



# Executive Summary

## Introduction

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In early 2013, civic, corporate and community leaders saw a need to reconsider the current cultural sector funding model, which was no longer adequate to support a vibrant, inclusive cultural life for all residents. These leaders sought to protect and enhance Charlotte's creative and cultural community as a unique asset that engages and supports every major element of the local economic ecosystem. Few other sectors touch and benefit everyone from neighbors on the West Side and businesses in Uptown, to middle school students in Myers Park and recent immigrants in East Charlotte.

These leaders collaborated to create -- and then solicit nominations for membership in -- the **Charlotte-Mecklenburg Cultural Life Task Force** in order to address the challenges for this important sector. The 23 members of this citizen task force were nominated by the Charlotte City Council, Mecklenburg County Commission, Arts & Science Council, Charlotte Chamber, Charlotte-Mecklenburg Schools, Charlotte Center City Partners and Foundation For The Carolinas. Members worked together over nine months to fulfill a four-part charge:

- Examine the long-standing public/private partnership model for the cultural sector.
  - ➔ As part of this work, review and commission research as appropriate, and seek to understand best practices and current innovations in the industry.
- Provide opportunities for community input wherever possible.
- Develop options for a future funding model for the cultural sector.
- Recommend specific actions to implement a new funding model for the cultural sector.

The timing of the Task Force's work was critical: Local arts, science and history nonprofits had endured a decade of budget reductions from public and private sources, exacerbated by the severity of the financial downturn. Several organizations had ceased operations, and others appeared to be in imminent danger of closing. As it launched its study of the sector and its consideration of new funding models, the Task Force recognized three time-sensitive developments:

- The funding model to support *existing* cultural programs and organizations was eroding rapidly.
- Through the *Imagine 2025 – A Vision for Charlotte-Mecklenburg's 21<sup>st</sup> Century Cultural Development* (hereafter referred to as "the Cultural Vision Plan") process, local residents had expressed widespread desire for *expanded* cultural

opportunities, particularly innovative, neighborhood-based and educational programs.

- Like many for-profit businesses, the cultural sector needed to adapt to new realities of consumer demand and financial support, necessitating the creation of a new model (as opposed to proposing incremental changes to the existing model).

### ***Key Findings and Research – Current State***

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Funded by Foundation For The Carolinas and facilitated by The Lee Institute, the Task Force began its work in May 2013 and completed its final recommendations in May 2014. Its research included data-intensive study of funding mechanisms, trends, cultural organization budgets, and best practices from comparable cities across the country.

The Task Force heard presentations from industry experts, major funders, current and former Charlotte cultural sector executive directors, the Urban Institute, the Greater Charlotte Cultural Trust, City and County budget officials, a senior Americans for the Arts executive, and four executive directors of arts agencies in Dallas, Denver, Nashville and Cincinnati that are comparable to the Arts & Science Council.

From these in-depth explorations of cultural sector operations and best practices, key findings emerged, including:

- **The economic impact of the local nonprofit cultural sector is significant, influential, and not widely known.**

*The annual economic impact of the sector is \$202 million with 6,240 full-time employees and 3.9 million participants in 75,000 separate events, exhibitions and performances, annually.*

- **According to surveys of CEOs, creativity and innovation are the top skills needed for a 21<sup>st</sup>-century workforce, and a more creative local employee base will make Charlotte more competitive for corporate and employee relocations.**
- **The Arts & Science Council (ASC), the primary provider of cultural grants for Charlotte-Mecklenburg, experienced dramatic funding losses as a result of the economic downturn and changes to employer workplace giving campaigns.**

*Since 2007, the total ASC budget reduced from \$18.7 million to \$15.8 million – **decreasing** to 600 the number the number of grants each year to*

300+ local nonprofits and artists. There was a 45% reduction in total giving to ASC in the same time frame.

- **Over the last decade, government funding for operations and programming in the cultural sector also declined, both in real dollars and in relation to the growing population. The City and County supported new cultural facilities very generously in the last decade, but unrestricted funds for operating and programming declined.**

*While the population grew more than 44% between 2000 and 2013, unrestricted City funding remained steady at \$2.9 million. Unrestricted County funding was eliminated in FY2012. City support for cultural facility annual operations was significantly reduced in recent years, following the construction of the Levine Center for the Arts. However, the City continues to provide some support for City-owned cultural facilities on both an annual basis and in providing capital maintenance funds.*

- **This decline in funding comes at the very time that our community has articulated increased demand for accessible, affordable cultural programming.**

*Attendance and participation in cultural activities have increased significantly since 2007. Recently, residents rated the health of the cultural sector as very important and expressed strong support for government funding of arts, science and history programs, especially in public schools (2013 Cultural Life Survey). Local residents also expressed a clear desire for more cultural programs, especially those close to their neighborhoods and focusing on diversity and education. (Cultural Vision Plan.)*

- **The ASC Cultural Partner organizations (23 organizations that receive annual operating support) and other cultural groups have worked diligently to adapt to this new funding environment, but many of those adaptations are unsustainable. The Cultural Partners are, in the words of the Task Force, the “building blocks of the Charlotte-Mecklenburg cultural community.” The Task Force believes that if the majority of these core groups are not financially healthy and adequately funded, it will be even more difficult for smaller organizations and individual artists to flourish. Cultural nonprofits are now attempting to do more with less in a way that is unsustainable and threatens their existence, with negative effects for many institutions.**

*Cultural Partners now generate more than 80% of their revenues themselves through earned and contributed revenue, making them less*



*dependent than ever on ASC grant support. City and County funding also plays a smaller role than it has historically. However, on average, cultural organizations now operate with fewer staff and lower cash reserves than before the recession. At the same time, while struggling to meet community demand, the Cultural Partners have invested an increasingly large percentage of their budgets in programming while reducing their investments in revenue-generating departments (fundraising, administration and marketing) by \$7 million (or 30% per year).*

- **Without significant short-term reinvestment in fundraising and marketing capacity, the Cultural Partners will not be able to generate enough revenue to cover growing costs and maintain the current level of community programming.**

*While total revenue for the Cultural Partners increased by \$16 million since 2007, all of that growth is related to new or expanded facilities and organizations, which means that it had little impact on the economic health of many of the Cultural Partners. In fact, if that specific facility growth is eliminated from consideration, total revenue for the Cultural Partners actually declined, losing significant ground to both inflation and population growth. Because the only growth is tied to recent building expansion (which tends to create a “bump” soon after opening and then return to a slower growth rate), expense growth is outpacing revenue. In FY2013, 56.5% of Cultural Partners posted deficits, an increase from 43.5% in FY2007.*

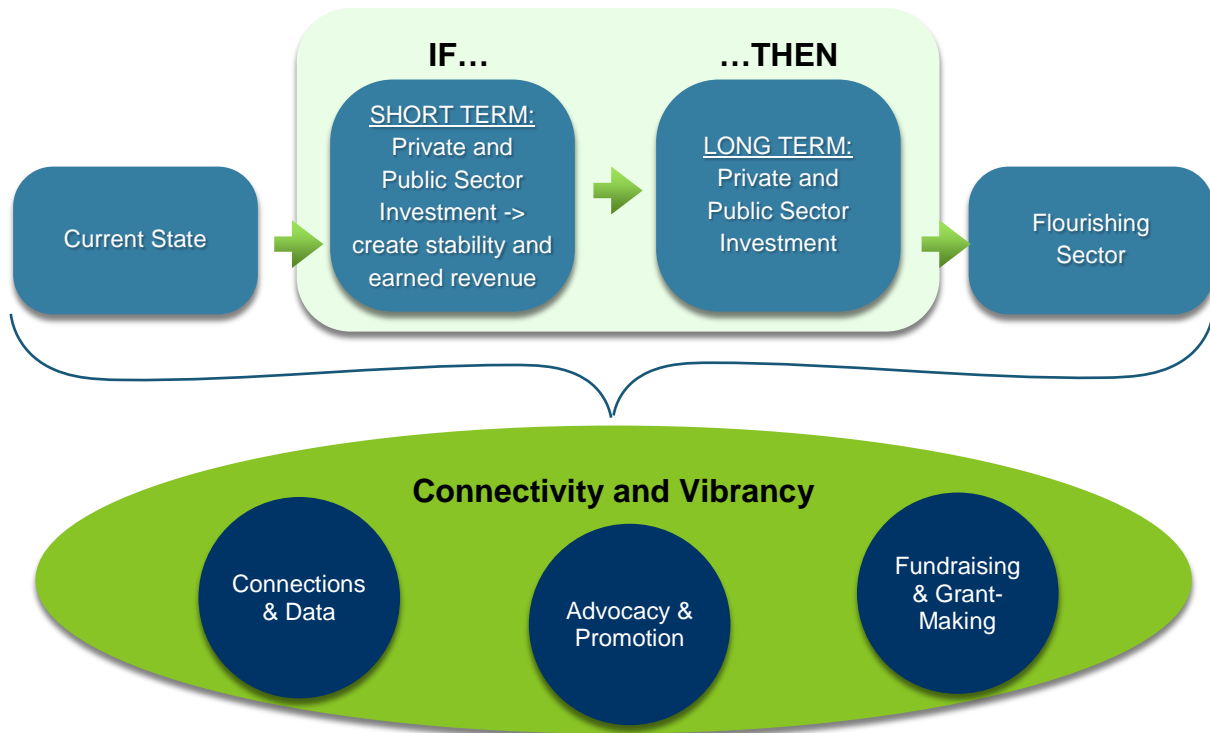
*In order to weather the economic downturn and meet the increasing demand for programming, Cultural Partners have been reducing their investments in revenue generating departments such as fundraising, marketing and administration. This creates an unsustainable percentage of investment in programming that exceeds the recommended national benchmarks. Partners had a collective Program Expense Ratio of 82%, far above nationally recommended benchmarks (typically 65-75%).*

For the complete Key Findings report, see Appendix E.

### **Summary of Recommendations**

This sector-wide transformation begins with stabilization by private donors and government, continues through increased efficiency, engagement and outreach by local cultural groups, and moves toward long-term solutions through a restored public/private funding partnership.

**Chart ES.1: Cultural Sector Process of Change**



### Key Goals of the Recommendations

The Cultural Life Task Force recommends four key actions to ensure vibrant, accessible arts, science and history programs for future generations in Charlotte-Mecklenburg:

- Restructure Arts & Science Council and private sector giving to increase individual, corporate and foundation donations *directly* to the Cultural Partners and other nonprofit cultural organizations. Establish ASC as the gateway for *new* cultural donors and participants who enter the sector through a workplace campaign and are then invited to develop strong relationships directly with Cultural Partners. ASC develops a donor database that is shared with Cultural Partners to move donors' information and connections to the Cultural Partners.
- Engage local and state government to recommit and expand support for the cultural sector to restore the public/private partnership that built and grew the local arts, science and history sector.
- Redesign ASC and its mission from the ground up so that it can be more effective in leading the cultural community's adaptation to 21<sup>st</sup>-century trends in philanthropy, demographics and citizen participation. Focus ASC on adapting to a

constantly changing environment, continuously refreshing the case for the cultural sector and allocating funds responsively.

- Support the ASC Cultural Partners with administrative, fundraising, and managerial resources as they focus on revising, building and continuously improving their programmatic, revenue and governance operations and sustainability.

***Strategic Overview of Recommendations***

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**Goal: Re-invent ASC**

Current State	Recommended Strategies
<p>The Arts &amp; Science Council, the primary provider of cultural grants for Charlotte-Mecklenburg, experienced dramatic funding losses as a result of the economic downturn and changes to employer workplace giving campaigns.</p>	<p>Redesign ASC Fund Drive to be a year-round Cultural Campaign, focused on both fundraising and engagement.</p>
	<p>Shift the purpose of this Campaign to connect ASC donors directly to Cultural Partners.</p>

**Goal: Restructure ASC and private sector giving**

<b>Current State</b>	<b>Recommended Strategies</b>
The Arts & Science Council mission and structure were designed for (and were successful in) a dramatically different era of corporate and individual philanthropy.	ASC reinvents its mission, structure, governance and operations to meet the needs of 21 <sup>st</sup> century engagement, fundraising and advocacy.
Untapped potential for economic development through tourism: 40% of cultural sector attendees come from outside of Mecklenburg County.	ASC and Cultural Partners strengthen and expand their partnership with the CRVA to make the Charlotte region a major cultural tourism destination.
Donor and patron data collection and analysis happens in silos, if at all.	ASC launches a major data collection, warehousing, analysis and sharing project, in partnership with the Cultural Partners.
Increasing demand for accessible, neighborhood-based, and educational cultural programs, as articulated in the Cultural Vision Plan.	Supported by funding from ASC and local government, cultural groups invest in grassroots programs to fulfill the Vision Plan.

**Goal: Engage local and state government**

<b>Current State</b>	<b>Recommended Strategies</b>
Significant reductions in government funding for cultural sector programming over the last decade.	Increase annual support from the City, County and Towns.
	Collaborate to secure a more equitable distribution of state funding across all 100 counties.
	Increase CMS's financial participation in cultural field trips for students.
	Research potential long-term, regional, predictable public revenue sources.



## Goal: Support ASC Cultural Partners

Current State	Recommended Strategies
Over six years, the Cultural Partners reduced the amount spent annually on fundraising, marketing and administration by \$7 million, representing a 30% decrease in their investment in activities that generate revenue.	Private sector investments of \$4.5 million per year for 10 years (\$45 million total), targeted for revenue-generating staff and technology resources.
Significant undercapitalization of cultural groups (endowments, cash reserves, etc.) for a region and cultural community of our size.	ASC, Cultural Partners and the Greater Charlotte Cultural Trust design and implement a \$125 million endowment campaign over the next decade.
Many cultural organizations lack financial stability, adequate staff resources or the opportunity to grow programs to meet community demand.	Groups focus on investing in their revenue-generating departments and leveraging those investments for increased income. Groups build their balance sheets through cash reserves and endowments.

### Overview of Short-Term Stabilization Strategies – One to Five Years

*The strategies proposed in this section reflect recommendations that are intended to relieve current challenges experienced by the arts, science and culture sector.*

The focus of these strategies:

1. **ASC and Cultural Partner Structure** including an increased focus on advocacy and promotion, improved data collection, mining and analysis and improved fundraising efficacy.
2. **Increasing private sector support** and involvement by converting ASC's Annual Fund Drive into a true year-round Culture Campaign with a focus on raising money *and* engagement and identifying a new engagement-focused model to respond to the evolving context of workplace giving. Seek significant support of generous private sector donors (\$4.5 million+ per year for ten years) toward marketing and development resource projects for the Cultural Partners.
3. **Rebuilding public sector support** by ASC designing and spearheading a comprehensive public advocacy plan for the cultural sector, serving as the leading advocate for its economic impact and its educational and quality of life

benefits. The advocacy strategy should focus on reinvigorating the public and private partnership that builds the cultural facilities and the cultural sector over the last 40 years. The focus on public sector support includes all levels of government – towns, City of Charlotte, Mecklenburg County and State of North Carolina.

## 1. ASC & Cultural Partner Structure

ASC begins a comprehensive process to reinvent its mission, board and staff structure and relationship to the cultural sector, focusing on the Cultural Life Task Force recommendations.

Using the proposed increases in support by local government, ASC works to return Cultural Partner operating grants as close as possible to pre-downturn levels. These short-term investments are made in order to secure longer-term self-sufficiency and sustainability. Next, Cultural Partners use additional new dollars to build their revenue generation capacity. Then dollars are allocated for technology and donor stewardship practices to interface with ASC donor database.

As additional funds become available, ASC and the Cultural Partners begin implementation of the Cultural Vision Plan with its emphasis on neighborhood, innovative, grassroots and education programming.

Cultural Partners leverage the private and public sector investments to generate sustainable earned and contributed revenue. National data suggest that over five years, the Cultural Partners would increase their own revenue sources by two times the size of the initial development and marketing infrastructure investment; i.e, an investment of \$4 million in revenue-generating infrastructure could create, over time, additional revenues of \$8 million per year.

### ***Advocacy and Promotion:***

ASC embraces the role of leading advocate for the Charlotte region's cultural sector in economic development, legislative and public awareness conversations, and it collaborates with the Chamber, business community, Cultural Partners, universities, leading nonprofits, and elected officials on significant policy initiatives.

Cultural sector leaders, ASC, Chamber, City, County, state legislative delegation and regional councils of governments build a *Regional Cultural Coalition* of arts councils and elected officials to develop a reliable, long-term funding model for the cultural sector.

ASC leads an effort to make the Charlotte region recognized as a cultural tourism destination and a desirable region for corporate relocation. Partnerships are established with the CRVA and other regional tourism agencies to increase regional and national cultural tourism marketing expenditures, based on evidence that it drives significant economic investment in Charlotte. Chambers of commerce, downtown districts and economic development organizations across the region are also engaged to emphasize the sector's economic importance and leverage the sector for corporate relocations. The expectation that relocations and new businesses will support the Charlotte cultural sector financially and be leaders in employee engagement and participation is established.

ASC, in partnership with the Cultural Partners, also designs and implements a comprehensive communication strategy making the case for additional participation and funding while educating the wider community about the value of the cultural sector.

#### ***Connections and Data:***

ASC makes a major investment in gathering, housing and analyzing **donor and patron** data on behalf of the Cultural Partners, for use as a tool for the Partners to increase their fundraising and marketing capacity.

As part of its commitment to data-driven leadership of the cultural sector, ASC collects Campaign donor preferences and interests, sharing them with the Cultural Partners for additional cultivation. In order to increase workplace engagement and to determine employee interests and preferences, ASC also collects and shares **engagement** data with the Cultural Partners.

#### ***Fundraising and Grant-Making:***

ASC's expanded funding is invested in the critical data management partnership, increased operating support for the Cultural Partners, and increased grants for projects that reflect the Cultural Vision Plan's emphasis on neighborhood programs, diversity, education and accessibility. A new ASC grant pool – launched with around \$1 million annually and ultimately growing to \$3 million annually – starts funding implementation of the Cultural Vision Plan.

New methods of reaching community donors outside the workplace through programs such as power2give.org and Days of Giving are researched and promoted.

A heavy investment in ASC and Cultural Partner development teams support expansion of current Fund Drive and create new avenues of donor engagement and community giving. As a part of this investment, successful, comparable

development departments are benchmarked and organizations will hire accordingly. At the same time, potential areas of fundraising staff collaboration for ASC and the Cultural Partners are considered (e.g.: endowment, prospect research, corporate, etc.).

## 2. Private Sector

ASC creates the structures, relationships and operations to convert its Annual Fund Drive into a true year-round **Culture Campaign**, a vital pipeline for citizens in the workplace to become engaged, passionate, loyal patrons, donors and advocates for the Cultural Partners and the sector as a whole. This campaign would both raise money *and* build engagement and participation in arts, science and history programs.

Recognizing that the nature of workplace giving is evolving, ASC and Cultural Partners collaborate to find the best new community fundraising model for the region. A transitional study is commissioned to develop and assess innovative new community-wide “engagement” models (as opposed to fundraising models) as an effective bridge between public and private cultural sector support over the next five to ten years.

Using stories of economic impact, personal involvement, accessibility and solving community challenges, communicate the value and importance of the Cultural Campaign and the sector. Employ this communication campaign to better position the sector as it competes for fundraising and participation dollars with other charitable and entertainment opportunities.

In order to increase the influence and reach of the Campaign, strategically bolster ASC Campaign Cabinet with specifically chosen, senior community and corporate leadership.

Private funders invest strategically in building the fundraising and marketing capacity of cultural groups, enabling them to cultivate patrons and donors to their organizations from among all Charlotte-Mecklenburg residents *and* from among ASC Cultural Campaign participants.

Raise and direct new private sector dollars (\$4.5 million+ per year for 10 years) toward marketing and development resource projects for the Cultural Partners. The ASC and the Greater Charlotte Cultural Trust also invest in training and staff positions within cultural organizations to cultivate and steward major individual gifts.

## 3. Public Sector

ASC designs and spearheads a comprehensive public advocacy plan for the cultural sector, serving as the leading advocate for its economic impact and its educational and quality of life benefits. The advocacy strategy should focus on rebuilding the public and

private partnership that builds the cultural facilities and the cultural sector over the last 40 years.

Through active participation and leadership within the Chamber of Commerce and Center City Partners, ASC and Cultural Partner leaders help shape the city's legislative and advocacy agenda each year:

**City of Charlotte:** Request that the City of Charlotte grow its per capita cultural sector operating funding by \$1.30 per capita that generates an additional \$1,040,000 per year, restoring funding to 2002 levels. Focus this additional revenue on additional operating support for the Cultural Partners, shared resources to benefit the sector and rebuilding infrastructure all investments leading to sustainability.

**Mecklenburg County:** Request that Mecklenburg County increase its cultural program funding by \$1.30 per capita, generating an additional \$1.3 million per year and focusing on stabilization and implementation of the Cultural Vision Plan and neighborhood, grassroots and education programs.

**CMS:** Charlotte-Mecklenburg Schools restores funding for arts, science and history field trips (currently paid with \$400,000 of ASC and private donor funding), eventually growing to \$1 million per year to fund field trips for every grade pre-K through 12. CMS identifies opportunities to reallocate existing budget funds or seeks new County funds directly. CMS and members of the cultural sector create and strengthen partnerships with MeckEd, Communities in Schools and other nonprofits that are potential collaborators for field trips and enriching cultural experiences, as well as partnering with universities, colleges and community colleges to build a cultural-sector pipeline of innovative, critical thinkers.

**Towns:** Request that Huntersville, Matthews, Cornelius, Davidson, Pineville and Mint Hill increase their contributions to ASC by \$1.30 per capita, generating an additional \$195,000 per year.

**State:** Build a coalition of counties across the state to focus on equitable funding distribution for cultural resources, engaging every county in North Carolina. This coalition drives lobbying efforts in collaboration with the Chamber's legislative work group, the state Mecklenburg County delegation and the NC Department of Cultural Resources to determine appropriate, equitable funding for major state cultural resources housed across the state outside of Raleigh, addressing current inequities that exist.



## Chart ES.2: Proposed Short-Term Investments

### *Public Sector Investment Increases*

Source	Population	Increase	Total Amount (Annual)
City	793,000	\$1.30 per capita	\$1,040,000
County	1,000,000	\$1.30 per capita	\$1.3 million
CMS	1,000,000	\$1.00 per capita or \$7.50 per child	\$1 million
Towns	150,000	\$1.30 per capita	\$195,000
State	TBD	TBD	TBD
<b>TOTAL</b>			<b>\$3.535 million +</b>

### *New Private Sector Giving*

\$4.0 – \$4.5 million per year from private funders X 10 years

### *New Cultural Partner Revenues*

Strategies to increase contributed and earned revenues.  
Leveraging the new public and private investments.

## Long-Term Growth Strategies – Five to 10 Years

*The strategies proposed in this section are intended to establish a long-term sustainable solution to current and potential future challenges anticipated based on the current state of the cultural sector and to promote overall growth and health of the sector moving forward.*

### 1. Private Sector

The Cultural Trust, Cultural Partners and the ASC design, launch and execute a strategy to generate \$125 million in additional endowment principal from private donors over 10 years.

### 2. ASC & Cultural Partner Structure

Cultural Partners set specific annual goals for strengthening balance sheets, making financial sustainability a long-term institutional priority. ASC teams with the Cultural Partners to invest in programs that fulfill the Cultural Vision Plan.

### 3. Public Sector

The ASC, Cultural Partners, City, Towns and County have designated goals within their respective organizations to work in partnership with elected officials to develop a predictable, long-term funding model for the cultural sector.

- Design a sustainable funding source and model unique to the Charlotte region's needs, based on lessons learned from cities and states such as Denver, Minnesota, Portland and others.
- Focus this funding on meeting the sector's critical need for unrestricted operating support.
- Address long-term, dedicated public funding for the cultural sector through a new tax structure to replace and expand upon the additive City, County and Town funds described in the Short-Term Stabilization Strategies section.

#### **Chart ES.3: Proposed Long-Term Investments**

##### ***Public Sector Investment***

Dedicated revenue source for the cultural sector, providing predictable annual support and a foundation for growth.

##### ***Private Sector Investment***

Cultural sector raises \$125 million in addition to endowment funds.