



HOUSE APPROPRIATIONS GENERAL GOVERNMENT SUBCOMMITTEE PRESENTATION APRIL 25, 2012

Tryon Palace

1. Describe the scope of the site, including any parts run by the Friends or Foundation.

Tryon Palace is a leading North Carolina historic attraction, dedicated to telling the history of our state as one of the 13 original colonies. Tryon Palace interprets the past through multifaceted and interactive programs, dramas, concerts, and highly innovative programs for children of all ages and their families.

Tryon Palace manages 16 buildings, 23 small outbuildings and garden structures, and 16 acres of public gardens. The historic site employs 59 appropriated positions – a drop from 84 the previous year. In 2011-12, Tryon Palace will rely on 249 volunteers to maintain ongoing operations.

Tryon Palace is accredited by the American Association of Museums, which certifies it meets or exceeds the highest professional standards. Of the 16,000 museums in the United States, just over 700 are accredited. Tryon Palace is one of 23 accredited museums in North Carolina and is the only accredited state historic site.

Visitation

Tryon Palace is located in New Bern, once the first state capital and now maintains a town population of 29,000. The closest urban center is more than 100 miles away. Tryon Palace is 1.5 hours from the nearest interstate highway (I-95) and is a 2.5 hour drive from a major airport.

Open daily – 360 days a year -- Tryon Palace is a driving force for the local economy and helps sustain many of the area's small businesses, restaurants, hotels, and retail shops.

In FY 2010-11, which included the opening of the **North Carolina History Center**, Tryon Palace visitation reached **172,264**, nearly doubling attendance from the **89,326** who came the previous year. Visitors came from **98 NC counties, 48 states** and **10 foreign countries**.

So far in FY 2011-12 (July 1 - April 12), **138,172** visitors have experienced history at Tryon Palace.

In addition to its educational programming and numerous special events, Tryon Palace's tourism is dependent on an integrated marketing campaign. Thanks to private funds secured by the Kellenberger Historical Foundation, Tryon Palace spends about \$100,000 annually for advertising and marketing.

Admission fees were increased in 2010 due to budget cuts and increased operational expenses. Currently adult admission is \$15 for one day and \$20 for two days. This admission rate is considerably higher than comparable historic sites and museums found elsewhere in the state, especially in eastern North Carolina.

Tryon Palace Commission

The General Assembly unanimously passed a bill in March 1945 to establish the Tryon Palace Commission following a state-wide movement led by women from across North Carolina. Maude Moore Latham of Greensboro committed \$1.2 million, which became available at her death in 1951. Maude Moore Latham stated that she made her gift "... so that North Carolinians might know of their heritage."



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The Tryon Palace Commission continues a proud tradition of 67 years of supporting Tryon Palace with private funds and by being one of the few state commissions whose members receive no compensation or reimbursement for their service. The Commission provides start-up and operational funding for many exciting interactive programs offered daily.

In 2002 – 2011, the Tryon Palace Commission led the successful capital campaign to build the NC History Center. The Commission works with the Council of Friends and state employees to develop strategies to grow programs, revenues and attendance. The Commission's enabling statutes provide authority to manage the Latham Trust, and to raise and manage private funds.

In 1993, the Tryon Palace Commission began the Council of Friends, a 501-C3 membership organization. The Friends support Tryon Palace's volunteer program and helps raise revenues through membership sales, fund raising events, the Annual Campaign, and other fund raising endeavors.

Public-Private Partnerships

Since 1945, more than \$144 million of private funds have been invested in Tryon Palace and nearly \$89 million in public funds. Tryon Palace is one of NC's earliest and most successful public-private partnerships. In the last decade, Tryon Palace funding has come from approximately 70 percent state appropriation and 30 percent private funding and earned income.

The ***North Carolina History Center*** was funded by \$42.7 million in state funds and \$17.3 million in non-state funds, including private gifts and grants. The first gift was \$1.0 million from PepsiCo for the Pepsi Family Center, a ground breaking interactive museum for children. Members of the Commission personally gave nearly \$7 million toward the ***North Carolina History Center***.



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2. What are the budget requirements to do these functions – how much does it cost to run the TOTAL operation? (What was spent last year FY10-11, what is budgeted this year FY11-12, and what is budgeted for FY12-13?)

Description	Actual Spent FY 10-11	Budget FY 11-12	Budget FY 12-13
State Net Appropriated Funds	3,861,324	3,393,373	2,046,422
All Private Funds	534,323	747,334	591,191
Admission Receipts & Earned Income	833,034	818,730	799,670
	5,228,681	4,959,437	3,437,283

3. Briefly describe the context behind or reasons for the FY11-12 and FY12-13 reductions.

The reductions in the Biennium included:	<u>FY 2011-12</u>	<u>FY 2012-13</u>
• Loss of appropriation for 10 positions required to be transferred to Admission Receipts funding	\$ 375,075	\$ 375,075
• DCR mandated cut included 6.38 Tryon Palace positions	246,458	246,458
• Additional appropriation cut (8.5 positions and temporary salary reduction)	346,951	1,693,902
Total Cut to Tryon Palace	\$ 968,484	\$2,315,435
Percentage reduction of Tryon Palace Appropriation	-24.50 %	-59.76 %

Also Tryon Palace has a shortfall of \$130,000 in utilities for the current fiscal year.



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The Tryon Palace Commission has been true to its mission to support Tryon Palace for 67 years. Commissioners work hard to advance private resources for Tryon Palace by wise management of private funds and by providing leadership to raise private funds. The Commission started up the Museum Retail Operation in 1959 using the private funds of May Gordon Kellenberger of Greensboro. Today the Museum Store Operation nets about \$100,000 for Tryon Palace operations annually. The Tryon Palace Commission also supports the Greenhouse operation and plant propagation for 14 important public gardens.

Additionally, Commissioners provide some of the funds for postage and office supplies, and provide all of the funding to purchase and propagate plant material for the gardens, to lease office equipment, to purchase equipment to support special event rentals, to buy maintenance materials, and housekeeping supplies such as cleaning materials and toilet paper. The Commission also funds one accounting position and one position to manage greenhouse operations, both of which are receipts based state positions. The Tryon Palace Commission raised an additional \$77,000 in donations from Commissioners in December 2011 to augment support for operations.

The Tryon Palace Council of Friends was begun by the Tryon Palace Commission in 1993 as a membership organization. The Friends have 1,200 members across North Carolina. The board of 25 directors provides leadership for the annual campaign to raise funds for operations and for educational programs. The Friends support one staff data entry manager for Friends memberships and for donor-prospect records and communications. The Friends also raised an additional \$10,000 in January 2012 by initiating an annual oyster roast called "Aw Shucks." Funds generated from annual membership sales support Tryon Palace educational programming.

4. What are the funding sources that support these requirements – are there certain funding sources that are tied specifically to some operations of the site? This should include resources from the Foundation/Friends groups.

Description	Act. Exp. FY 10-11	Budget FY 11-12	Budget FY 12-13	Primary Uses
State Net Appropriated Funds	3,861,324	3,393,373	2,046,422	Salaries & Operations
State Funds from Leases	11,950	32,670	32,670	Repairs
Admission Receipts	582,193	555,000	555,000	Maintenance Salaries & Expenses, Repairs
Tryon Palace Commission	305,426	364,781	287,281	Operations, Marketing, Interpretation
Tryon Palace Council of Friends	159,235	289,053	210,410	Operations, Interpretive Events, Publications
Kellenberger Historical Foundation	69,662	93,500	93,500	Advertising & Accounting Support
Tryon Palace Stores	<u>238,891</u>	<u>231,060</u>	<u>212,000</u>	Retail Operations, Garden Support, Education Supplies
	5,228,681	4,959,437	3,437,283	



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5. How will these funding sources change in FY 12-13 and what are the plans to increase non-General Fund revenue? (This should include Foundation/Friends groups' plans).

Plans for FY 2012-13 described below are dependent on Tryon Palace receiving a full or significant restoration of its additional cut of \$1,346,950 in FY 2012-13. Without restoration, Tryon Palace will be unable to sustain current revenues.

- Special event rentals began in the Summer of 2011. Expect to net \$75,000 in FY 2011-12 and \$100,000 in FY 2012-13. Event rentals include corporate events, weddings, birthday parties, galas, family reunions & other rentals. Issues: requires staff to book, set-up, clean, coordinate vendors; customers are less willing to pay higher prices in small town.

Noteworthy: Booked international corporate annual meeting of the **PepsiCo Board of Directors & Shareholders** in NC History Center May 1 & 2, 2012. Tryon Palace will gross \$50,000.

- **Increase Tryon Palace visitation** from **172,264** in FY 2010-11 to **180,000** in FY 2011-12 & to **200,000** in FY 2012-13. **Tryon Palace will implement new marketing/branding plan**, redesign website, expand social media outreach, partner with regional attractions to cross promote, & by special promotions like the Pepsi Can Promotion in April-May 2012 (Pepsi Cans promoting Tryon Palace will go to 20 million households). **Projected increase in Admission Ticket Sales:** from **\$582,192** in FY 2010-11, **\$600,000** in FY 2011-12 to **\$675,000** in FY 2012-13. NOTE: This scenario is only possible with full or partial restoration in 2012-13 state funding.
- **Tryon Palace will continue to grow retail sales by opening second retail outlet near the Palace & by developing exciting new products:** retail gross sales increased **14 %** for the first quarter of 2012 compared to same period last year. From net of **\$41,065** in FY 2010-11 to **\$79,065** in FY 2011-12 & **\$85,000** in FY 2012-13.
- **Program of concerts & dramas initiated in July 2011.** Partnering with the Carolinian Shakespeare Company, the Music & Drama Departments of East Carolina University, the Down East Folk Art Society & other groups. To date, ticket sales paid the costs of performances, new audiences were exposed to the History Center, & net revenue in 2011 was **\$1,391** Projected income in FY 12-13 is **\$12,500**.
- **Increased focus on Annual Fund Campaign:** Annual funds gifts grew from **\$24,174** in FY 2010-11, to **\$44,339** in FY 2011-12. We expect to increase to **\$55,000** for FY 2012-13.
- **Online Giving & Day Sponsors:** The Tryon Palace Website now has on-line giving opportunities. A Day Sponsor program began in February 2012, inviting visitors to donate \$100 to sponsor a Day of History at Tryon Palace. We project donations of \$10,000 for FY 2012-13 from both sources.
- **Membership sales growth in the Council of Friends is expected to increase** from **\$ 89,620** in 2011 to **\$105,000** in 2012 & **\$120,000** in 2013.



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- **Have more event fundraisers in FY 2012-13 to raise \$50,000, building on successes in FY 2011-12.**
 - A local Bed and Breakfast donated proceeds from their business during the 3-day Mum Fest in 2011, yielding \$2,500 in support.
 - Council of Friends volunteers initiated the first annual Oyster Roast in January 2012, netting \$10,000.
 - The African American Community held a Unity Ball in April 2012 to fund Tryon Palace’s African American History program, netting \$4,000.
 - A local Friends member who died in 2011 left \$10,000 to Tryon Palace for historic preservation.

- **Changes in Usage and Reduction in Footprint:** Tryon Palace completed a facilities study in 2011 to consolidate operations, resolve storage issues, reduce operating costs & create more venues for special event rentals to increase revenues. Plan requires raising private funds to implement key components of the plan, but will ultimately result in some nominal savings and the potential to grow additional revenue through new event rental spaces.

- **Volunteers:** Tryon Palace added 40 additional volunteers for a total of 249 in FY 2011-12 working an average of **82.9 hours a year, 6.9 hours a month, for a total of 20,642 volunteer hours a year.**

Tryon Palace expects to recruit an additional 51 volunteers to reach a total of 300 in FY 2012-13, working an average of 10 hours a month.

- **Leases:** Annual income will increase from **\$ 32,670** in FY 2011-12 to **\$44,000** in FY 2012-13 as a result of leasing the Cook House & renegotiating the lease for the Lawson Landing Café in the History Center.

- **Plans to grow Endowment:** Tryon Palace is developing a strategic plan for 2013-2017. One consideration is a planned giving program to raise endowment. This will not provide revenues in FY 2012-13 but is important in securing Tryon Palace’s future.

6. How have these plans been implemented so far this year? What has been the result? What are the projections for next year?

Private Foundation, Friends and Commission funding includes:

- Tryon Palace Commission contributed \$388,312 from the Latham Trust, the Kellenberger Foundation, the retail operation for Tryon Palace operations in calendar year 2011 and the Friends contributed \$287,943.
- In 2012, the Commission is contributing \$637,948 from all of its sources and the Friends will contribute \$289,053.

Efforts to Increase fundraising:

Members of the Tryon Palace Commission and Tryon Palace Council of Friends agreed to raise additional funds to help support the Tryon Palace operating budget for 2012. A total of \$77,000 was donated by Commissioners and the Friends raised close to \$60,000 more than last year through increased annual fund gifts and events:

Event rentals are projected to net \$75,000 in revenue in FY 2011-12.



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7. What is the gap, if any, between next year's requirements and the total of appropriations plus projected receipts, including funds from Friends, endowment, Foundation and Commissions or other funding sources?

Based on our projections of increases in revenue in FY 2012-13, we anticipate the gap to be the amount of the FY 2012-13 cut less revenue increases listed below (discussed in Question #5):

FY 2012-13 Cut	1,346,950
FY 2012-13 Increase	214,035
 FY 2012-13 Gap	 1,132,915

2012-13 Estimated Increased Revenue – as discussed in Question #5

<u>Description</u>	<u>Source</u>	<u>FY 2012-2013 Estimated Revenue Increases Over FY 11-12</u>
Admission Ticket Sales	Tryon Palace	\$ 75,000
Special Event Rentals	Tryon Palace Commission	25,000
Retail Sales	Tryon Palace Commission	5,935
Concerts & Dramas	Tryon Palace Commission	11,109
Annual Fund	Tryon Palace Council of Friends	10,661
Online Giving & Day Sponsors	Tryon Palace Council of Friends	10,000
Membership	Tryon Palace Council of Friends	15,000
Event Fundraisers	Tryon Palace Council of Friends	50,000
Leases	Tryon Palace	<u>11,330</u>
Total		\$ 214,035

The additional cut in appropriation of **\$1,346,950** brings the total cut for the biennium to **\$2,315,435** and the funding gap to \$1,132,915. We hope to exceed revenue projections discussed in Question #5 but don't expect to earn substantially more than projected. With the huge amount of the next cut, Tryon Palace's earning potential will be less, making it nearly impossible to sustain revenues at the level earned this year.

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8. What are the plans to address this gap? How will the requirements be reduced and what is the impact to the site?

Tryon Palace has taken a cut this year of 25% at a time when Tryon Palace has added a 60,000 square foot highly interactive and cutting edge attraction drawing many more visitors and state and national media attention. Tryon Palace cut operations and staff, sought efficiencies and generated new revenue sources seeking to operate as a dynamic interactive museum offering exciting programs daily, weekly and monthly. This is the minimally acceptable level to operate in order to build existing revenue streams and develop new sources of income.

With the cut scheduled for July 1, 2012, Tryon Palace's cut for the biennium will reach 60% of the operating budget in June 2011. In order for Tryon Palace to survive at the minimally acceptable level of operation, Tryon Palace will require restoration of state appropriation so that it can grow and expand revenues over time. Tryon Palace has taken steps to offset some of the cut, but many of these new efforts are just getting off the ground. Even for the revenues that we are confident we can earn over the course of FY 2012-13, the funds will not be in hand on July 1 and, the cut will be made on existing funds, not funds that hopefully will be raised over the year. In this sense, the largest gap will be at the beginning of the fiscal year and we will have to cut operations to accommodate that gap which will affect our ability to earn funds that might in time offset the gap.

The need for annual appropriation will not go away. We see all future growth coming from earned revenues and donations and we expect private funding to match, and with time, exceed state appropriation.

The anticipated budget cut for FY 2012-13 will result in:

- Loss of 32 additional positions, leaving Tryon Palace with 27 positions funded by appropriation and 2 positions funded by the Tryon Palace Commission and 1 position funded by the Friends.
- We expect to eliminate nearly all of the 10 positions transferred to admission receipts in FY 2011-12, due to declines in admission receipts earnings with reduced operations.
- To accommodate the cut, Tryon Palace will operate minimally staffed attractions 5 days a week by re-assigning most staff members to interpreter, information-giving and ticketing roles. This will negatively affect all revenue producing work areas including special event rentals, marketing and fundraising and seriously compromise daily housekeeping and routine maintenance of Tryon Palace buildings & gardens.
- Lack of routine maintenance will add to the backlog of major maintenance projects lack without funding.
- Lack of funding and staff availability will end educational programs, special events, interactive character interpretation, Fife and Drum Corps, domestic and trades skill demonstrations, performances and overall programs that capture media attention, cause potential donors to give, and increase visitation and membership sales.
- Visitation will decline once Tryon Palace is reduced to a dated guided tour experience and is closed 2 days a week. Lack of cleanliness and maintenance will further discourage customers and donors.
- Increased safety and security risks due to loss of security on day-time and evening shifts.
- Increased costs for Fine Art Insurance premiums.

See document entitled "Impact of Tryon Palace Cuts FY 12-13."



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9. What is the anticipated gap going forward? Is it expected to remain constant, increase or decrease over time as receipts increase? Please explain.

The planned budget cut of \$1,346,950 as of July 1, 2012, will leave a gap of \$1,132,915 even with the projected additional revenue of \$214,035. (See question #7.)

With the slated full cut in FY 2012-13, we do not see Tryon Palace surviving for more than a couple of years. It is impossible to operate a site of this complexity and diversity with only 27 staff FTEs responsible for interpretation, maintenance, repair, cleanliness, safety, etc. With time and with funding restoration, the site may then be able to reduce this gap as other sources of revenue are explored and expanded. Further marketing and fundraising efforts can also lead to higher visitation and earned income which would further reduce the gap.

As the site is not kept clean or maintained and as attractions are reduced to the bare minimum, visitation will decline along with revenues.

10. Are there any statutory or policy changes that you would recommend to assist the sites in their operations?

It would be helpful if the process of changing admission fees for state tourism sites could be removed from the Administrative Rule process. It takes a year or more to change admission fees which can make it very difficult to respond to market driven changes. State attractions offer a tourism product and the cost of the product needs to be market driven.

An attraction cannot know in advance what public reaction will be to a fee change: an economic downturn can quickly make a larger fee prohibitive. After going through the year-long rules change process, an attraction can discover that the fees selected and approved to match circumstances the previous year no longer work in the current market.

If fees for state tourism attractions could be approved by Commissions, Boards and/or the Department, the process would be controlled but allow greater flexibility.

Museums and historic sites need to constantly survey and evaluate public reaction to fees and need the ability to tweak existing fees to accomplish maximum sales. Also selling admission fees is often dependent on opportunities to offer promotions or discounts to drive visits. With a "locked-in" fee structure, museums and historic sites may have to pass up an opportunity to build high volume visits by creating special discounts.

Graphs, addendums attached include: Funding Sources Pie Chart
Tryon Palace Operations with FY12-13 Budget Impact