

BOARD MEETING MAY 8, 2017

Answers to Questions about Davis Arts Center's
Deficit and Long Term Sustainability

History: James Irvine Foundation Grant

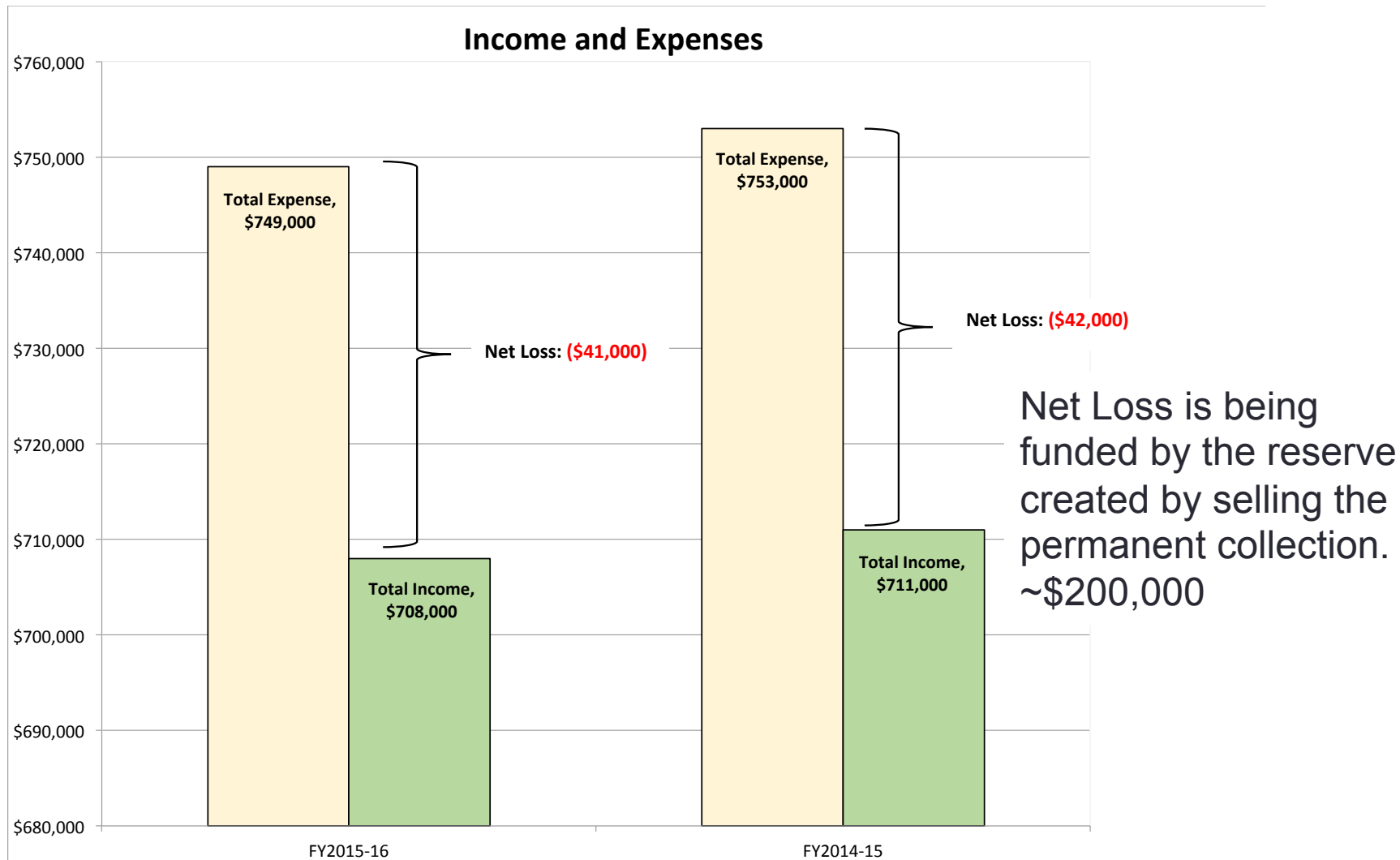
- In 2010, Davis Arts Center received a James Irvine Foundation Grant
 - Programing (Discovery Art, Junk 2 Genius)
 - Administrative/Board Analysis (Strategic Plan, Training, Board Development, Marketing Plan)
- Several Results of the Admin/Board Analysis
 - Strategic Plan 2011-2016
 - Logo
 - Mission Statement



Strategic Plan

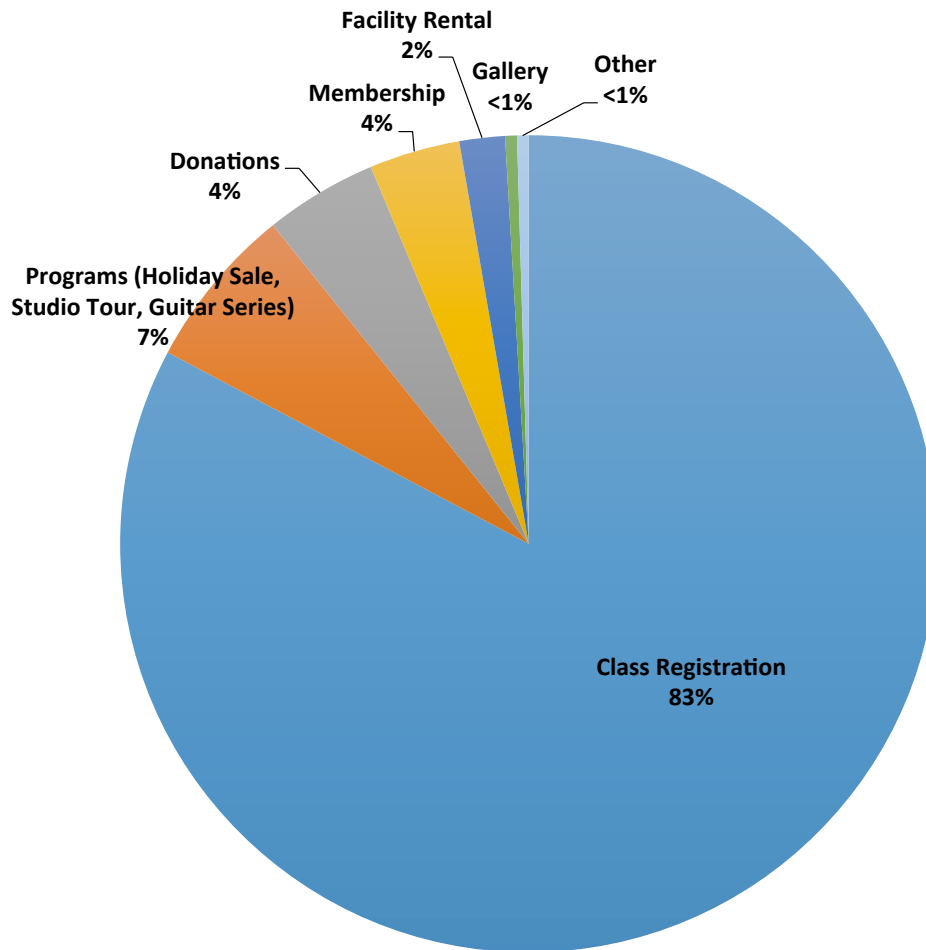
- Permanent Collection Deaccessioned (sold)
- Board reorganized as a fundraising/fiduciary/governance entity
- Personnel plan in place to reduce turnover and support operations (Classes, Holiday Sale, Fundraising)
- Budget deficit identified as a long term issue and plans for fundraising/change in operations/business model discussed

FY 14-15 and 15-16 Income and Expenses



FY15-16 Income Breakdown

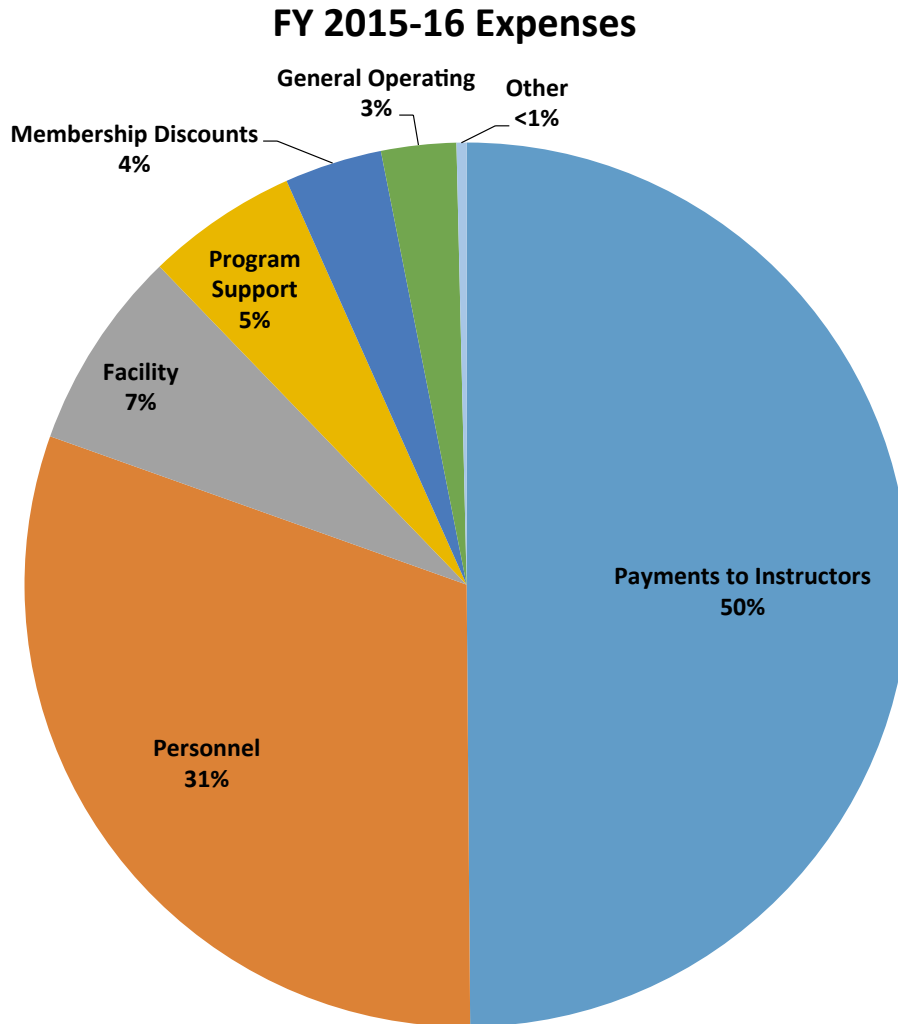
FY 2015-16 Sources of Income



Class registration includes

- materials fees
 - directly passed through to instructors
- class price

FY15-16 Expense Breakdown



Payments to instructors includes:

- materials fees
 - directly passed through to instructors
- class price

Personnel includes:

- payroll taxes, workers compensation, wages, insurance, and payroll processing

How much is needed?

Current Annual Deficit		\$30,000 - \$40,000
Annual Maintenance & Building Repair Backlog		\$20,000 - \$30,000
Annual Advertising/Marketing	4% gross revenue	\$30,000
Reserve Replacement	Accumulated deficit: \$120,000-\$150,000	\$10,000
Scholarship Increase		\$4,000 - \$6,000
	Total Annual Need:	\$94,000 - \$116,000

- Marketing: Small Business Association recommends spending 1%-10% of total revenue on marketing, we currently spend 1%, this would add 4% to our advertising which would allow direct mail pieces, Capitol Public Radio underwriting and other advertising that reaches new audiences
- Reserve Replacement: Slow increase in replacing reserves
- In 2015-16, Davis Arts Center awarded \$1,000 in scholarships to classes at DAC

How long has this been considered?

- 2010 – 2013 James Irvine Foundation Grant and Strategic Plan
 - Strategic plan suggests many things, including:
 - 1.1.3 Rationalize instructor compensation based on:
 - Fee Structure of Class
 - Materials Fee
 - Other
 - The Board decided that this was the last thing that they would like to do
- July 2016 Instructor Survey to solicit fundraising ideas
- November 2016 Board Meeting, presented of deficit reduction ideas
- December 2016 – Instructor newsletter including links to financials
 - “ **2015-2016 Fiscal Year Financials**. We have closed the books on the July 2015-June 2016 fiscal year. Davis Arts Center’s income was \$708,000 and expenses were \$749,000, with a net loss of \$41,000. The last 3 years, Davis Arts Center has operated with a deficit. The Board of Directors and I have spent considerable time and are still working on addressing this situation. View more information on our financials [here](#).”
- Based on the financials several instructors began conversations on how to help
- March – summer catalog introduction explains membership changes
- Board meetings from December-Current focused on evaluating options

What have you done to raise money?

- Classes
 - Expanded programs, added a classroom space (Executive Director Office), removed gaps between classes, added instructors to most studios
- Fundraising
 - Increased individual donations e.g. in 2010 we raised less than \$5,000, in 2016 it was \$30,000
 - Rolling out a planned giving program 2017 (ED is in a training program)
 - Participated in Big Day of Giving – not only raised money but attended the trainings that are offered
 - Holiday Sale, largest fundraiser each year, over 100 volunteers make this event happen, planning takes place throughout the year, in 2017 we are experimenting with different booth sizes
 - Corporate Sponsor program
 - Added Davis Art Studio Tour
 - Hosted fundraising literary event in February – sold out, standing room only
 - Donor recognition events
 - Raised membership fee, added additional levels
 - Plus more . . .

What alternatives did you consider?

Alternative Selected:

- Changing the instructor pay ratio*
 - Expected increase of 50% ratio: \$35,000 and \$45,000
- Changing membership structure*
 - Added benefits, new and higher levels, raised prices, expect the program to bring in \$2,000-\$4,000 and growing

Others Considered:

- Adding a registration fee for everyone who takes a class
 - Estimated increase: \$20,000 - \$40,000
- Adding a facility fee to all classes
 - Estimated increase: \$30,000 and \$80,000
- Adding an annual auction/gala
 - Determined ticket prices would have to be \$150 - \$200, and may bring in \$10,000 - \$30,000 with considerable Board, Staff and Volunteer time
- Alternatives still only get us part way there
- The rest is still made up from individual and event fundraising, ramping up of Davis Art Studio Tour, Big Day of Giving

How do others pay their teachers?

- Note this is difficult data to get, some may be a year or two old and many places called would not answer
- City/State/Federally **Subsidized**
 - Walnut Creek Arts Center – hourly
 - Blue Line Arts - hourly
 - Yolo Arts – \$45-\$55 hourly
 - UC Davis Craft Center – \$10.50 hourly
 - Benicia Arts 60% Instructor
 - Crocker Art Museum \$20 hour with less than 5 students or 40% to instructor above 5 students
 - Richmond Arts Center - \$30-\$40/hour classes, 50% workshops
 - Experimental College 50% Instructor
- **Unsubsidized**
 - Palos Verdes Arts Center \$30-\$40 per hour
 - International House 40% Instructor
 - Pacific Art League 50% Instructor
 - Hyde Park Art Center 50% Instructor
 - Mendocino Art Center 50% Instructor
 - Pence (youth) – hourly plus a minimal materials fee
 - Davis Food Co-op – set fee per class
 - Confidential Organization – 60% to instructor with less than 5 students, 40% to instructor 5 or more students

Have you applied for any grants?

- Prior to 2016 (selection of grants):
 - James Irvine Foundation
 - National Endowment for the Arts 2014
 - Andersen Family Foundation
 - Gencorp Foundation
 - Genentech Foundation
 - CA Telecommunications Fund
 - Yocha Dehe Community Foundation
- Since July 2016, the following grant writing activity has happened:
 - Applied For:
 - 2016 Sacramento Region Community Foundation Immediate Needs Grant
 - 2016 Sacramento Region Community Foundation Transforming the Creative Economy Request for Proposals
 - 2016 Community Business Bank Community Grant
 - 2017 Urban Birds Grant
 - 2017 Yelp grant
 - 2017 California Arts Council Grant
 - Awarded:
 - 2016 City of Davis Civic Arts Commission Grant*
 - 2017 City of Davis Civic Arts Commission Grant*
 - Reviewed and provided comments for an instructor to apply for a Teichert Foundation Grant
 - Consero Solutions provided several hours of research to find potential grants that fund the needs of Davis Arts Center

* Grant awarded

How many staff do you have?

- 3 full time – Paid time off, option for medical, dental, no retirement plan
- 3 part time – State mandated sick time, option for medical, dental, no retirement plan
- No raises in 2 years

*Brought bookkeeping in-house to save money

*Staff turnover reduced, higher level of customer service for both customers and instructors

What does the Board do?

- Make decisions regarding the long term future of Davis Arts Center as a whole organization
- Governance, board renewal/recruitment and fiduciary responsibility
- Fundraising, individual appeals and volunteering for events such as Holiday Sale
- Give or Get policy – 100% Board Giving since 2014
- Take classes and/or family members take classes
- Select, support and evaluate Executive Director

Do you have an advertising plan?

- Our advertising wish list is restricted due to budget deficit
 - Money spent on advertising has always been low and was cut as part of reducing the deficit and saving reserves
- When we are out at events, we realize that there are many people who don't know about Davis Arts Center
 - Advertising needs to reach new audiences in new ways, (e.g. direct mail, radio, movie theaters, signage, other school districts), this doesn't fit into our current advertising budget
- A plan was developed in 2013, but much of it was not implemented due to budget constraints

Fundraising Idea Suggestions

- Raffle artwork
- Teacher appreciation month – donate to your teacher on-line or via tip jars in classrooms
- Pay to enter juried shows in gallery
- Charge artists to have a gallery show, including current long standing shows
- Sell instructor artwork on our website/ebay
- Annual t-shirt
- Annual photo shoot day (all students and instructors)
- Create name for those in the community that purchase premium members that get us to our fundraising goal, e.g. 400 premium members, “Davis Arts Center 400”
- And listening for more!

Teacher Appreciation Suggestions

- Profile instructors in e-blast and on website (in addition to the bios that exist)
- Teacher appreciation month – donate to your teacher/tip jars in classrooms
- Open to more ideas
 - August August gallery exhibit and VIP Instructor reception in August will continue in 2017

Why can't the Board be more transparent?

- Although we solicited suggestions and shared financials with instructors, we understand that the Board doesn't always feel visible and we are interested in learning what more we can do. We will be working on this as we move forward.
- We understand that we could have done a better job communicating that we were moving into crisis mode when asking for suggestions or talking about the deficit.