

Old School Square (OSS) – Funding Presentation
For June 5, 2018 City of Delray meeting

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Executive Summary

Old School Square (OSS), a non-profit performing and visual arts institution based in Delray Beach, is a key pillar of the City of Delray Beach's mission to provide a vibrant cultural community as a key element of the Delray Beach "All America City" positioning.

As a non-profit entity separate from the City of Delray Beach, OSS is able to provide a multiple amount of cultural and entertainment activities and services to the community without the City of Delray Beach having to support 100% of the OSS's budget. The majority of funding comes from operational activities and gifts / memberships / sponsorships, with the City of Delray Beach providing about a quarter of annual budget.

OSS is an important economic driver to our city. According to a survey conducted by the Palm Beach Cultural Council in 2015 (see attached), the activities at OSS annually generate approximately \$102 million in culture-related spending, including \$14 million in visitor trip spending in Palm Beach County directly attributable to primary tourist attendance in addition to event-related spending.

As demonstrated, in addition to providing cultural activities that benefit the quality of life of Delray Beach, the economic impact of OSS is *over 100 times* the amount graciously provided each year by the City of Delray Beach.

OSS faces a deficit of \$240,000 for the remainder of this fiscal year ending September 2018, even after recently having taken a number of extraordinary measures to reduce costs. Note that our Board of Directors is in the midst of reviewing and continuing to take further action across all programs, activities, and expenses throughout the organization.

OSS is requesting a one-time extraordinary additional contribution of \$240,000 from the City of Delray Beach to meet its obligations and continue operating through the remainder of this fiscal year.

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This document outlines the contributions of Old School Square to the community, how the organization arrived at the current shortfall situation, the lessons learned, and the actions already taken and being contemplated to ensure the fiscal health and sustainability of OSS over the long term.

What OSS does for Delray Beach?

1. Attracts visitors to Delray Beach. OSS is the most widely visited cultural venue in Palm Beach County
2. Generates over \$4 million in local government revenue per year
3. Generates over 2,000 FTE jobs
4. Generates over \$42,000,000 in annual residential household income
5. Generates \$14 million local visitor trip spending
6. Generates \$102 million in culture related spending
7. Provides cultural and entertainment opportunities to the residents of Delray Beach
8. Serves over 1,500 local residents who attend our arts related classes annually
9. Serves 13,000 attendees at our free outdoor concerts
10. Hosts over 500,000 attendees annually for events and gatherings on our campus
11. Provides 2,775 offerings composed of 590 distinct events hosted annually for the community.
12. Relieves the City's Parks & Recreation Department from the need to provide art classes, creative writing classes, photography classes, thus saving the city's direct resources.
13. Provides a competitive advantage to Delray Beach by being a major differentiator in what makes Delray Beach different from any other city in Florida – a cultural center on 4.5 acres in the heart of our downtown.
14. Is the home of the Christmas celebration and numerous other community events such as town hall meetings and just recently, the Parkland Shooting gathering of students.
15. Provides a gathering place for the community. OSS is the city's "living room", our "town square" located in the heart of our downtown.

What Happened? Why are we here?

1. For over 10 years, OSS has drawn from its investment accounts to cover the true cost of our offerings. We hired a new CEO two and a half years ago with the strong directive to reverse that trend. At that time we set out to make organizational changes to not only make OSS a better institution, but also to make it more attractive to potential donors.
2. Accomplishments made in the last two and a half years:
 - a) Created and implemented a new organizational chart and structure for better functional management and efficiency
 - b) Expanded our offerings to be more inclusive to all segments of the community
 - c) Worked with the City and CRA to repair the exterior of the buildings to make them more attractive and inviting to visitors
 - d) Revamped the accounting system completely with a new chart of accounts
 - e) Created 4 distinct business units to better manage each area and understand financials for each
 - f) Hired personnel dedicated to focus on sponsorships and private giving to increase our levels of support
 - g) Enhanced the branding and benefits of our membership giving levels, including the creation of the “Producer’s Lounge”
 - h) Pursued and obtained a major gift: A \$1 Million donation specific to the Cornell Museum to completely renovate the interior and infrastructure of the museum
 - i) Leveraged OSS enhanced assets for higher sponsorships levels (Example: Curated events at Cornell Museum by major sponsors)
 - j) Received the highest level of giving by patrons in our history other than bequests.
3. For over a year, a significant amount of time was spent by the CEO and board members on a renewal of our expiring long term lease with the City. Our CEO spent hundreds of hours negotiating and re-negotiating lease terms. However, it was essential to have a long term lease in place to continue to operate OSS over the long term, strategically plan, and ensure current and potential donors and sponsors.
4. OSS suffered \$80,000 annual loss in revenue through the cut-back on community events held on our site, deepening our deficits.
5. With the prospective donors we were courting, we felt confident one would come through with a naming right or a significant contribution. This funding expectation was incorporated in our budget. Unfortunately, despite a significant amount of time

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and presentations, we were unsuccessful, and the last of our investment funds have been put into the operation of OSS. That is why we are asking for a \$240,000 financial assistance grant to sustain us through the fiscal year.

Lessons Learned

- 1) To be even more responsive to community needs and additional targets, OSS made a decision to expand and increase the number of tracks, programs and offerings. However, expanding our offerings added significant complexity, complicated OSS schedules, and added costs. At times there were multiple events for the same weekend, even the same night sometimes. This restricted the available customer base and created overtime expenses for the organization.
- 2) Revamping the accounting system was a process that took several months. When it was done, we had more visibility as to how each business unit was doing financially. However we found that because of the mismatched timing of revenues and expenses for each business unit, it was difficult to accurately forecast our annual outcome for each because we had no history to make comparisons against.
- 3) When our financial model for booking shows was developed, we used a 75% occupancy estimate to forecast profitability the first year it was used. That was too high and we suffered significant losses as a result of that assumption. We now use a 50% ratio.
- 4) Based on our positive activity with some targeted donors, we expected and relied on one or two additional major donations to come in. However, this didn't happen and we did not reach our private giving goals. We learned that cultivating private donors is a long-term effort, and that our budget can't rely on major gifts until we have a proven development process and can demonstrate a track record of predictable success in that area.

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- 5) OSS advertising and communications approach was designed to enhance the overall brand (visibility, awareness and reputation) of OSS across the multiple audiences and constituencies. And to make each audience aware of the other types of activities at OSS they had not experienced. However, we learned the advertising approach was too general, and did not focus enough on discrete audiences. Our offerings vary greatly and attract different audiences, meaning different forms of advertising / communications / positioning must be used to reach each audience.

What are we doing about it?

1. We are now implementing changes to maximize net revenues in each of our business units.
2. We are rightsizing the Organization.
3. We are revamping the strategy, methodology, responsibilities and activities in how we manage and execute each program and event.
4. We are enhancing operations and finance procedures.

1. Implementing changes to maximize net revenues in each of our business units

Programming

- Implemented monthly black-out dates when OSS is closed. This will save \$5500 per black-out day.
- Cancelled all programs in the Fieldhouse, and moving forward the fieldhouse will be programmed on a rental basis only.
- Changed theater programming to program based on past attendance records for similar shows types, adding predictability to our model.
- Postponed our lecture series events until it can be underwritten by a sponsor.
- Postponed film classics series until it can be underwritten by a sponsor.
- Postponed kids and family series until it can be underwritten by a sponsor.

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- Now scheduling event dates around other events in the city that might compete with ours, thereby reducing our audience.
- Working with City to create ordinance that will allow electronic sign boards to display OSS's offerings to passing pedestrians and motorists.

Rentals

- Using an outside consultant, currently performing an analysis of local competing rental spaces, including offerings and rental charges for each. We will modify our rental rates and offerings accordingly.
- In process of staging selected rooms in all OSS buildings to create marketing materials that will be distributed to Palm Beach County catering and event planning vendors.

Food & Beverage

- Investigating outsourcing much of the operations
- Through competitive pricing of rentals, increase rental activity, thereby increase food and beverage revenues.

School

- Evaluating the current business model
- Evaluating tuition costs
- Evaluating other revenue opportunities

Museum

- Implemented summer hours for our slower season to save overhead money
- Branding the museum as a corporate event venue for cocktail parties and receptions

2. Rightsizing the Organization

- Reducing staff
- Cross-Training staff

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- Performing an in-depth assessment of the CEO, CFO, COO, Development, and Marketing positions
- Evaluating our volunteer program to increase the number of volunteer workers

3. Revamping the strategy, methodology, responsibilities and activities in how we manage and execute each program and event, and targeted marketing

- Developing a detailed program and marketing strategy around each type of offering.
- Instituting a product and service management approach: P& L and Cash Flow by activity
- Developing management system and P&L responsibility for each program and event
- Creating comprehensive and coordinated calendar across all programs and events, and supporting marketing and communications activities

4. Enhancing Operations and Finance procedures

- Creating an operating budget for 2018-2019 that is not dependent on unpredictable levels of private giving
- Maximizing revenues and decreasing expenses for each program / event
- Consulting with outside experts in all fields of OSS activities for best practices

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Next steps

- Approval by City of Delray Beach for a one-time cash infusion of \$240,000 for OSS to meet commitments through the end of the fiscal year ending September 2018.
- Currently performing a detailed assessment across all programs, operations, departments, revenue generating activities, and funding activities to ensure the long-term financial health of OSS, and sustainability and quality of programming and service to the community.
- Comprehensive plan for 2018-2019 FY to be developed and approved by OSS Board by September 1, 2018.