Taking Your Fiscal Pulse:

A Report on the Fiscal Health of the San Francisco Bay Area Theatre Community

By Clayton Lord and Christopher Shuff

Over the period of February to April 2009, Theatre Communications Group (TCG) conducted a national snapshot survey, *Taking Your Fiscal Pulse*, in order to understand how the not-for-profit theatre field was faring during these challenging economic times. This report is a compilation of Bay Area data—collected with the assistance of Theatre Bay Area—and offers the most comprehensive look at the fiscal health of not-for-profit theatres since the beginning of the economic downturn. The results serve as an invaluable benchmarking tool for theatre leaders as they maneuver through this difficult period and also supply timely information for theatre stakeholders—trustees, foundation and corporate executives, policy makers and the press.

Profile of Survey Respondents

This report only includes theatre companies in the Bay Area. Of the 96 respondents (representing approximately 66% of all Bay Area-based TCG members and 25% of all not-for-profit theatre companies in the eleven counties that Theatre Bay Area serves), two-thirds had budgets under $500,000. While the survey did have representative respondents from all Bay Area regions, geographically it mirrored the dispersal of Theatre Bay Area's full membership with the highest percentage of responses coming from companies located in the county of San Francisco, and steadily decreasing percentages radiating out from there.

Budget size (annual expenses) of organizations that responded to the survey		
Under $50,000	29	30%
$50,000 - $249,999	28	29%
$250,000 - $499,999	10	11%
$500,000 - $999,999	15	16%
$1 million - $2,999,999	9	9%
$3 million or more	5	5%
Total	**96**	**100%**

Approximate total expenses of all respondents: **$87,649,967.50**

Geographic Region	
San Francisco	40%
East Bay	24%
South Bay	23%
North Bay	10%
Beyond the Bay	3%
Total	**100%**

Current-Year Budget Projections

Of the 96 respondents, 50% (48 organizations) are re-projecting their 2009 expenses either upward (4% of respondents or 4 organizations) or downward (46% of respondents or 44 organizations). The total adjustment is a decrease in projected 2009 spending of $4 million or 4.6%.

Expense Re-Projections for 2009	% Decreasing Projected Expenses	% Increasing Projected Expenses	Total Change
Organizations with budgets under $50,000	14%	3%	($65,000)
Organizations with budgets between $50,000-$249,999	46%	4%	($269,000)
Organizations with budgets between $250,000-$499,999	60%	10%	($170,000)
Organizations with budgets between $500,000-$999,999	53%	0%	($437,300)
Organizations with budgets between $1 million - $2,999,999	67%	11%	($703,704)
Organizations with budgets of $3 million or more	100%	0%	($2,400,000)
Total:	**46%**	**4%**	**($4,045,004)**

The vast majority of organizations (85%) project to break-even or incur a deficit on their 2009 budget projections. Companies with budgets of $1,000,000-$2,999,999 were most likely to project a deficit (78%), with companies in the $50,000-$249,999 and $500,000-$999,999 categories following at 54% and 53% projecting a deficit, respectively.

Smaller companies (under $1,000,000 budget) accounted for all projections of a surplus, with the majority (9 of 14 companies) having budgets of under $250,000.

Approximately half of respondents (51%) expect to have cash flow problems this year, regardless of budget size.

Projected Year-End Budget Results	All Respondents		
Deficit of 25% or more of total expenses	6	6%	45%
Deficit of 11-25% of total expenses	12	13%	
Deficit of 1-10% of total expenses	25	26%	
Break-even	39	40%	40%
Surplus of 1-10% of total expenses	13	14%	15%
Surplus of 11-25% of total expenses	0	0%	
Surplus of 25% or more of total expenses	1	1%	

Of the 40 organizations that answered that their projected year-end budget results would be "worse" than the original budget, 58% (23 respondents) attribute it "entirely" to the economic crisis and the remaining 42% (17) attribute it "somewhat" to the economic crisis. Companies of all budget sizes responded to this question similarly, although companies of small-to-medium size (under $1,000,000 budget) accounted for all "better than original budget" responses.

Relationship of projected year-end budget results to original budget	All Respondents	
Worse than budget	40	42%
Similar to or same as budget	50	52%
Better than budget	6	6%

Future-Year Budget Projections

Over half of all organizations plan on keeping their budgets the same in the next fiscal year. There again seems to be a slight break at the $1 million mark, with the two largest budget-sized groups having markedly higher numbers of companies (67% and 80%, respectively) decreasing their budget sizes than any other action.

Next fiscal year, responding organizations are planning to:								
	All Respondents		Under $50,000	$50,000 - $249,999	$250,000 - $499,999	$500,000 - $999,999	$1 million - $2,999,999	$3 million or more
Decrease the budget	33	34%	9	8	1	5	6	4
Increase the budget	12	13%	3	6	2	1	0	0
Keep the budget the same	51	53%	17	14	7	9	3	1

Narrative responses from several survey participants express concern about the fate of their organizational budgets in upcoming years:

- "These next two years will be hard on us, but we plan to do less expensive shows with the same or higher quality."
- "Government funding, corporate donations and trustee donations have always been zero, so they are remaining zero. Individual donations must go up if the budget is to remain the same because tickets and grant income are going down. That means more will have to come out of my pocket."
- "In FY2008, our income was significantly lower than it had been in any previous year from every income source."

Narrative responses also outlined extraordinary solutions that might be necessary:

- "We merged our 15-year-old independent youth theatre program into our parent company in an effort to increase participation and fundraising from parents and supporters of arts education."
- "Our producing and presenting capacity may be cut back sharply as we are a City facility and the City is facing large deficits going forward."
- "Only 50% of expenses will be covered by ticket sales. The other half will be underwritten by the playwright."
- "We will be adding more fundraising projects/events rather than continuous soliciting of funds from our core attending families during this difficult financial time."
- "We will be moving our space in the fall, which will result in about a two-thirds savings in rent and over 50% savings in insurance costs."

Endowments

15% of respondents (14 organizations) have an endowment fund. Currently, 36% of endowed organizations have had their endowments fall below historical value.

Of those 14 endowed organizations, 12 have budgets above the $500,000 mark. All 5 organizations who have seen their endowments drop below historical value are above the $500,000 mark.

36% of endowed organizations (5) have reduced their draw from their endowment, while 57% (8 organizations) have maintained the amount of their draw. Only 1 organization has increased the amount withdrawn from its endowment.

(Note: "Historical value" is the sum of all the contributions to the endowment fund from its beginning to the present, without any adjustment for investment performance, inflation or other factors.)

Income

In the final four months of 2008, year-end fundraising campaigns generated less income than originally expected for 61% of organizations. Non-holiday single ticket sales and holiday show single ticket sales were lower for 47% and 48% of organizations, respectively, and both tuition and subscriptions were down for more than a third (40% and 45%, respectively).

During the period between 9/1/08 and 12/31/08, to what degree did the following vary from your original budget?

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Substantially lower	Somewhat lower	Similar to/same as	Somewhat higher	Substantially higher
Subscriptions/Memberships	8	14	20	11	2
	15%	25%	36%	20%	4%
Non-holiday single ticket sales	17	19	24	12	5
	22%	25%	31%	16%	6%
Holiday show single ticket sales	6	13	13	4	4
	15%	33%	33%	10%	10%
Calendar year-end fundraising campaign	15	29	12	12	4
	21%	40%	17%	17%	6%
Classes/tuition income	7	14	20	4	2
	15%	30%	43%	9%	4%

Percentages calculated out of total responses, excluding N/A.

Respondents are most concerned about corporate contributions and individual contributions, with 60% and 59% projecting income from those sources that is lower than projected. Foundation contributions are not far behind, with 56% anticipating lower-than-expected income in that arena.

Generally speaking, a higher percentage of respondents are projecting decreases in contributed income sources (corporate, government, foundation, individual and trustee contributions) than in earned income sources, although by a fairly narrow margin. As far as projected expenses, one-third of respondents anticipate a decrease.

To what degree do you anticipate the following will vary from your original budget this year?					
Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	**Substantially lower**	**Somewhat lower**	**Similar to/same as**	**Somewhat higher**	**Substantially higher**
Overall ticket sales/admissions	6	41	34	14	1
	6%	43%	35%	15%	1%
Government contributions	18	20	51	3	4
	19%	21%	53%	3%	4%
Foundation contributions	25	29	27	9	6
	26%	30%	28%	9%	6%
Corporate contributions	32	26	26	5	7
	33%	27%	27%	5%	7%
Trustee contributions	19	13	48	7	9
	20%	14%	50%	7%	9%
Non-trustee individual contributions	20	36	33	7	0
	21%	38%	34%	7%	0%
Average of all income sources	**21%**	**29%**	**38%**	**8%**	**5%**
Expenses	7	27	43	17	2
	7%	28%	45%	18%	2%

Percentages calculated out of total responses, excluding N/A.

Looking at these income sources in regards to budget categories:

- **Overall ticket sales:** Companies with budgets under $50,000 and between $1,000,000 and $3,000,000 are projecting more dire declines in ticket sales than other budget categories.

- **Government contributions:** Almost a third of companies with budgets under $50,000 are predicting substantially lower contributions from government sources, which is markedly higher than other groups. That said, over a third of respondents in all categories are predicting a decrease in government funding. No companies with budgets larger than $250,000 think that government funding is going to increase in the near future.

- **Foundation contributions:** Only 20% of companies in the $500,000-$1,000,000 and $3,000,000 plus budget categories think that foundation funding will stay the same or increase. 80% in both categories predict either a somewhat lower or substantially lower contribution.

- **Corporate contributions:** As companies' budgets grow, predictions of corporate giving get more and more pessimistic. In companies with budgets of $50,000 or less, 28% predict a higher contribution from corporations and another 31% predict it will stay the same. In contrast, 22%

and 0% of companies with budgets of $1,000,000-$3,000,000 and $3,000,000 plus predict contributions will stay the same, respectively, and 0% of both groups predict that contributions will be higher.

- **Trustee contributions:** Predictions of trustee contributions are fairly consistent across all budget categories, with the majority predicting they will stay the same.

- **Non-trustee individual contributions:** Predictions for non-trustee individual contributions are markedly more negative than trustee contributions, with an average of almost two-thirds of respondents predicting lower income and almost all of the rest predicting no change.

Actions in Response to the Economic Crisis

Organizations have taken, or plan to take, a variety of actions in response to the economic crisis. Almost half of the respondents (47%) plan on using new ticket discounting programs, with the next highest percentages being for "Additional income-generating programming (non-ticket sales)" (40%) and "Reduction or freeze in salaries" (35%).

Broadly, when looking at revenue-generating measures (i.e. ticket discounting, facilities rental) versus cost-cutting measures (i.e. reduction of salaries, reduction of spouse/family benefits), companies seem to favor the former, although there were many more cost-cutting options than revenue-generating ones. Within cost cutting measures, the reduction of insurance, retirement and fringe benefits rank lowest (2-5%), while salary freezes, staff reductions and shortened seasons rank highest (19-35%).

***Fiscal* actions that organizations have taken or plan to take in response to the economic crisis (Respondents were asked to "check all that apply.")**

	All Respondents	
New ticket discounting	45	47%
Additional income-generating programming (non-ticket sales)	38	40%
Reduction or freeze of salaries	34	35%
Reduction in number of productions	30	31%
Alternative uses of facilities	30	31%
Reduction in number of performances	27	28%
Reduction in the number of administrative staff	23	24%
Reduction in traveling/conferences	21	22%
Reduction in the number of artistic staff	21	22%
Reduction or cancellation of other programming or events	19	20%
Reduction in the number of technical/production staff	18	19%
Substitution of a larger cast show in your season with a smaller cast show	14	15%
Halt/reassessment of Capital Campaign	9	9%
Substitution of a produced show in your season with a booked-in show	6	6%
Imposition of staff furloughs	6	6%
Requirement of greater employee contributions to company health plan	5	5%
Reduction in spouse/family benefits	2	2%
Reduction in other fringe benefits	2	2%
Suspension of retirement plan matches	1	1%
Other	2	2%

In terms of strategic actions, 66% of respondents plan to use low-cost new technologies like social networking more and almost half plan on more communication with stakeholders. All budget groups, with the exception of theatres under $50,000, selected revised internal planning in their top 3 actions. Interestingly, theatres under $500,000 ranked more use of technology as the top action, while theatres $500,000 and up ranked either revised internal planning or more communication with stakeholders as the top action. At least 40% of respondents in every budget group selected shared services as a strategic action. 32% of respondents plan to narrow the focus of their programming to the heart of their mission, while just 15% plan to broaden their programming to work outside of their core mission.

Strategic **actions that organizations have taken or plan to take in response to the economic crisis (Respondents were asked to "check all that apply.")**		
	All Respondents	
More use of technology and social networking	63	66%
Revised internal planning process	51	53%
Shared services with other organizations	45	47%
More communication with stakeholders	44	46%
Narrowing of focus to programs within the core of artistic mission	31	32%
Broadening of focus to programs outside the core of artistic mission	14	15%
Other	4	4%

Methodology

This report is a compilation of Bay Area theatre data collected from the national *Taking Your Fiscal Pulse* snapshot survey, which was conducted over the period of February to April 2009. It highlights fiscal data from theatres during the period of fall 2008-winter 2009, as well as budget projections and re-projections for participants' fiscal year end. The report also includes notes on various Budget Group outliers that were discovered in the analysis. A national report, *Taking Your Fiscal Pulse—January 2009,* published by TCG, and including only TCG members, is available in the Snapshot Survey section of the TCG website (www.tcg.org).

The snapshot survey was designed to be completed in less than 10 minutes with answer options from checklists, multiple choice questions and rating scales. Unlike TCG's formalized fiscal research publication, *Theatre Facts*, which uses audit-verified data from the comprehensive TCG Fiscal Survey, the data in this report, although checked for accuracy, is unverified. This report is as accurate a snapshot of the fiscal health of the field as possible, given the confines of the structure of this type of survey.

Taking Your Fiscal Pulse: A Report on the Fiscal Health of the San Francisco Bay Area Theatre Community *was authored by Clayton Lord, marketing and advertising manager, Theatre Bay Area; and Christopher Shuff, director of management programs, Theatre Communications Group; and is a co-publication of TCG and Theatre Bay Area. The survey was created by Christopher Shuff and Ilana B. Rose with input from members of the Association of Performing Arts Service Organizations (APASO) and was conducted by TCG, in partnership with APASO. For more information on TCG's research efforts including Snapshot Surveys,* Theatre Facts *and other projects, visit TCG's website at www.tcg.org. For more information on Theatre Bay Area, visit their website at www.theatrebayarea.org.*

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