



01

**Overview and Formation
of the Task Force**

Brief History of the Sector

In the closing decades of the twentieth century, the cultural sector in Charlotte-Mecklenburg grew into a nationally recognized model thanks to a unique partnership among three essential sources of support for arts, science, history and heritage programs:

- One of the leading united fund drives in the nation, the **Arts & Science Council's (ASC) Annual Fund Drive** raised the majority of its money through widespread workplace giving campaigns and re-granted it to community cultural nonprofits;
- **Cultural organizations** raised their own dollars from enthusiastic private donors, including individuals, corporations and foundations;
- The **City of Charlotte and Mecklenburg County** provided local government support for creativity and culture, directing dollars to ASC for re-granting and to the maintenance of cultural buildings and museums. The City and County also collaborated on the construction of numerous signature cultural buildings in the area, including the Levine Center for the Arts in Uptown Charlotte.

The result of this partnership has been a vibrant cultural sector that welcomes more than 3.9 million visitors each year – more than attend all local professional sporting events *combined* – and which serves as a major economic and tourism engine for the region. With some 6,200 jobs and an annual economic impact of more than \$202 million, the Charlotte-Mecklenburg nonprofit cultural sector has grown into a critical piece of the region's growth and success.

ASC has played a critical central role in this growth. Founded in 1958, ASC's Annual Fund Drive raises millions of dollars to support 23 cultural organizations through unrestricted operating grants and hundreds more through project, festival and education grants. The Fund Drive garners the majority of its funds through workplace giving campaigns, with hundreds of employers participating and tens of thousands of employees making gifts to ASC through payroll deductions, to be distributed later to arts, science, history and heritage groups throughout the county.

Led by ASC, the Charlotte-Mecklenburg cultural sector flourished through this unique public-private partnership. Prime historical examples of this collaboration include:

- City and County funds given annually to ASC to be re-granted to the sector;
- County funds supporting Spirit Square as an accessible, affordable arts venue, managed privately by the Blumenthal Performing Arts Center;
- City-funded capital improvements to cultural facilities such as the Mint Museum and Discovery Place;

- The major new partnership to create the Levine Center for the Arts on South Tryon Street. The Levine Center leveraged public funds (the City and County paying bond debt for the construction of the physical facilities), corporate management (Wells Fargo's supervision of campus construction), and private fundraising (ASC and cultural nonprofits raising \$83 million for endowments for seven key cultural organizations, including the new Levine Center residents).

Changing Environment

The economic downturn that began in 2008 had a dramatic and negative impact on the local cultural sector. Large-scale corporate layoffs, continuing job insecurity, and increasingly critical health and human service needs led many donors to reduce or eliminate their cultural sector donations. In the span of just 12 months, from the 2008 campaign to the 2009 campaign, ASC Fund Drive revenues dropped by 38%, from \$11.4 million to \$7.1 million. When combined with reductions in government funding and losses in direct donations to nonprofits, this loss began a cycle of budget cuts and unsustainable reductions in revenue-generating functions like fundraising and marketing.

This precipitous drop in financial resources was one of several factors that contributed to the destabilization of a valued cultural sector built diligently over four decades through both public and private generosity. The resources of cultural organizations have shrunk significantly, while demand for affordable cultural activities has increased. 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:

- Revenue-generating departments such as fundraising and marketing, with the greatest potential for return on investment, have been stripped of staff and resources as groups attempt to maintain their community programs;
- Education programming and community activities have been cut;
- Organizations have laid off staff and reduced employment benefits;
- Cash reserves have been reduced as organizations attempt to preserve community programming and accessibility;
- Operating hours, programs and services have been reduced;
- Needed capital investments in buildings and equipment are being delayed.

Cultural Life Task Force

Origin

In 2013, as local cultural organizations continued to experience varying degrees of financial stress, community leaders and ASC began to discuss the need for an independent, citizen-led Task Force to research and recommend a new funding model for Mecklenburg County arts, science, history and heritage organizations.

Essential to the formation of the Cultural Life Task Force were three realizations:

- The funding model to support *existing* cultural programs and organizations was eroding rapidly.
- Through the recent 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, building a new model rather than making incremental changes to an old one.

Process

In January 2013, the Arts & Science Council began preliminary conversations with Foundation For The Carolinas, which would later provide a grant to support the Task Force's work, and The Lee Institute, which would facilitate it. The formation of the Task Force continued throughout the spring of 2013:

January	ASC began the planning process and retained The Lee Institute and Carolina PR.
February	ASC officials and Hugh McColl presented the concept of a citizens' Task Force to the Mecklenburg County Board of Commissioners.
March	ASC officials presented the concept of a citizens' Task Force to the Charlotte City Council.
March	Deadline for nominations for Task Force membership. Members were nominated by one of several community partners: <ul style="list-style-type: none">• City of Charlotte• Mecklenburg County• ASC• Charlotte Chamber• Charlotte-Mecklenburg Schools• Charlotte Center City Partners

- Foundation For The Carolinas

- March** Formation of the Cultural Partners Advisory Committee, a group of eight cultural sector executive directors to advise the Task Force and provide insight from the practitioners' perspective.
- April** Finalization of Task Force co-chairs and membership.
- May** Inaugural meeting of the Task Force (May 15).

The Task Force then met either monthly or semi-monthly throughout 2013 and the first half of 2014. (See Appendix B for a complete list of Task Force meeting dates.)

Charge

The charge of the Charlotte-Mecklenburg Cultural Life Task Force was four-fold:

- 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.

Members

Task Force members were nominated by the community partner organizations listed above, and members were selected by the co-chairs, Valecia McDowell (Moore & Van Allen) and Pat Riley (Allen Tate Company). Task Force membership was curated to balance longtime cultural sector supporters and new voices; new residents and Charlotte natives; public and private sector representatives; urban and suburban residents, as well as geographic dispersion across the County; and overall diversity of perspectives on the cultural sector and its funding model.

For the complete list of members, see Chart C.1 on pg. ii (inside front cover)
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Community Input

Eight Cultural Partner executive directors were invited to serve on the Cultural Partner Advisory Committee of the Task Force. Staff executives from cultural organizations were not, however, included as part of the Task Force. This group met approximately monthly to provide insight and data to the Task Force and to its facilitators. (See Appendix C for a list of Cultural Partner Advisory Committee members.)

ASC Cultural Partner executive directors and board chairs also had several opportunities in the fall and winter of 2013 and the spring of 2014 to attend optional meetings at ASC where they received briefings on the Task Force's progress and offered input into the process.

The meetings of the Task Force from May 2013 through August 2013 were open to the public. In November 2013, WFAE hosted a panel of task force and cultural organization leaders to discuss the process and the findings of the Task Force to date.

Timeline

The Task Force devoted its summer 2013 meetings to learning as much as possible about the current state of the Charlotte-Mecklenburg cultural sector. These early sessions focused on extensive data and presentations around contributed revenue, earned revenue, citizen participation, endowments, ASC operations, and best practices in comparable cities. This "summer of learning" was the first phase of the Task Force's work, followed by model selection and refinement throughout the fall of 2013 and the spring of 2014.

For the original timeline of the Cultural Life Task Force, see Appendix A.
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02

Why the Cultural Sector Matters

Why Are Creativity and Culture Good for Charlotte-Mecklenburg?

Charlotte's creative and cultural community is 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. The cultural sector:

- benefits the **corporate sector** by driving tourism and consumer spending, employing thousands of artists and professionals, and making Charlotte more appealing for employee recruitment and business relocations;
- supports **local government** by generating millions of dollars in tax revenue from employees, artists and audience members;
- nurtures, inspires and welcomes **residents from all neighborhoods in Charlotte and neighboring communities**, offering beauty and storytelling, challenging current questions, and reflecting people's hopes and dreams;
- improves the **K-12 educational system** by supplementing knowledge of history, arts, and science, fostering creative thinking and innovation, putting students on more equal footing with those at private educational institutions, and potentially improving academic grades and standardized test scores;
- creates the skilled current and future workforce sought by **employers**, who cite "creativity" and "innovation skills" as among the most important and desirable traits in their new hires;
- bolsters Charlotte's **quality of life** by providing hundreds of performances, exhibitions and other cultural opportunities every month, many of them free or low-cost; and
- contributes to making Charlotte an **international and multi-cultural city** by encouraging cross-cultural understanding and learning.

How Our Neighbors Participate in the Cultural Sector

Each year, local cultural organizations welcome 3.9 million audience members, students and participants to more than 75,000 arts, science, history and heritage programs. Of those cultural experiences, more than 1.7 million (just over 43%) are enjoyed by children and youth. And 40% of total participants (more than 1.5 million people) come from outside Mecklenburg County, making cultural events a vital tourist attraction for the city and county.

Charlotte-Mecklenburg also scores highly on the Creative Vitality Index, which is an annual measure of the health of the area's creative economy. The Index defines the creative economy as both nonprofit and for-profit employment and participation in the arts. Charlotte's Creative Vitality Index score was higher than those for Portland (OR), Chicago, New Orleans and Atlanta, and only 0.06 points behind Denver, which has larger cultural institutions and a \$45 million annual dedicated tax to support the sector.

The Positive Impact of Cultural Participation

The economic impact of this participation in the cultural sector is significant: An average of \$23.54 is spent by local attendees (per person, per event), above ticket prices; almost double that (\$41.28) is spent by visitors from outside Mecklenburg County, over and above ticket prices.

The Charlotte-Mecklenburg *nonprofit* cultural sector employs 6,240 full-time equivalent positions, roughly equivalent to the entire local workforce of Duke Energy. And if *for-profit* creative businesses such as advertising agencies, architects and web designers are included, the number of employees grows to more than 14,000, or roughly equivalent to Bank of America's local workforce.

Charlotte's strong participation in its cultural sector also drives significant public and private economic impact. The sector creates more than \$18.1 million in local and state tax revenues, and it generates more than \$202 million in direct and indirect spending within Mecklenburg County.

How Do Residents Feel About the Cultural Sector?

Two recent studies revealed strong support for the cultural sector and the role it plays in the lives of Charlotte-Mecklenburg residents. In both cases, results affirm growing demand for accessible, engaging cultural programs across Mecklenburg County.

Cultural Vision Plan

In developing the Cultural Vision Plan between 2011 and 2013, ASC asked a wide range of Charlotte-Mecklenburg residents for their input on a new vision for the cultural sector. The planning process engaged 184 people in focus groups, more than 400 people in phone surveys, and another 1,000 residents through online surveys. This high-level planning process concluded with a one-day Cultural Summit for more than 250 cultural community leaders at the Mint Museum.

The completed Cultural Vision Plan revealed three primary themes on which the sector can plan a responsive and inclusive future:

1. Our community thinks the cultural sector should play a greater role to enliven, engage and enrich communities and neighborhoods.
2. Our community believes it is the cultural sector's responsibility to see that residents and visitors enjoy continually refreshed creative opportunities that start with the best home-grown talent and our rich local history and extend to our world-class science, technology and art.
3. Our community wants the cultural sector to do everything possible to make arts, science and history core to K-12 education and see that Charlotte-Mecklenburg's K-12 students are critical, creative thinkers.

Urban Institute Cultural Life Survey

Each year since 2005, the Urban Institute at UNC Charlotte has conducted a Cultural Life Survey for the Arts & Science Council. The 2013 results, gained through randomized, statistically valid phone surveys, featured these highlights:

- **When asked about the many factors that contribute to a positive local quality of life, “culture/arts/science/history” was one of the top four responses.**
- **71% of respondents support government funding for cultural facilities and programs.**
- **66% agree that the local cultural sector makes the region more attractive for corporate and personal relocations.**
- **82% of participants said that arts education is valuable in schools, and 86% said it is important to helping children perform better academically.**
- **62% of participants rated the quality of Charlotte-Mecklenburg's cultural programming as “excellent.”**
- **A rapidly growing percent of residents wants to see more culturally diverse arts programming.**

For more details about the Cultural Life Survey, please see Appendix D.



03

How the Cultural Sector
Works in Charlotte-
Mecklenburg

The creative and cultural community in Charlotte-Mecklenburg brings arts, science, history and heritage programs to neighbors and visitors in remarkable quantity and diversity. The cultural sector includes the Arts & Science Council, its official Cultural Partners, smaller cultural nonprofits and independent artists, all having a positive impact on the region's economy and growth.

Arts & Science Council: Structure and Function

Founded in 1958, ASC serves Mecklenburg County and leads one of the five largest united fund drives in the country. As an independent 501c3 nonprofit, ASC's current mission is "to build appreciation, participation and support for arts, science, history and heritage in Charlotte-Mecklenburg." ASC accomplishes this through seven areas of operation:

- Advocacy
- Capacity Building
- Cultural Planning
- Grant Making
- Education
- Public Art
- Public Resource Development
- Private Resource Development

Most critically for the Task Force and its consideration of the current and potential funding models for the cultural sector, ASC makes more than 350 grants each year, supporting large and small cultural nonprofits, individual artists, health and educational nonprofits offering cultural programming, public art, professional development and education.

The majority of this grant-making activity (more than 57%) provides Operating Support grants for 23 nonprofits designated Cultural Partners of ASC. These organizations receive between 2% and 23% of their annual operating budgets in unrestricted grants from ASC, and they participate in roundtables, quarterly meetings, workshops and fundraising activities in partnership with ASC.

ASC funding and programmatic activities, and the expenses associated with each activity, are included in the chart below:

Chart 3.1: FY2012 ASC Funding and Programmatic Activities

Programs	Dollars Spent	People Reached
Operating Support	\$7.3M	2,500,000
Projects, Festivals and Access grants	\$314,000	75,000
Special Projects and Technical Assistance	\$268,000	N/A
Professional Development Grants	\$65,000	N/A
Education	\$835,000	112,000 students and teachers
Power2Give.org	More than \$1 million raised in Charlotte; 17 cities nationwide, total of \$3 million+	N/A
Cultural Planning	\$66,000	N/A
Public Art	\$441,445	N/A
Artist Grants	\$50,000	N/A
Charlotte Culture Guide.com	\$348,099	337,000 unique visitors

On a total annual budget of approximately \$16 million, the ASC receives 43% of its income from its Annual Fund Drive, primarily through its highly visible workplace giving campaign at hundreds of employers across Mecklenburg County. The ASC allocates its revenues and expenses as follows:

Chart 3.2: FY2013 Budgeted ASC Revenues

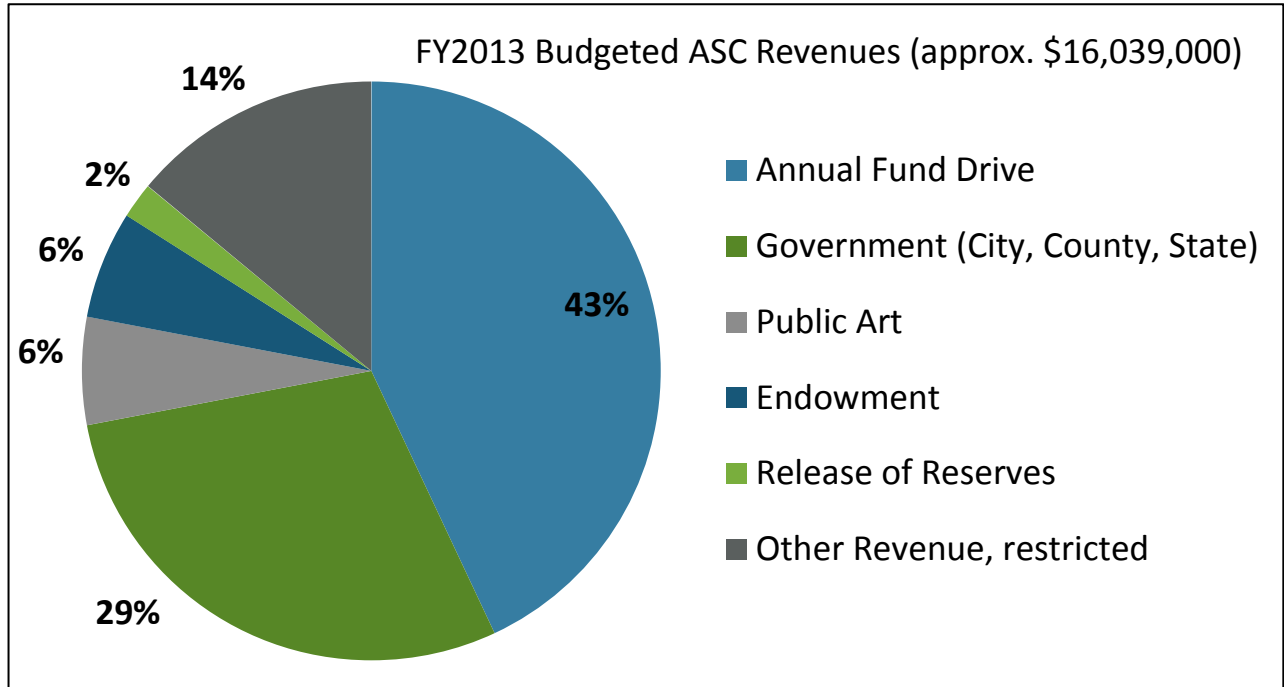
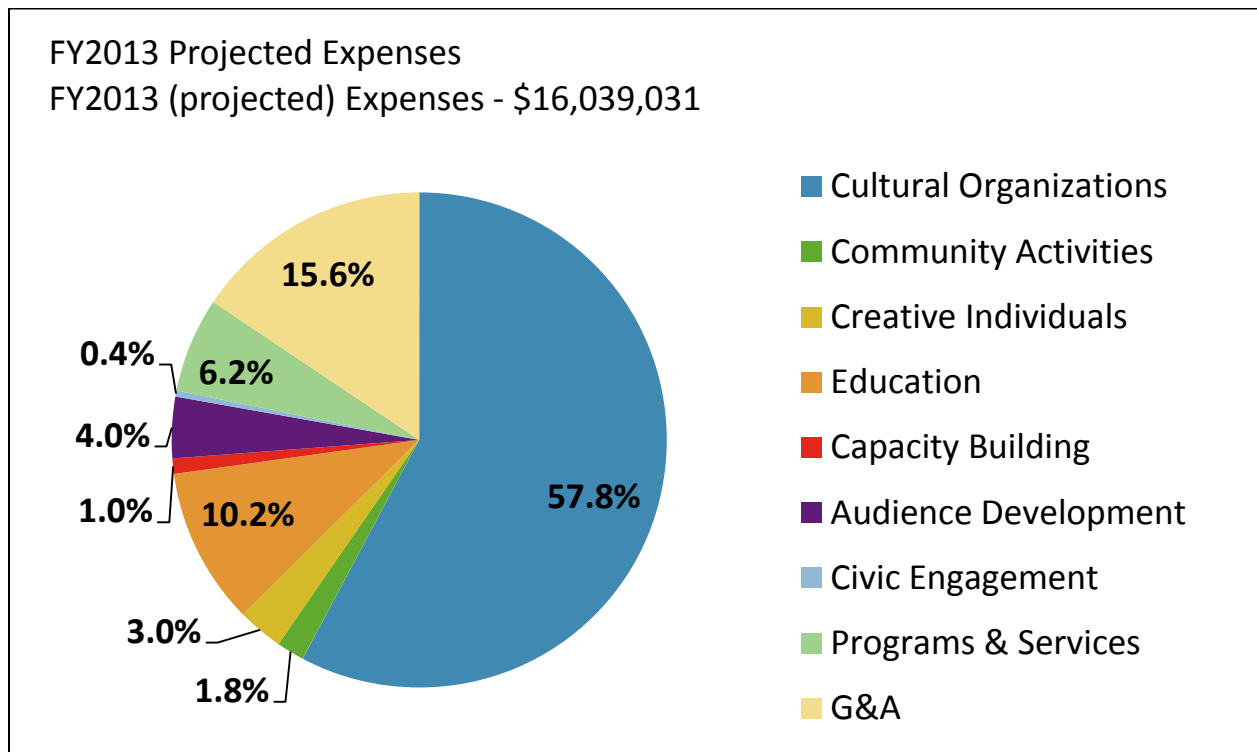


Chart 3.3: FY2013 Projected Expenses



Cultural Partners and Their Programs

The 23 ASC 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. They provide a framework for the sector and for the economic and artistic engine it drives, and their strength and stability is a primary goal of the Task Force’s recommended funding model.

Chart 3.4: List of the 23 Cultural Partners

ASC Cultural Partner	
Actor’s Theatre of Charlotte	Davidson Community Players
Bechtler Museum of Modern Art	Discovery Place
Carolina Actors Studio Theatre	Harvey B. Gantt Center for African-American Arts + Culture
Carolina Raptor Center	Latta Plantation
Carolina Voices	Levine Museum of the New South
Charlotte Ballet	McColl Center for Visual Arts
Charlotte Children’s Choir	The Mint Museum
Charlotte Symphony	North Carolina Blumenthal Performing Arts Center
Children’s Theatre of Charlotte	Opera Carolina
Clayworks	Theatre Charlotte
The Community Arts Project	Wing Haven
Community School of the Arts	

Each year, the Cultural Partners produce more than 75,000 programs and events, including performances, exhibitions, lectures, open studios, music lessons, art classes and science workshops. These programs draw more than 2.3 million participants.

Chart 3.5: FY2013 Cultural Partners Total Attendance

Organization Name	Total Attendance	Total Outreach	Grand Total	Percentage of Total Attendance
Actor's Theatre of Charlotte	9,848	5,850	15,698	0.68%
Bechtler Museum of Modern Art	50,706	6,230	56,936	2.47%
Blumenthal Performing Arts	455,063	8,457	463,520	20.14%
Carolina Actors Studio Theatre	5,703	1,012	6,715	0.29%
Carolina Raptor Center	34,642	35,423	70,065	3.04%
Carolina Voices	7,391	7,110	14,501	0.63%
Charlotte Ballet	40,109	27,429	67,538	2.93%
Charlotte Children's Choir	10,678	3,297	13,975	1%
Charlotte Symphony Orchestra	98,300	31,282	129,582	5.63%
Children's Theatre of Charlotte	214,852	68,668	283,520	12.32%
Clayworks	5,730	2,621	8,351	0.36%
Community Arts Project	2,146	2,181	4,327	0.19%
Community School of the Arts	5,720	1,769	7,489	0.33%
Davidson Community Players	9,423	320	9,743	0.42%
Discovery Place, Inc.	586,707	44,822	631,529	27.44%

Organization Name	Total Attendance	Total Outreach	Grand Total	Percentage of Total Attendance
Harvey B. Gantt Center for African-American Arts + Culture	48,695	14,764	63,459	2.76%
Latta Plantation	36,881	1,254	38,135	1.66%
Levine Museum of the New South	45,622	8,472	54,094	2.35%
Light Factory	23,540	1,199	24,739	1.08%
McColl Center for Visual Art	9,605	6,439	16,044	0.69%
Mint Museum	218,870	39,082	257,952	11.21%
Opera Carolina	14,108	25,450	39,558	1.72%
Theatre Charlotte	15,561	1,025	16,586	0.72%
Wing Haven	6,528	1,130	7,658	0.33%
TOTAL	1,956,428	345,286	2,301,714	

Chart 3.6: FY2013 Cultural Partners Total Attendance By Type

Type of Cultural Partner	Attendance	Percentage
Performing Arts	1,046,961	45.49%
Museums, Science Centers & Historic Sites	1,220,611	53.03%
Community/Educational	34,142	1.48%
TOTAL ATTENDANCE	2,301,714	

The Broader Sector

Charlotte-Mecklenburg enjoys a rich cultural landscape beyond ASC and the 23 Cultural Partner organizations. Although less centralized and coordinated than the Cultural Partners, the region is home to dozens more nonprofit cultural organizations and thousands of professional artists, musicians, historians and scientists contributing to a vibrant creative community.

The Task Force described these organizations and artists as important seeds to be nurtured through a new funding model, including many groups that could be the Cultural Partners of future generations.

Each year, ASC provides a range of grant opportunities which include Cultural Project Grants, Cultural Access Grants, Cultural Innovation Grants, Festival Sponsorships, Technical Assistance Grants, Special Project Grants) and considers 200 requests for funding from arts, science and history local nonprofits, other nonprofits who offer or want to offer a cultural program, grassroots and neighborhood groups, local municipalities, houses of worship and groups representing the breadth of diversity in Mecklenburg County.

For a list of organizations applying for ASC support, see Appendix I.

ASC also funds the work of individual artists through grant programs and training opportunities, and by commissioning and showcasing their work through a variety of programs such as public art and Community Supported Art.

Chart 3.9: Individual Artists Living in Charlotte-Mecklenburg

Type	Number	Percentage
Performing Artists	1,902	40.90%
Visual Artists	2,748	59.10%
Total	4,650	

Source: Americans For the Arts, 2012, Creative Industries Report

In building understanding of the broad cultural sector, it is important to note that the diverse portfolio of cultural facilities across Mecklenburg County are owned, managed or leased by a range of public and private organizations. These include public organizations -- the City of Charlotte, Mecklenburg County, local towns, CMS, CPCC,

UNC Charlotte, State of North Carolina and private nonprofit organizations that own their own facilities as well as those facilities that are leased by nonprofits by owned by private organizations.

Economic Impact

The Cultural Community is Big Business

- 6,240 full time employees in the area, as many as Duke Energy
- Adding the impact of for-profit creative businesses such as advertising agencies, architects and web designers are included, the number of employees grows to more than 14,000, or around Bank of America's local workforce
- \$202 million annual economic impact
- \$18.1 million in local and state government tax revenue currently; more state revenue expected in 2015 when new taxes take effect
- 3.9 million participate in 75,000 separate events, exhibitions and performances annually - more than all local professional sporting events combined
- 1.7 million who participate are children and youth
- 40% of participants from outside Mecklenburg County. Non-residents spend twice as much as locals on ancillary expenses in addition to the cost of tickets or admission (\$41.58 per person per event, versus \$23.54 for locals)

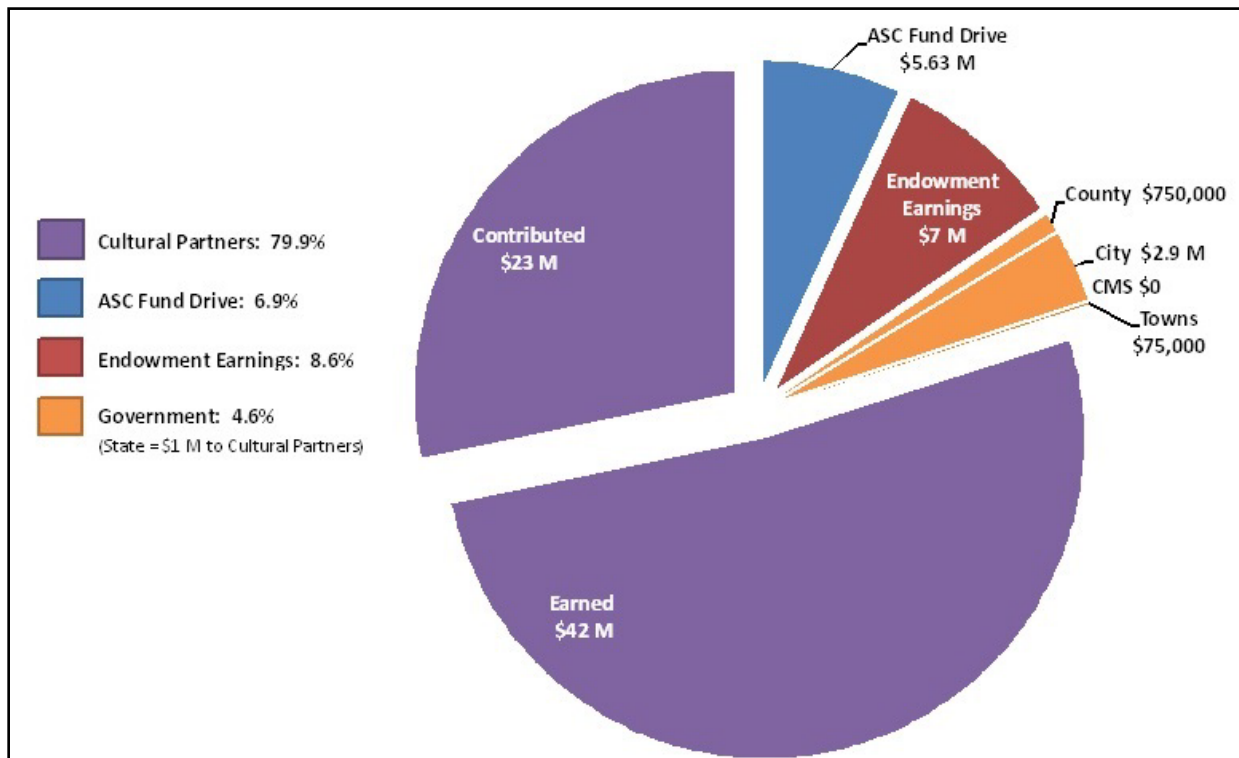
Historic Funding Model


For purposes of describing the overall funding model for the sector, this report will use the 23 ASC Cultural Partner organizations as representatives of the Charlotte-Mecklenburg cultural community. ASC collects detailed financial information on these groups, information that is not readily available for the many smaller organizations that receive either project grants from ASC or no ASC grants at all. This examination will focus on the ongoing operating funds needed to produce community performances and exhibitions, support education programs, pay artists and staff, and ensure buildings are open and welcoming to the public; it will not delve into the capital campaigns of cultural organizations or their current endowment initiatives.

In 2012, Cultural Partners received their operating revenue from seven key sources, some of which are given directly to the groups and some of which are channeled through ASC to be re-granted:

- Earned revenue (ticket sales, tuition, etc.)
 - 51.5%
- Contributed revenue (individual, corporate and foundation gifts)
 - 28.3%
- Arts & Science Council Operating Support Grants
 - 6.9%
- City of Charlotte support
 - 3.6%
- Mecklenburg County support
 - 1.0%
- Support from the six towns in Mecklenburg County
 - Less than 1/100th of a percent
- Endowment earnings
 - 8.6%

Chart 3.11: Cultural Partners Current Funding Model – Operating Funds





Key among the Task Force's findings was the knowledge that the Cultural Partners generate, through earned, contributed and endowment revenue, more than 80% of their own operating funds. They generate four-fifths of their resources, on average, with little to no reliance on public funds from local governments. Although ASC's annual Operating Support Grants are important to the Cultural Partners, those grants have shrunk by more than 25% over the last five years.

That reality has led Cultural Partners to cut programming while at the same time finding and searching for additional funding independent of ASC.

This self-sufficiency is, in large measure, a function of the decline in ASC grants and local government funding, which has decreased the pie slices for those sources and increased both the earned revenue and contributed revenue portions of the groups' budgets over the last five years. The cultural groups making this transition, however, lacked the funds to invest in building the human and technical capital to generate more earned and contributed revenue. This has led to instability and unsustainability, with many nonprofits being starved for resources at the very moment they need to invest in their capacity to generate more funds. The next chapter highlights those key funding trends that led cultural groups to become less reliant on ASC and government support, and the challenges and consequences of this shift.



04

Recent Funding Trends in
the Cultural Sector

Over the last decade, a combination of reduced government support and an economic downturn that affected Charlotte particularly severely has damaged the local cultural community. Built over 50 years through a public/private partnership that engaged the entire region, from corporate leaders to neighbors to school children, the cultural sector is now at risk of losing the institutions that drive economic development, tourism, quality of life and creative education.

ASC: Annual Fund Drive

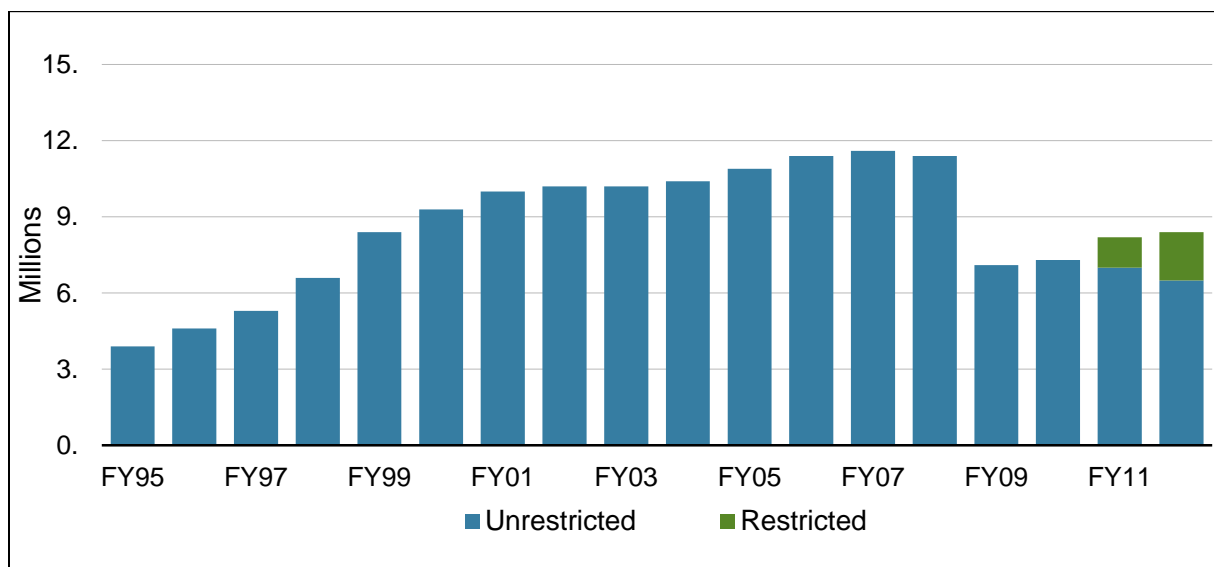
ASC's Annual Fund Drive was, prior to the economic downturn, the second-largest united arts campaign in the nation, and a testament to the rapid growth and generosity of Charlotte's corporate community.

ASC's 2007 campaign raised \$11.6 million from 37,000 donors, but the impact of the recession was acute and worse in Charlotte than in almost any other major city with an annual fund drive. **By 2012, the campaign raised \$8.2 million from 21,000 donors, representing a 43% drop in the number of donors and a 29% drop in the dollars donated.**

The largest drop was in the number of corporate and foundation donors to ASC, which fell from 625 in 2007 to just 196 in 2012. Similarly, the number of employers conducting ASC Fund Drive workplace giving campaigns fell 27% over five years.

Perhaps most critically, the amount of unrestricted money (the lifeblood of the Cultural Partners' operations) given to ASC fell, as more donors chose to restrict their gifts to specific areas of use, such as education. The *unrestricted* dollars given to ASC Fund Drive between 2007 and 2012 fell by 45%, representing a loss of nearly \$4 million each year in operating support to the sector.

Chart 4.1: ASC Annual Fund Drive Track Record



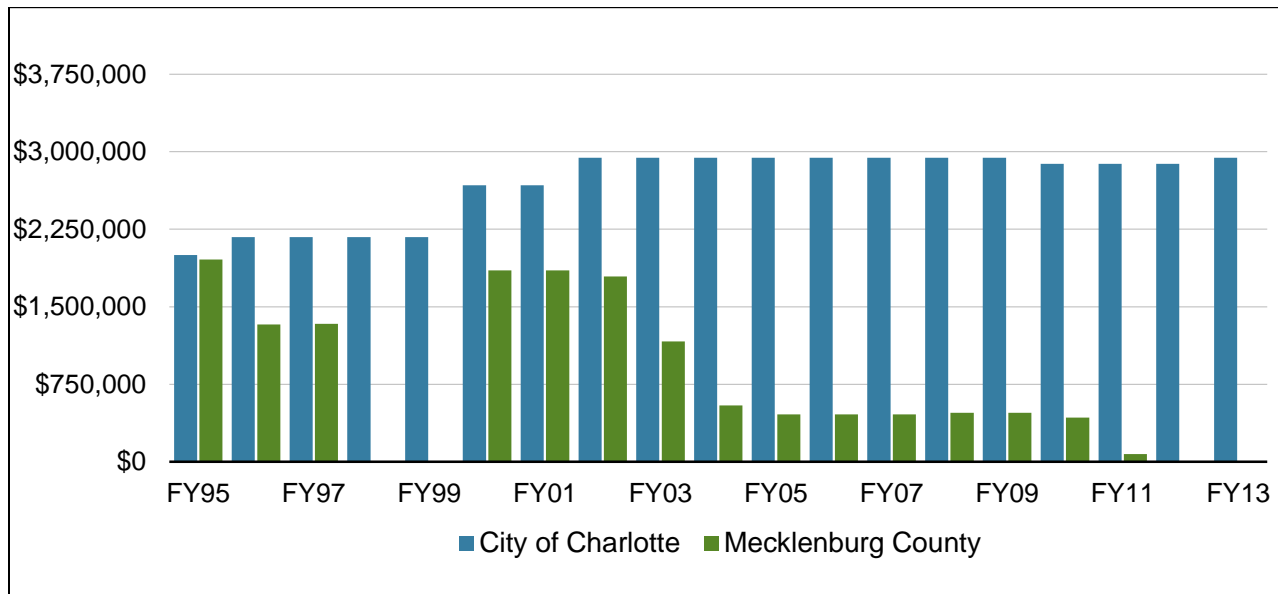
This resulted, almost immediately, in significant cuts to ASC’s Operating Support grants to the Cultural Partners, who were forced to find new sources of revenue, cut their programs and staffs, or (frequently) a combination of both. ASC Operating Support grants were cut by 25% in 2009 and have remained at depressed levels over the last four fiscal years .

Public Funding: Local and State Government

Since ASC’s founding in 1958, and well into the 1990s, local governments were a strong and frequently leading partner in funding the Charlotte cultural sector. It was not until 1996, for example, that private sector giving surpassed government undesignated support as the leading source of funds for ASC. The City of Charlotte and Mecklenburg County were generous supporters of new facility construction, facility operations and operating support for cultural institutions, often through City and County grants to ASC.

In the early 2000s, however, two trends in local public funding emerged. Mecklenburg County funds given to ASC for re-granting to the cultural sector were eliminated entirely, declining from a high of nearly \$2 million in FY2001 to zero in FY2012. And although the City of Charlotte held its unrestricted funding steady at roughly \$2.9 million per year, it has not kept pace with the population growth of the region and the resulting increase in demand for cultural programs. Between 2000 and 2013, the community’s population increased by 42%, while unrestricted City funding remained flat and unrestricted County funding was eliminated.

Chart 4.2: Unrestricted City & County Funding to ASC



The City and County continue their tradition of extraordinary support for new cultural facilities, making bond payments of roughly \$9 million a year to pay for the construction of the Levine Center for the Arts in Uptown and other cultural facility projects. The Levine cultural campus supports only a portion of the Cultural Partners, however, and the most critical need is for unrestricted operating support, making increased government funding of the arts, science and history community essential. Without predictable, ongoing operating funding, the groups that utilize Charlotte’s cultural facilities may not have the resources to produce high-quality programs in them.

State funding has remained slightly more stable during the economic downturn, but a significant imbalance remains: Several cultural organizations in the Raleigh area receive extremely large line-item allocations directly from the State Legislature, while Mecklenburg County organizations of equal or greater size and impact receive much smaller grants through the North Carolina Arts Council (NCAC). All Mecklenburg County cultural organizations *combined* receive approximately \$1 million per year, while the North Carolina Symphony in Raleigh receives \$2.5 million per year.

Similarly, science and history sites/museums outside of Raleigh receive substantially less than their counterpart organizations in Wake County. For example the North Carolina Museum of Natural Science receives \$11.6 million in its annual allocation, and the North Carolina Museum of History receives \$5.6 million in its annual operating allocation. The State budget does provide some funding for science museums across the State, but unlike arts organizations, funding is provided by formula, not by a competitive review process. No State funding is available for history museums or sites not identified as a State Historic Site.

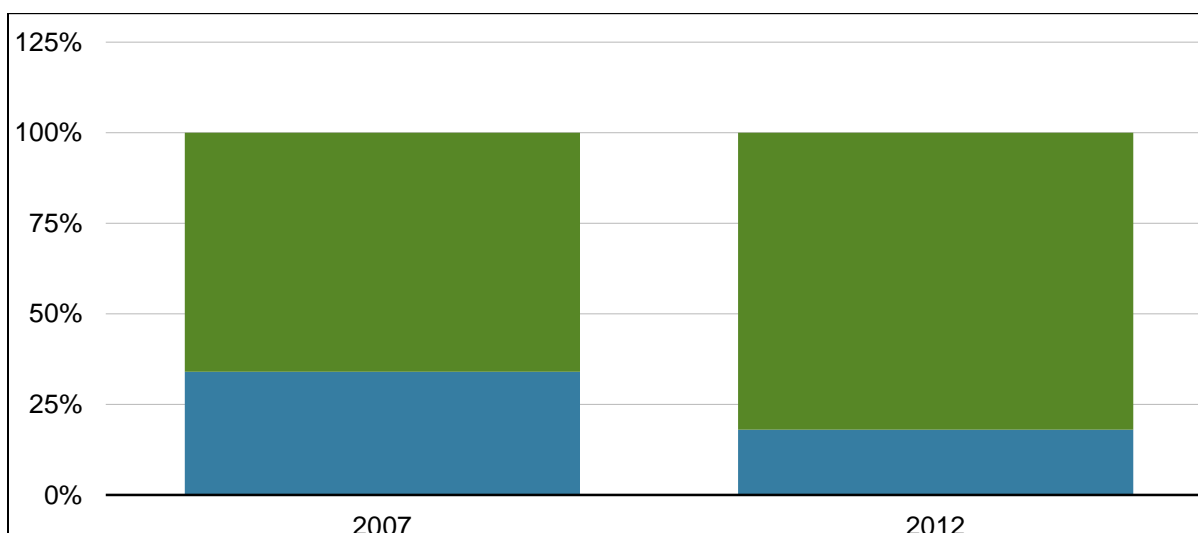
Critical Convergence: The Effect on Cultural Partners

In Charlotte-Mecklenburg, ASC Cultural Partner organizations responded to these financial challenges by replacing lost revenue from ASC, increasing their earned revenue opportunities, shifting more of their resources to programming, and significantly reducing the amount spend on fundraising and marketing. New data analysis shows that although this shift reflects an admirable commitment to preserving community programming and serving audiences, it places organizations in a precarious financial position and is unsustainable in even the short term.

Key findings from the new analysis of Cultural Partner audited financial statements from FY2007 to FY2012 include:

- Total revenue for the sector increased by \$16 million, all of which was attributable to new or expanded facilities and organizations. Increased revenue was driven by new or expanded buildings and sites, such as the Bechtler Museum, Discovery Place Kids (2), the Mint Museum Uptown, the Charlotte Ballet building, the Gantt Center and the Knight Theatre.
- When growth attributable to those new facilities was removed from consideration, total revenue for the Cultural Partners actually declined, losing significant ground to both inflation and population growth.
- Over six years, the Partners reduced the amount spent on fundraising, marketing and administration by \$7 million, representing a 30% decrease in their annual investment in activities that generate revenue.
- These funds have shifted to programming, as the Partners attempted to continue providing services to their community and to meet growing demand for cultural activities. This led groups to move to a collective Program Expense Ratio of 82%, far above nationally recommended benchmarks for sustainable organizations (typically 65-75%).

Chart 4.3: Program Expense Ratio



With the only revenue growth in the sector tied to recent building expansion, which tends to experience a “bump” soon after opening and then return to a slower growth rate, expense growth is outpacing revenue growth. In FY2013, 56.5% of Cultural Partners posted deficits, an increase from 43.5% in FY2007. And early indications are that audits for FY2013 will reflect an even larger collective deficit for the Partners.

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. The solution to these trends should include both increases in unrestricted operating support to the Partners and increased investments in Partner infrastructure, for long-term sustainability.

Consequences and Risks

This intersection of reduced contributed revenue from ASC and government, combined with increased demand for accessible cultural programs, paired with dramatic decreases in revenue-generating fundraising and marketing staff, poses serious risks for the Charlotte region and the cultural community.

Already, the sector has seen major negative effects:

- Cutbacks in operating hours and programming, offering fewer opportunities for families, visitors and patrons to enjoy performances and exhibitions;
- Fewer education, free and access programs, which generally do not generate revenue and are more dependent on grant and donor funding;

- Layoffs and long-term staff vacancies;
- Reduction of staff benefits, making it more difficult to attract top talent;
- Organizations ceasing operations temporarily or permanently;
- Significant reductions in cash reserves, as institutions attempt to preserve their services to the community in the face of declining income.

These negative developments are not easily reversible, and any longer-term incremental recoveries in contributed revenues or government support are not projected to arrive in time to save organizations now operating without sufficient staff, cash reserves, technology infrastructure or revenue-generating assets.

The Task Force's review of ASC and Cultural Partner data reveals the imminent danger that without increases in operating support, as well as targeted investments in fundraising and marketing staff capacity, Charlotte will see more groups go the way of the Light Factory, which recently ceased operations as a professionally staffed nonprofit, and the Charlotte Museum of History, which temporarily halted operations and is now open only three regular days each week for a total of twelve hours. **56.5% of Cultural Partners have a deficit.**



05

Key Findings by
Sector/Source

Throughout the Task Force's work, key pieces of research prompted insights and important conclusions about how the Charlotte-Mecklenburg cultural sector can thrive in the future.

These insights and conclusions have been grouped by sector, based on how research was presented to the Task Force: private sector donors, public sector funding, and the structure of the Arts & Science Council and the Cultural Partners.

These findings and conclusions inform -- and were essential to the creation of -- the recommendations that follow in Chapter 6.

PRIVATE SECTOR

Private Sector Findings

The Charlotte creative and cultural sector has enjoyed a decades-long and beneficial relationship with individual, corporate and foundation donors, who supported the sector's rapid growth and transformed Charlotte into a nationally recognized center for arts, science, history and heritage.


Private sector donors will continue to play an essential role in the transformation of the creative community, helping strengthen the building blocks of the sector and nurture young and emerging organizations and artists.

The Task Force envisions a wider, deeply engaged family of private sector donors giving to ASC Fund Drive and directly to the cultural organizations and causes they love. Two steps are critical to building this wider philanthropic culture: 1) Investing in marketing and development capacity of the core local creative nonprofits; 2) Developing the database and ability to transfer ASC donors to cultural groups in which donors are interested.

Private Sector Background

Highlights of the Task Force's research into private sector giving, donor trends, cultural organization critical needs, and funding models in comparable cities include:

- Nearly 3,000 private citizens expressed their opinions about the cultural sector through the Cultural Vision Plan, and they resoundingly asked for more programming, particularly in neighborhoods, through education initiatives, and in culturally relevant and innovative programs. Surveys through the Urban Institute reinforce that local residents value cultural programming, want arts and science



education in the public schools, and support government funding for the creative sector.

- The cultural sector is a major regional employer, a leading driver of tourism and economic development, and essential to business and employee relocations to Charlotte. Private sector investments in the cultural sector pay tangible financial dividends *for* the private sector.
- Private sector support is essential to the stability and growth of the cultural sector, and increasing private donations directly to cultural organizations is a key long-term solution for sustainable financial support.
- Over the last six years, the number of donors to ASC has declined, and the number of donors to the Cultural Partners has not increased correspondingly. As other sources of funding (e.g., ASC grants, public funding) decreased, this has made Cultural Partners more dependent on a relatively small number of private sector donors for increasing amounts of funding.
- After years of funding cuts, the cultural sector is not in a position to expand programs or grow revenues without a strategic expansion of its development and marketing staff capacity.

Private Sector Conclusions

The Task Force's research led members to several conclusions about how the private sector can and should be involved in the Charlotte cultural community's renaissance.

- The most significant, sustainable growth in the cultural sector will come from nurturing committed donors who are personally and directly involved with one or more arts, science or history nonprofits.
- ASC Fund Drive has enormous untapped potential as a conduit for connecting workplace giving donors to cultural organizations throughout the community, building passionate donors and patrons.
- With support to strengthen their marketing and development staffs, the Cultural Partners can shepherd, steward and welcome ASC Fund Drive donors by helping them find the organizations and programs they enjoy the most.
- The wider Charlotte community does not have a clear understanding of the important role the cultural sector plays in our civic growth, financial well-being, education and quality of life

Recommendations for 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.

Short-Term Stabilization Strategies – One to Five Years

- ASC and Cultural Partners, recognizing that the nature of workplace giving is evolving, collaborate to find the best new community fundraising model for the region. This includes commissioning a transitional study to develop and assess innovative new community-wide “engagement” models (as opposed to fundraising models), that will be an effective bridge between public and private cultural sector support over the next five to ten years.
- Communicate the value and importance of the Cultural Campaign and the sector through stories of economic impact, personal involvement, accessibility and solving community challenges. Use this communication campaign to better position the sector as it competes for fundraising and participation dollars with a wide range of other charitable and entertainment opportunities.
- Strategically bolster the ASC Campaign Cabinet with strategically chosen senior community and corporate leadership to increase the influence and reach of the Campaign.

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. These include staff, training and technology, preferably through multi-year project grants;
- ASC and the Greater Charlotte Cultural Trust invest in training and staff positions within cultural organizations to cultivate and steward major individual gifts.

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

PUBLIC SECTOR

Public Sector Findings

Over the course of four decades, the Charlotte-Mecklenburg creative and cultural community was built through a unique partnership between the private and public sectors. Local governments invested in arts, science and history for the benefit of all citizens, and private donors worked in collaboration with elected officials to cultivate high-quality programs, organizations and artists for Charlotte.

Until 1996, the public and private sectors provided almost equal support to the cultural organizations. After 1996, the balance shifted to the majority of support being provided by an enlightened and generous private sector. By 2013, the public sector provided almost no unrestricted programming dollars to the cultural sector. At the same time, the public sector provides millions of dollars annually in bond debt payments, along with operating/capital maintenance for City and County owned facilities.

After years of reductions in operating funds available to the sector, the Task Force recommends that the historically equal public/private partnership be renewed in order to preserve and expand cultural opportunities for future generations.


Public Sector Background

Highlights of the Task Force's research into public sector support, long-term trends, cultural organization critical needs, and funding models of comparable local governments include:

- In supporting creativity and culture, elected officials reflect the will of Charlotte-Mecklenburg residents: The Cultural Life Survey found that 71% of citizens support government funding for arts, science and history, and 82% of citizens strongly value art, music, drama and dance instruction in public schools.
- The Charlotte cultural sector welcomes 3.9 million attendees per year, with more than 1.7 million of them being children and youth whose education is enhanced by arts and science education.

- Currently, there is no funding for professional cultural programming in public schools. The program and transportation costs for CMS cultural field trips and in-school residencies are paid for entirely by private donors giving to ASC and the Cultural Partners.
- Students who participate in the arts in school have higher GPAs, higher standardized test scores and lower dropout rates. STEM programs offered by science organizations have been identified as a key component of careers that drive the emerging economy.
- Significant public support is key to many local and regional cultural funding models, ranging from cultural facility ownership and operations (Dallas) to a regional sales tax generating \$45 million per year for cultural groups in a multi-county area (Denver).
- In a significant number of comparable cities nationwide, the cultural sector is represented by a City or Mayor's office department. In Charlotte, this function is performed by the Arts & Science Council, an independent 501c3 nonprofit.
- Charlotte's reputation as a national model for cultural sector growth and quality was born from the combination of government, corporate and individual support for the sector.
- Local government funding for the cultural sector has not kept pace with the demographic growth of the community: Since 2000, unrestricted City funds have remained flat in the face of 32% population growth, and unrestricted County funds were eliminated entirely.
- Investment in the cultural sector produces positive returns for government: The local nonprofit cultural sector employs more than 6,200 people, generates \$202 million in economic impact, produces \$18.1 million in local and state tax revenues, and offers 75,000 annual programs and events.
- Creativity, especially in an innovative workforce, is essential to a thriving community and region. Cultural activities are a key factor in corporate relocation decisions, and a recent IBM Global CEO survey cited creativity as the #1 desired skill for new employees.
- The State of North Carolina provides disproportionate support to cultural organizations in Wake County because of their state resource designations, despite Mecklenburg County having comparable or larger populations, attendance figures and community impact.

Public Sector Conclusions



The Task Force's research led members to several conclusions about how the public sector can and should be involved in the Charlotte cultural community's stabilization and growth.

- Charlotte-Mecklenburg residents want expanded cultural programming that is accessible to even more people, and they support government funding to make that happen.
- Local government has invested generously in physical facilities, but funding for programming and operations has fallen dangerously behind the need, especially as the City and County population boomed. This creates the risk of beautiful cultural buildings without enough programs, funding or staff to operate them.
- Access to high-quality arts, science, history and heritage programs is essential to Charlotte's quality of life and a core part of Charlotte's identity as a progressive Southern city.
- Public funding for the cultural sector represents an investment in the region's quality of life, its attractiveness to new businesses, its innovative workforce, and its tourism industry.
- Public funding for the cultural sector can ensure access to cultural programs for *all* residents, including those who otherwise could not participate, and it can help make the Cultural Vision Plan a reality.
- Providing cultural opportunities such as field trips and residencies for CMS students should be a shared effort between CMS and private sector donors.
- By investing in creativity and culture, elected officials can build Charlotte's brand as an innovation hub and an attractive place for businesses to locate and recruit employees.
- Mecklenburg County would benefit from a reallocation of state funding to a more equitable distribution among North Carolina cultural organizations.

Recommendations for 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 built the cultural facilities and the cultural sector over the last 40 years.

Short-Term Stabilization Strategies – One to Five 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 to generate an additional \$1,040,000 per year. This would restore funding to 2002 levels and generating additional operating support for the Cultural Partners, as well as funding shared resources to benefit the sector (investing in the data project, increased marketing, etc.) and to rebuild infrastructure that leads 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.

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.

CMS: Charlotte-Mecklenburg Schools restore 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.

State: ASC, Center City Partners, Cultural Partners and the CRVA 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. (One example: One museum in Raleigh receives \$16 million in state support each year, while all Mecklenburg County cultural organizations *combined* receive \$1.4 million total from the NC Arts Council and the Grassroots Science Fund. Another: State funding for Wake County is approximately \$30 per capita, while Mecklenburg County receives \$1.40 per capita from the state.)

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.

Long-Term Growth Strategies- Five to 10 years

- 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.

ASC & Cultural Partners Findings

As the Task Force delved into the intricacies of the cultural sector's funding model, consensus emerged that the Arts & Science Council was an essential and vitally important consideration in any recommendations or changes to the sector.

The Task Force supports ASC's role as Charlotte-Mecklenburg's local arts agency, and it recommends continuation of ASC's Annual Fund Drive and workplace giving fundraising efforts. Members believe, however, that ASC is in need of reconsideration and reinvention, and it can better fulfill its potential through a strategic redefinition of its purpose and services.

ASC & Cultural Partners Background

Highlights of the Task Force's research and findings about the current cultural sector funding model and the role of ASC include:

- ASC Fund Drive remains the largest and most effective way to generate new donors for the cultural sector, although the participation and engagement of many of those donors remains low.
- ASC has begun adapting its 20th century workplace giving funding model for the 21st century through innovative new programs like Power2Give.org, which has attained national success and recognition.
- Operating support is the most critical type of funding for local cultural organizations, and the one most difficult to obtain, as many funders have shifted primarily to project grants. Operating support from ASC to the Cultural Partners has declined by more than \$4 million per year over the last five years.
- ASC remains the largest local grantor of unrestricted operating dollars, giving more than \$6 million per year to its Cultural Partners.
- Over the last six years, revenue growth among the Cultural Partners has been attributable entirely to new buildings in Uptown Charlotte. When revenue related to the new buildings is removed, total revenue for the rest of the Partners has contracted.
- The Cultural Vision Plan calls for more accessible, neighborhood-based, culturally relevant programming that engages all Charlotte-Mecklenburg residents.
- The local cultural sector is a major driver of tourism and economic development, but the sector and ASC remain poorly integrated into the larger business and tourism promotion organizations.
- ASC has untapped potential for expanded advocacy, promotional and marketing functions, assuming staff and technology investments in those areas.
- Cultural organizations lack the internal resources to collect and analyze donor and patron data in a cost-effective and strategic manner. ASC has begun to

address this through its multi-year data management and analysis project with consultant Louise Stevens.

- Cultural Partners are spending a greater percentage of their budgets on programming than is recommended by national groups like Charity Navigator and Guidestar, while spending an inappropriately low percentage on fundraising and administration. This process of “starving” revenue-generating departments like fundraising and marketing is unsustainable.

ASC & Cultural Partners Conclusions

The Task Force’s research led members to several conclusions about how ASC can and should be involved in the Charlotte cultural community’s stabilization and growth.

- ASC can leverage the arrival of its new CEO this spring as an opportunity to reinvent its mission, programs and structure.
- The Annual Fund Drive and its workplace giving components need to be strengthened and grown, in parallel with investing in innovative new fundraising models that can complement the Annual Fund Drive.
- ASC can better serve as a conduit for new cultural donors to learn about and support specific Cultural Partners.
- The 23 Cultural Partners are the building blocks of the entire cultural community, and community members and donors want to see them supported and strengthened through Operating Support Grants.
- Smaller groups, educational programs and individual artists should also be part of ASC’s focus.
- The cultural community is a major player in the fields of tourism and economic development, and it needs to be “at the table” and well integrated into the region’s promotional organizations.
- ASC is uniquely well positioned to serve as the sector’s data collection, management and analysis center, providing donor and patron insights that can help Cultural Partners increase attendance and donations.

Recommendations for ASC and Cultural Partners

ASC begins a comprehensive process of reinventing its mission, structure and relationship to the cultural sector, focusing on the new and expanded goals and recommendations in this report.

Short-Term Stabilization Strategies – One to Five Years

- Restructure ASC board of directors, governance process, staff and operations to fulfill these recommendations.
 - ➔ Focus the board on the messaging, fundraising, advocacy and influence skills needed to implement these Recommendations and elevate the sector's funding over the next ten years.
 - ➔ Consider the creation of an advisory board for ex-officio members, enabling a smaller and more focused governing and fundraising board for ASC.
- In part with increases in government funding, ASC works to return Cultural Partner operating grants as close as possible to pre-downturn levels. Short-term increases in funding support are made with the goal of longer-term self-sufficiency and sustainability.
- With new dollars, Cultural Partners first build their revenue generation capacity, including the technology and donor stewardship practices to interface with ASC donor database.
- As additional funds become available, ASC and the Cultural Partners begin to implement 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.
 - ➔ ASC takes the lead on coordinated advocacy for changes in public funding of the cultural sector, charitable tax law, zoning and other regulatory issues.
 - ➔ ASC investigates additional opportunities to serve the cultural community as a trade association or professional association.
- 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.
- Make the Charlotte region recognized as a cultural tourism destination and a desirable region for corporate relocation.
 - ➔ Strengthen partnerships 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.
 - ➔ Partner with chambers of commerce, downtown districts and economic development organizations across the region to emphasize the sector’s economic importance and leverage the sector for corporate relocations.
 - ➔ Through corporate leadership networks, create the expectation that relocations and new businesses will support the Charlotte cultural sector financially and be leaders in employee engagement and participation.
- ASC, in partnership with the Cultural Partners, designs and implements a comprehensive communication strategy that makes the case for additional participation and funding *and* educates the wider community about the value of the cultural sector (economic development, quality of life, employment, education, etc.). This strategy includes design and communication of creative benefits for businesses participating in the cultural sector, both financially and through employee engagement initiatives.

Connections and Data:

- ASC makes a major investment in gathering, housing and analyzing **donor and patron** data on behalf of the Cultural Partners, to be used as a tool for the Partners to increase their fundraising and marketing capacity.
 - ➔ Start-up costs include the hardware and software needed for data analytics, for supporting the Cultural Partners and their participation in the data project, and for implementation of a loyalty card and cultural sector rewards program.
- 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;
- As part of its focus on workplace engagement and determining employee interests and preferences, ASC also collects and shares **engagement** data with the Cultural Partners. This information would come from vehicles (surveys, focus groups) that encourage employees to provide input regarding their connections to and interest in the cultural sector and its programming.

Fundraising and Grant-Making:

- Focus additional expansion in ASC funding on the data management project, 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.
- Create a new ASC grant pool to begin funding implementation of the Cultural Vision Plan, beginning with \$1 million-\$1.5 million per year and increasing to \$3 million annually within five years.
- Research and promote new methods of reaching community donors outside the workplace through programs like power2give.org and Days of Giving.
- Invest heavily in ASC and Cultural Partner development teams to support expansion of current Fund Drive and create new avenues of donor engagement and community giving.
 - ➔ Benchmark successful, comparable development departments (Chamber, major nonprofits, universities, hospitals) and hire accordingly.
 - ➔ At the same time, potential areas of fundraising staff collaboration for ASC and the Cultural Partners are considered (ex: endowment, prospect research, corporate, etc.)



Long-Term Stabilization Strategies – Five to 10 years

- 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.



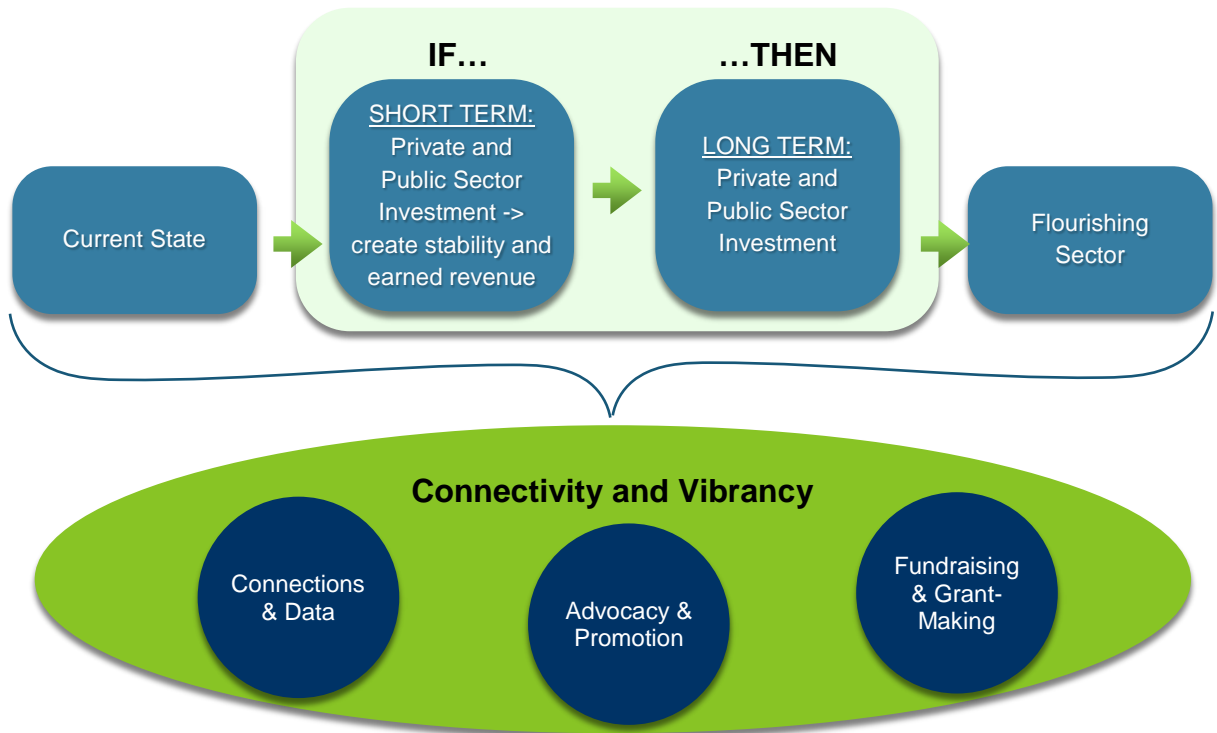
06

Recommendations by
Sector/Source

As it crafted recommendations for the Cultural Sector, the Task Force grouped potential changes into two categories: short-term stabilization efforts and long-term growth initiatives.

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 data base 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.
- Reinvent ASC and its mission from the ground up so that it can be more effective in leading the cultural community's adaptation to 21st-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.

To achieve these goals, the Task Force recommends strategies in two categories: short-term stabilization and long-term growth.

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.

ASC & Cultural Partner Structure:

- ASC begins a comprehensive process of reinventing its mission, structure and relationship to the cultural sector, focusing on the new and expanded goals and recommendations in this report.
- Restructure ASC board of directors, governance process, staff and operations to fulfill these recommendations.
 - ➔ Focus the board on the messaging, fundraising, advocacy and influence skills needed to implement these Recommendations and elevate the sector's funding over the next ten years.
 - ➔ Consider the creation of an advisory board for ex-officio members, enabling a smaller and more focused governing and fundraising board for ASC.
- In part with increases in government funding, ASC works to return Cultural Partner operating grants as close as possible to pre-downturn levels. Short-term

increases in funding support are made with the goal of longer-term self-sufficiency and sustainability.

- With new dollars, Cultural Partners first build their revenue generation capacity, including the technology and donor stewardship practices to interface with ASC donor database.
- As additional funds become available, ASC and the Cultural Partners begin to implement 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.
 - ➔ ASC takes the lead on coordinated advocacy for changes in public funding of the cultural sector, charitable tax law, zoning and other regulatory issues.
 - ➔ ASC investigates additional opportunities to serve the cultural community as a trade association or professional association.
- 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.
- Make the Charlotte region recognized as a cultural tourism destination and a desirable region for corporate relocation.
 - ➔ Strengthen partnerships 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.

- ➔ Partner with chambers of commerce, downtown districts and economic development organizations across the region to emphasize the sector's economic importance and leverage the sector for corporate relocations.
- ➔ Through corporate leadership networks, create the expectation that relocations and new businesses will support the Charlotte cultural sector financially and be leaders in employee engagement and participation.
- ASC, in partnership with the Cultural Partners, designs and implements a comprehensive communication strategy that makes the case for additional participation and funding *and* educates the wider community about the value of the cultural sector (economic development, quality of life, employment, education, etc.). This strategy includes design and communication of creative benefits for businesses participating in the cultural sector, both financially and through employee engagement initiatives.

Connections and Data:

- ASC makes a major investment in gathering, housing and analyzing **donor and patron** data on behalf of the Cultural Partners, to be used as a tool for the Partners to increase their fundraising and marketing capacity.
 - ➔ Start-up costs include the hardware and software needed for data analytics, for supporting the Cultural Partners and their participation in the data project, and for implementation of a loyalty card and cultural sector rewards program.
- 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;
- As part of its focus on workplace engagement and determining employee interests and preferences, ASC also collects and shares **engagement** data with the Cultural Partners. This information would come from vehicles (surveys, focus groups) that encourage employees to provide input regarding their connections to and interest in the cultural sector and its programming.

Fundraising and Grant-Making:

- Focus additional expansion in ASC funding on the data management project, 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.

- Create a new ASC grant pool to begin funding implementation of the Cultural Vision Plan, beginning with \$1 million-\$1.5 million per year and increasing to \$3 million annually within five years.
- Research and promote new methods of reaching community donors outside the workplace through programs like power2give.org and Days of Giving.
- Invest heavily in ASC and Cultural Partner development teams to support expansion of current Fund Drive and create new avenues of donor engagement and community giving.
 - ➔ Benchmark successful, comparable development departments (Chamber, major nonprofits, universities, hospitals) and hire accordingly.
 - ➔ At the same time, potential areas of fundraising staff collaboration for ASC and the Cultural Partners are considered (ex: endowment, prospect research, corporate, etc.).

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.
 - ➔ ASC and Cultural Partners, recognizing that the nature of workplace giving is evolving, collaborate to find the best new community fundraising model for the region. This includes commissioning a transitional study to develop and assess innovative new community-wide “engagement” models (as opposed to fundraising models), that will be an effective bridge between public and private cultural sector support over the next five to 10 years.
 - ➔ Communicate the value and importance of the Cultural Campaign and the sector through stories of economic impact, personal involvement, accessibility and solving community challenges. Use this communication campaign to better position the sector as it competes for fundraising and participation dollars with a wide range of other charitable and entertainment opportunities.
 - ➔ Strategically bolster the ASC Campaign Cabinet with strategically chosen, senior community and corporate leadership to increase the influence and reach of the Campaign.

- 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. These include staff, training and technology, preferably through multi-year project grants;
 - ➔ ASC and the Greater Charlotte Cultural Trust invest in training and staff positions within cultural organizations to cultivate and steward major individual gifts.


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. This would restore funding to 2002 levels and generating additional operating support for the Cultural Partners, as well as funding shared resources to benefit the sector (investing in the data project, increased marketing, etc.) and to rebuild infrastructure that leads 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 restore 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: ASC, Center City Partners, Cultural Partners and the CRVA 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. (One example: One museum in Raleigh receives \$16 million in state support each year, while all Mecklenburg County cultural organizations *combined* receive \$1.4 million total from the NC Arts Council and the Grassroots Science Fund. Another: State funding for Wake County is approximately \$30 per capita, while Mecklenburg County receives \$1.40 per capita from the state.)

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
TOTAL			\$3.535 million +

New Private Sector Growth

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

New Cultural Partner Revenue

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.

Private Sector:

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

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.

Public Sector:

- 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.