

Cain Center for Arts Center
Future Planning
DRAFT FOR DISCUSSION

July 2020



**CAIN
CENTER
FOR THE ARTS**

Contents

- Cain Center Vision & Values
- Controlling Principles Alignment
- Comparative Landscape
- Financial Levers
- Financial Overview
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Discussion Items

The alignment of
controlling principles

The need for
ongoing support

The **timing** for
support changes

Financial highlights for
steady state operations

Vision and Values



SERVING THE COMMUNITY

At Cain Center for the Arts, we're constructing much more than just a building. We're creating a stronger community through the power of the arts.

Our vision is simple: we want to empower children and adults alike to create, experience, and enjoy the arts, right here in the heart of the region where they live, work, and play.

The Cain Center and the Town both strive to serve the community

Controlling Principles Alignment

Aligned on Principles

- ✓ Cultural and arts destination
- ✓ Opportunity for arts education and engagement
- ✓ Community gathering space for Cornelius citizens
- ✓ Economic development catalyst for east side / downtown Cornelius
- ✓ Center offers visual, performing and other arts programming
- ✓ Works with Town to promote arts and culture
- ✓ Available to all regardless of economic circumstances

Areas for Discussion

- Facility revenue supports operational costs without additional Town funding (declining support) | Ongoing support will be needed, but the overall amount can be reduced over time
- Establish an Arts Center Capital and Maintenance Fund | Alignment needed on the details
- Ultimate goal is that no general fund dollars support operations, maintenance and/or improvements | Alignment on the parameters needed

While we align on the majority of the Principles, several will require additional discussion

National Average – Benchmark Data

The Cain Center’s earned income will **never** fully support its operational costs

0%

Covered operating costs through **Earned Income alone**

56%

Nation average is 56% earned income to a range of 47 to 65% contributed (depend on size)

Expenses

Earned Income (56% of expenses)

Contributed Income (47% of expenses)

Top Few Expenses

- Payroll (56%)
- Marketing (11%)
- Maintenance / Occupancy (9%)
- Production (6%)

Top Few Revenue Drivers

- Ticket Sales (35%)
- Endowment Earnings / Interest (6%)
- Education Programs and Rentals (5%)
- Concessions (2%)

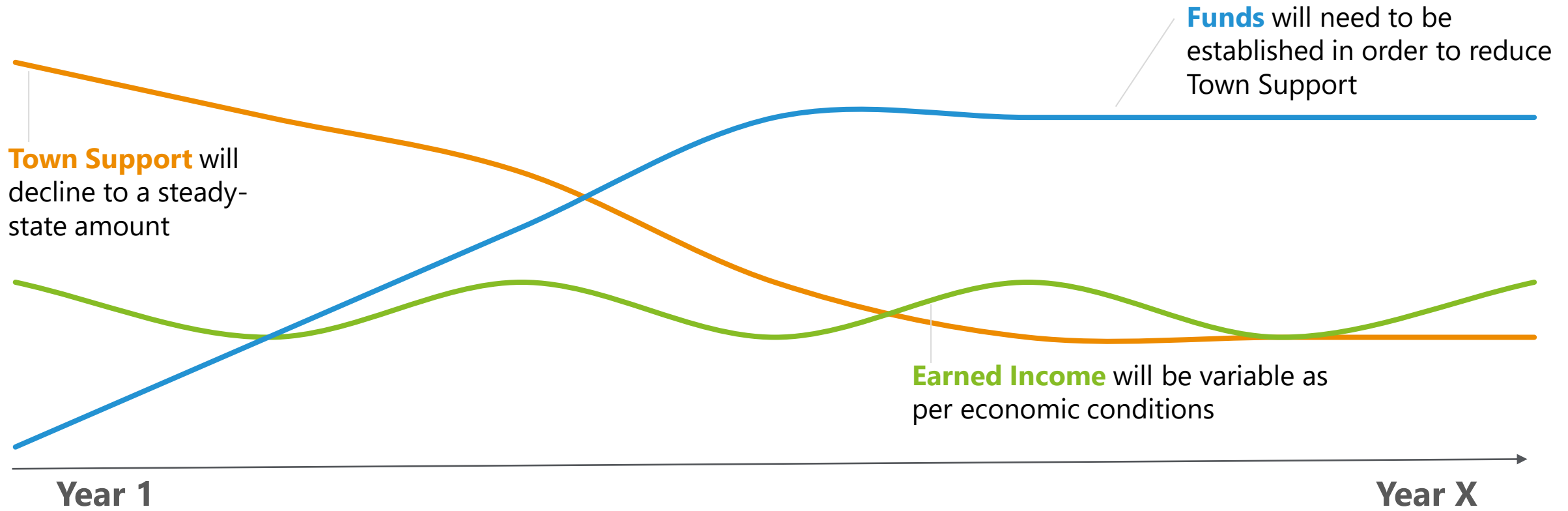
Benchmark Support Ranges

- Fundraising (15-20%)
- Federal / City (10-20%)
- Endowments (5-10%)
- Sponsorships (5-10%)
- Grants (5-10%)

Source: TCG Theatre Facts, 2018 study of 177 US not-for-profit arts organizations

Financial Levers

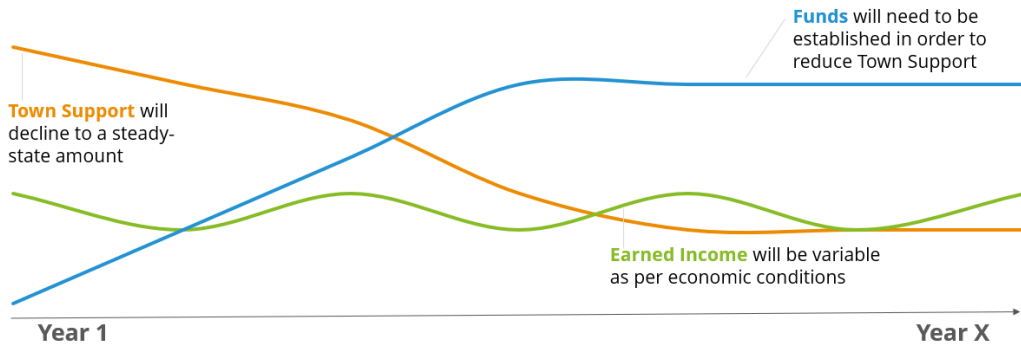
The Cain Center desires to move to a **50-50 Earned / Contributed mix** but this is dependent on...



The establishment and use of Funds will need to be a priority

Financial Levers

Discussion



Funds / Ongoing Campaign

- When would the Board be willing to launch another campaign?
- What target does the Board feel is possible? (\$1M to \$5M)

Town Support

- How long is the Town willing to maintain the current level of funding?
- What is the Town willing to commit to as a reduced but ongoing support amount? (Reevaluate post first year earned income and fund progression)

Earned Income

- When will partnerships for the CAC and related capital improvements be formalized (e.g. Clay Works)

Financial Summary

Expenses	\$ (1.786M)
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Earned Income (47%)	\$ 862k
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Contributed Income (51%)	\$ 924k
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Net	\$0k
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Financial Overview (1 of 3)

Please refer to the appendix for additional information

Expense Items	Steady-State Estimate
Programming	315k
Facility Operations	117k
Landscaping	0k
Concessions	38k
Salaries and Labor	800k
Marketing and Promotions	120k
Fundraising Expenses	75k
Administrative	107k
Fund Contributions	110k
CAC Expenses	104k
Total	\$1.786M

Financial Overview (2 of 3)

Please refer to the appendix for additional information

Earned Income	Steady-State Estimate
Education / Classes	\$164k (CAC)
Ticket Sales	
Subscriptions	\$25k
General Sales	\$300k
Facility / Processing Fee Income	\$88k
Facility Rentals	\$160k
Concessions	\$125k
Total	\$862k

Notes

The development of programming details (e.g. the number and types of performances) will be the responsibility of the **Program Director role**, to be hired

Directional estimates assume **80-130 performances per year** (at 60% occupancies by paying customers) and **70+ facility rentals** per year

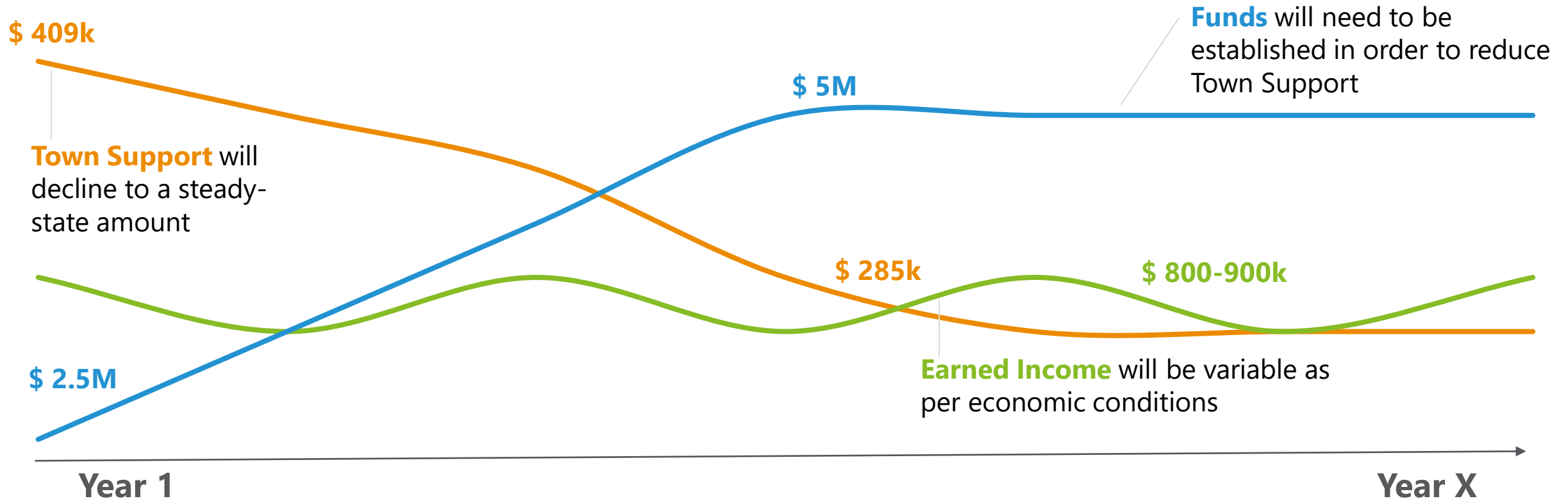
Financial Overview (3 of 3)

Please refer to the appendix for additional information

Contributed Income	Steady-State Estimate
Leadership Gifts	\$40k
Founders' Society Giving	\$20k
Board / Former Board of Directors Giving	\$18k
Community Giving	\$12k
Fundraising Events	\$100k
Sponsorship	\$150k
Grants	\$50k
Endowment Income (Est. 4.5% on \$2.5M)	\$125k
Town (as per Cain Center Material Terms Comparison Document 4.13)	\$409
Total	\$ 924k

Financial Levers

The Cain Center desires to move to a **50-50 Earned / Contributed mix** but this is dependent on...



The establishment and use of Funds will need to be a priority

Discussion Wrap-Up

Areas for Discussion

- ✓ Facility revenue supports operational costs without additional Town funding (declining support) | No additional funding requested, overall amount to decline to a steady-state number
- ✓ Establish an Arts Center Capital and Maintenance Fund | Agree and target amount determined
- Ultimate goal is that no general fund dollars support operations, maintenance and/or improvements | Follow-up discussion to be held

Appendix I – Expenses and Earned Income Details

Expenses

Expense Items
Programming
Facility Operations
Landscaping
Concessions
Salaries and Labor
Marketing and Promotions
Fundraising Expenses
Administrative
Fund Contributions
CAC Expenses

Programming

\$ 315k

- Estimated for one-full year
- Includes contract-fees, general non-payroll artistic fees (travel / accommodations) and any non-contract state or visual display management / supplies
- Based on TCG TheatreFacts benchmarks and Cain Center SME insights, leaning toward the upper end expense benchmarks to be conservative
 - General Artistic Non-Payroll (Benchmark) \$25 to \$75k
 - Royalties (Benchmark) \$15 to \$50k
 - Production / Tech Non-Payroll (Benchmark) \$45k to \$100k
 - General Management / Operations Non-Payroll (Benchmark) \$40k to \$90k

Expenses

Expense Items
Programming
Facility Operations
Landscaping
Concessions
Salaries and Labor
Marketing and Promotions
Fundraising Expenses
Administrative
Fund Contributions
CAC Expenses

Facility Operations

\$ 117k

- Estimated for one-full year
- Includes \$45k per year for maintenance of mechanical systems (as per McCracken & Lopez PA guidance)
- Includes \$52k per year for utility costs (heating and cooling, water, lighting, sewer)
- Includes \$20k per year Janitorial estimate (based on current Town Hall budget)
- Reference: TCG TheatreFacts benchmark
 - Occupancy Building / Equipment / Maintenance \$80k to \$190k
 - Note: May reflect lower end range as Landscaping is included as a separate item

Expenses

Expense Items
Programming
Facility Operations
Landscaping
Concessions
Salaries and Labor
Marketing and Promotions
Fundraising Expenses
Administrative
Fund Contributions
CAC Expenses

Landscaping

\$ 0

- Based on May, 2020 estimate from Troy Fitzsimmons for Park / Plaza area of the Cain Center (all exterior maintenance for soft and hardscaped areas) would be \$110k.
- This is currently planned to be expensed by Town of Cornelius

Expenses

Expense Items
Programming
Facility Operations
Landscaping
Concessions
Salaries and Labor
Marketing and Promotions
Fundraising Expenses
Administrative
Fund Contributions
CAC Expenses

Concessions

\$ 38k

- Estimated for one-full year
- Estimated based on a 70% profit margin for concession income (source: American Fun Food Company)

Expenses

Expense Items
Programming
Facility Operations
Landscaping
Concessions
Salaries and Labor
Marketing and Promotions
Fundraising Expenses
Administrative
Fund Contributions
CAC Expenses

Salaries and Labor

\$ 800k

- Estimated for one-full year, competitive market range used
- As per the Cain Center Strategic Plan: \$510k to \$630k
 - Executive Director (FT)
 - Development Director (FT)
 - Marketing and Development Associate (FT)
 - Program Coordinator (PT)
 - Box Office / FOH Manager (FT)
 - Technical & Build Operations Director (FT)
 - General Manager (FT)
 - Customer Service, Light/Sound Technicians, Community Engagement (PT)
 - Office Administrator (PT)
- Benefits estimated at 25% for eligible roles: \$120k to \$150k
- Payroll Taxes estimated at 7.65% of wages: \$39 to \$48k
- Staff is inclusive of the CAC, related staff costs have been removed from the CAC expenses

Expenses

Expense Items
Programming
Facility Operations
Landscaping
Concessions
Salaries and Labor
Marketing and Promotions
Fundraising Expenses
Administrative
Fund Contributions
CAC Expenses

Marketing and Promotions

\$ 120k

- Estimated for one-full year
- Based on TCG TheatreFacts benchmarks and Cain Center SME insights, leaning toward the upper end expense benchmarks to be conservative
 - General Artistic Non-Payroll (Benchmark) \$50k to \$130k

Expenses

Expense Items
Programming
Facility Operations
Landscaping
Concessions
Salaries and Labor
Marketing and Promotions
Fundraising Expenses
Administrative
Fund Contributions
CAC Expenses

Fundraising Expenses

\$ 75k

- Estimated for one-full year
- Based on Cain Center SME insights (Association of Fundraising Professional Standard 15%) with items that may include:
 - Annual Report
 - Donor Stewardship (Receptions and Special Events, Recognition, Communications)
 - Donor Cultivation (Meetings and Travel, Special Events)

Expenses

Expense Items
Programming
Facility Operations
Landscaping
Concessions
Salaries and Labor
Marketing and Promotions
Fundraising Expenses
Administrative
Fund Contributions
CAC Expenses

Administrative

\$ 107k

- Estimated for one-full year
- As per the Cain Center Strategic Plan:
 - Accounting and Payroll (\$42k)
 - Tax Preparation (\$7k)
 - Audit Services (\$12k)
 - Expenses and Reimbursements (\$16k)
 - Communications – Phone (\$7k)
 - Office Supplies (\$4k)
 - Technology / Software (\$6k)
 - Memberships / Dues (\$4k)
 - Liability Insurance (\$4k)
 - Board and Officers / Workers Compensation (\$1k)
 - Board Meeting Expenses (\$4k)

Expenses

Expense Items
Programming
Facility Operations
Landscaping
Concessions
Salaries and Labor
Marketing and Promotions
Fundraising Expenses
Administrative
Fund Contributions
CAC Expenses

Fund Contributions

\$ 110k

- Estimated for one-full year, based McCracken/Lopez estimates
- Perspective on total fund below, for 2022 through 2037 at a 4.5% compound interest rate

2022	\$ 79,711.00	2030	\$ 113,304.00
2023	\$ 83,263.00	2031	\$ 118,401.00
2024	\$ 87,008.00	2032	\$ 123,734.00
2025	\$ 90,931.00	2033	\$ 129,301.00
2026	\$ 95,015.00	2034	\$ 135,119.00
2027	\$ 99,289.00	2035	\$ 141,200.00
2028	\$ 103,770.00	2036	\$ 148,225.00
2029	\$ 115,722.00	Total:	\$ 1,574,590.00

- The 110k is an estimate average annual contribution to meet the fund needs

Expenses

Expense Items
Programming
Facility Operations
Landscaping
Concessions
Salaries and Labor
Marketing and Promotions
Fundraising Expenses
Administrative
Fund Contributions
CAC Expenses

CAC Expenses

\$ 104k

- Estimated for one-full year
- The Town CAC 2019 budget was used for general estimate purposes
- Items removed as per redundancies with the Cain Center
 - Salary and Labor related expenses (for non-instructors)
 - Telecommunications
 - Electric
 - Building Rent

Earned Income

Earned Income

Ticket Sales

Facility Rentals

Concessions

CAC Income / Education & Classes

Ticket Sales

\$ 413k

- Estimated for one-full year
- Assumes a ~60% paid occupancy for performances (national average)
- Directional estimates assume 80-130 performances per year, average ticket price (excluding fees) of ~\$35
- Based on TCG TheatreFacts benchmarks and Cain Center SME insights
 - Subscription Ticket Sales \$25k
 - General Ticket Sales (non-subscription) \$300k
 - Facility / Processing Fee Income (27% average) \$88k

Earned Income

Earned Income
Ticket Sales
Facility Rentals
Concessions
CAC Income / Education & Classes

Facility Rentals

\$ 160k

- Estimated for one-full year
- Based on TCG TheatreFacts benchmarks and Cain Center SME insights, higher than benchmark estimate used as per the strategic direction of the Cain Center (rental strategy) and as per local competitor reviews done as aligned to the development of the strategic plan (assuming approximately 70 rentals per year)
 - Facility Rentals (benchmark) \$115k
- 70 rentals per year would be approximately 1.3 rentals per week at an estimate price of \$2.2k per rental

Earned Income

Earned Income
Ticket Sales
Facility Rentals
Concessions
CAC Income / Education & Classes

Concessions

\$ 125k

- Estimated for one-full year
- Based on TCG TheatreFacts benchmarks and Cain Center SME insights
 - Concessions (benchmark) \$128k

Earned Income

Earned Income
Ticket Sales
Facility Rentals
Concessions
CAC Income / Education & Classes

CAC Income / Education & Classes

\$ 164k

- Estimated for one-full year
- Assumes pricing increases to programming to bring with 10% of market
- Total estimated income as per the Town (proxy 2019 data used), can be updated as per further town estimates accordingly

Appendix II – Contributed Income Details



Contributed Income Projection



Annual Fund Annual Appeal

Leadership Gifts:

16 Cain Circle Patrons

Assume 8 of these households contribute \$5,000

Total Leadership Giving:

\$40,000



Annual Fund Annual Appeal

Founders' Society Gifts:

22 Catawba Circle Patrons

Assume 11 of these households contribute \$1,000 \$11,000

25 Creative Circle Patrons

Assume 12 of these households contribute \$500 \$ 6,000

50 Community Circle Patrons

Assume 30 of these households contribute \$100 \$ 3,000

Total Founders' Society Giving: **\$20,000**



Annual Fund Annual Appeal

Board / Former Board of Directors Gifts:

20 Volunteer Leaders giving \$1,000 - \$5,000

Assume 90% participation at \$1,000 (18 Donors)

Total Board/Former Board of Directors Giving: \$18,000



Annual Fund Annual Appeal

Community Gifts:

3,000 Community Patrons

Assume about 15%, or 480 of these households contribute \$25

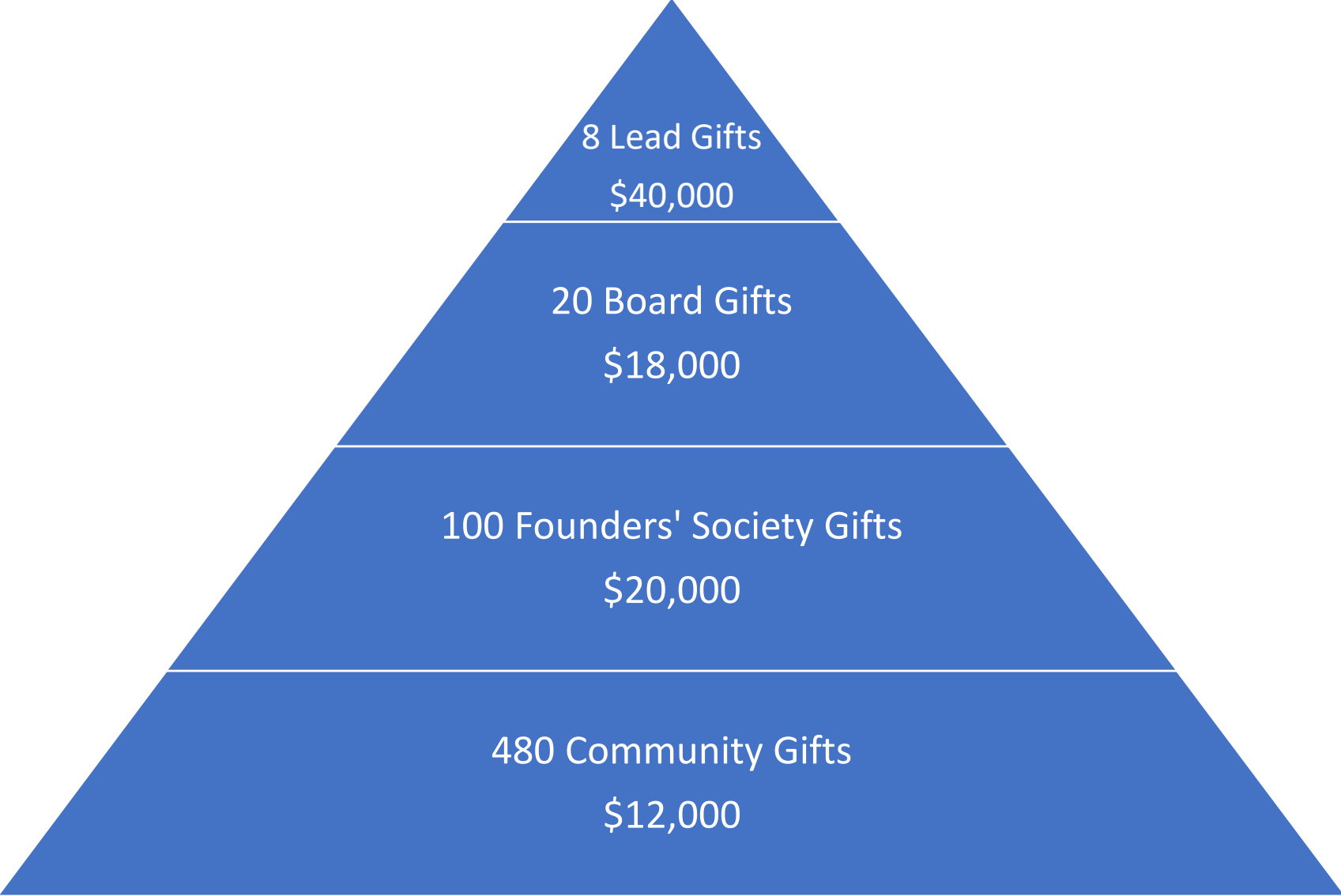
Total Community Giving:

\$12,000



Annual Fund Annual Appeal

Total Leadership Giving:	\$40,000
Total Founders' Society Giving:	\$20,000
Total Board/Former Board of Directors Giving:	\$18,000
Total Community Giving:	\$12,000
Contributed Income, Annual Fund:	\$90,000





Annual Fund Fundraising Events

Annual Fundraising Gala

\$100,000

Assume net revenue, including event expenses and sponsorships

Contributed Income, Events:

\$100,000

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Annual Fund

Annual Appeal:	\$ 90,000
Events:	\$100,000
Total Annual Fund:	\$190,000



Sponsorship

Season Sponsorship

1 Season Sponsor at \$50,000

\$ 50,000

Series Sponsorship

3 Series Sponsors at \$25,000

\$ 75,000

Concert Sponsorship

5 Concert Sponsors at \$5,000

\$ 25,000

Contributed Income, Sponsorship:

\$150,000



Grants

Annual Operating Grants	\$50,000
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Note: These are operating grants, not program grants, which generally cover the cost of a program with no net impact on the annual operating budget.

Contributed Income, Grants:	\$50,000
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Endowment Income

Average 4.5% Spendable Allowance:

\$1 million	\$ 45,000
\$2 million	\$112,500
\$5 million	\$225,000



Summary

Annual Fund:	\$190,000
Sponsorship:	\$150,000
Operating Grants:	\$ 50,000
Endowment:	\$112,500
Total Contributed Income:	\$502,500



Anticipated Expense

Association of Fundraising Professionals Standard: 15%

Applied to \$502,500: \$75,300

Anticipated Expenses:

- Annual Report
- Donor Stewardship
 - Donor Receptions and Special Events
 - Recognition
 - Communication
- Donor Cultivation
 - Meetings and Travel
 - Special Events