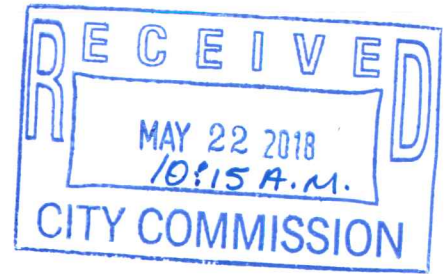


# OLD SCHOOL SQUARE



May 17, 2018

Mayor and City Commissioners  
c/o City Manager  
City of Delray Beach  
100 NW 1<sup>st</sup> Avenue  
Delray Beach, FL 33444

RECEIVED  
MAY 22 2018  
CITY MANAGER

Dear Madam Mayor and Commissioners,

Over the last three years, the Old School Square team has been united in our commitment to implement operational improvements and stimulate our development efforts to create a platform for long-term fiscal sustainability. In spite of numerous improvements made to our operations over the past two years, we find now that we will require some additional support to achieve this goal.

In making the sweeping changes necessary to enact a practical sustainability plan, we discovered in this process that over the past OSS has dramatically and consistently “over-delivered for underfunding.” What this means is that for more than a decade, instead of charging more to cover the true cost of our public offerings, OSS filled the gap and met the shortfalls by utilizing internal reserves. These reserves were created long ago when OSS was the fortunate recipient of several very generous bequests from members of our community. In retrospect, using these reserves to ameliorate operational losses instead of securing adequate external funding was a mistake.

Two years ago, in an effort to gain operational efficiencies of this great institution, we segmented the revenue streams of Old School Square into four distinct business units. While this process involved several months of accounting adjustments including the creation of an entirely new chart of accounts in our accounting system and internal processes with the way we managed, it enabled us to fully understand the fact that we had never fully realized the exact cost of delivering high-value services to the community we serve.

We are headlong into the cycle of building a new paradigm, and are achieving much success. During the past 18 months, we completed interior building and equipment renovations, enhancements, and replacements totalling over \$1.3 million, and we are proud that we achieved this through private contributions made to our city owned buildings. However, to facilitate the emergency replacement of some of our aging equipment, we were forced to use significant sums from our privately funded reserves as well. Compounding this issue was the change in city policy regarding the public use of the Old School Square grounds two years ago. This reduced our revenues significantly, and until the need to use our reserves for these purposes surfaced, we were confident they would hold out until the turnaround changes to our business units came into effect. We now find ourselves in the position of requiring additional municipal support to balance our operational and contributed income streams.

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As you will recall, about a year ago Old School Square prepared a document titled "Fiscal Sustainability Forecast" and shared this plan with all of the seated City and CRA commissioners. Both commissions supported the increased municipal support that the forecast called for. Six months into the first year of this 3-year forecast, OSS has accomplished the aggressive operational changes described in the plan. By any measure, this is a remarkable achievement, and it clearly demonstrates OSS's stoic commitment to achieving our financial goals. The forecast also called for an inordinately high level of "major gift" development revenue (\$600,000), and at the halfway mark we are well short of this goal. The untimely physical plant needs, coupled with the timing of our major gift development efforts, necessitate the need for near-term financial support.

We previously sent a request for additional support to the Delray Beach CRA, but were requested to address our request to the City Commissioners. To that end, to maintain current operations, OSS is requesting \$240,000 of additional municipal support from the City of Delray Beach by early June of 2018.

In addition, please be aware we are now also focusing on the balance sheet impact caused by the depletion of our reserves. We expect this challenge will need to be addressed as we look to the 2018-2019 fiscal year, and we are exploring all options in this final step of righting the OSS ship. We have generated a substantial body of financial documentation to support our appeal and we are anxious to share it with you when we sit down to discuss this pressing need.

Much has been accomplished, and Old School Square is poised to complete a comprehensive turnaround of this venerable campus. We are utilizing best business practices in every aspect of our operation, and the results are evident internally and externally. We are hopeful that you will continue to see the City's investment in Old School Square as a solid one, driving economic activity and providing worthwhile cultural and entertainment experiences for visitors and residents alike. We respectfully ask for the City's consideration in working through the financial challenge directly in front of us.

Sincerely,



William E. Morris, Chairman  
Board of Directors