Fulltime)</p> <p>5. Box Office / FOH Manager (full-time)</p> <p>6. Technical Director &amp; Building Operations (full-time)</p> <p><b>Hourly Positions:</b></p> <ul style="list-style-type: none"> <li>▪ Customer Service Reps</li> <li>▪ Light and Sound Technician</li> <li>▪ Gallery Curator</li> <li>▪ Teaching Artists</li> <li>▪ House Manager (volunteer)</li> <li>▪ Concessions (volunteers)</li> <li>▪ Ushers (volunteers)</li> </ul>	<p>7. General Manager (full-time) – optional as per degree of growth</p> <p><b>Hourly Positions:</b></p> <ul style="list-style-type: none"> <li>▪ Marketing Associate</li> <li>▪ Community Engagement</li> <li>▪ Development Associate</li> </ul> <p>* Excludes outsourced services (e.g. Legal, Accounting, HR)</p>

**Justin – please audit this, for example where should the Office Mgr come in? (technically this is hybrid role now but as positions evolve it may be needed as a truly separate role for the full year of opening.**

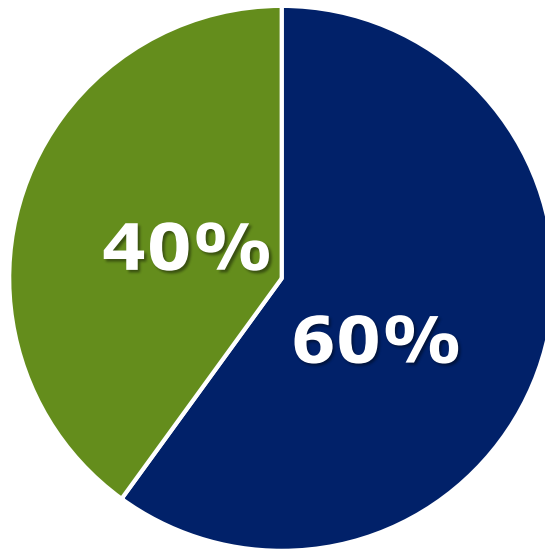
# Future Outlook Expectations

A 40% earned and 60% contributed income mix should be expected based on the centers overall income range, and plans should be established via fundraising, investments and endowments to operate with negative working capital

## Earned Income

### Top Sources

- Ticket Income (23%)
- Other (8%)
- Education / Outreach Programs (5%)
- Rentals (4%)



## Contributed Income

### Top Sources

- Foundations (22%)
- Individuals (12%)
- City/County (6%)
- Corporations (4%)
- Trustees (4%)
- Fundraising Events (6%)
- Other (6%)

**59%**

Of theatres studied by the Theatre Communications Group **operated with negative working capital** (borrowing funds to meet day-to-day cash needs)

**Those in the black, relied on investment incomes** (cash reserves and endowments) to reinvest or use for operations, to relieve income pressures and support innovation

Source: American Theatre Priority Report Theatre Facts



# Future Outlook Projections

Justin – I’m giving this another audit review early this week and will send you the source data in a separate file.

The only reason Opening is in the Black is 1) due to the CAC play and 2) as you are punting the majority of the labor costs to Maturing)

*Summary view only for directional estimates – to be refined through additional working discussions  
(all construction rated costs are drawn from the Capital Campaign, separate from these projections)*

Category	Preparing July 2019 – 2020 <i>(capital campaign)</i>	Building July 2020 – 2021 <i>(construction period)</i>	Opening July 2021 – 2022 <i>(partial year of programming)</i>	Maturing July 2022 – 2023 <i>(full year of programming)</i>
<b>Earned Income</b> • Programming, Facilities, Concessions	\$ 0	\$ 275,000 <i>Absorption of the CAC</i>	\$450,000 to \$550,000 <i>Range of 50 to 70% capacity</i>	\$750,000 to \$950,000 <i>Range of 50 to 70% capacity</i>
<b>Contributed Income</b> • Township Appropriations	\$ 320,500	\$ 580,000	\$ 580,000	\$ 580,000
<b>Expenses (Labor)</b> • Labor	\$ 250,000	\$ 280,000	\$325,000 to \$350,000 <i>4 months of new position costs</i>	\$700,000 to \$750,000 <i>Full new position costs</i>
<b>Expenses (All Other)</b> • Marketing and promotions, Programming, Insurance	\$ 136,700	\$ 380,000	\$ 600,000	\$ 900,000
<b>Balance</b>	\$ (66,200)	\$ 195,000	\$ 115,000 to 240,000	\$ (120,000 to 270,000)

**Fundraising / Endowments** (separate from the Construction / Capital Campaign) should be targeted to address negative balances and allow for innovation and growth activities