

**Webinar Series**  
OHIO ARTS COUNCIL

# Budgeting During a Global Pandemic

WEBINAR BEGINS AT 4 P.M EST

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**Webinar Series**  
OHIO ARTS COUNCIL

## UPCOMING WEBINARS

[oac.ohio.gov/webinars](http://oac.ohio.gov/webinars)

**Individual Excellence Awards:  
5 Things to Know Before You Apply**  
Wednesday, May 27 • 4 p.m.

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**Programs and Resources for  
Ohio Folk and Traditional Artists**  
Wednesday, June 17 • 4 p.m.

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**Level Up: Best Practices  
for Today's Visual Artist**  
Wednesday, July 8 • 4 p.m.

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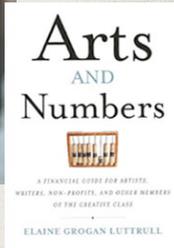
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HELLO.



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**WELCOME & OVERVIEW**  
*Ground Rules and Group Parameters*

Share the Floor with Respect

Equal Parts Teacher & Learner

Stories Stay; Lessons Leave

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**WHAT ARE WE DOING?**

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## MORE SPECIFICALLY, WE WILL:

IDENTIFY SCENARIOS  
DESCRIBE THE IMPACT ON REVENUES  
STRATEGIZE TO SOLVE SHORTFALLS

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## DISCLAIMER

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TAX LAWS ARE NUANCED AND SPECIFIC AND LEARNING ABOUT THESE TOPICS IN A GROUP SETTING IS NO SUBSTITUTE FOR CONSULTING WITH A PROFESSIONAL WHO KNOWS THE DETAILS OF YOUR UNIQUE SITUATION.

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## NORMAL BUDGETING...

- Financial plan for allocating resources
- Iterative, imperfect, and internal
- Comes from a place of empowerment
- Five steps:
  - Define the parameters
  - List the expenses (in words)
  - Quantify the expenses
  - Fund the expenses
  - Make it work

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**THIS IS NOT NORMAL BUDGETING**  
*(But you already knew that)*

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### SCENARIO PLANNING

Where we are right now

Where we might be

New ideas to think about

1 Optimistic

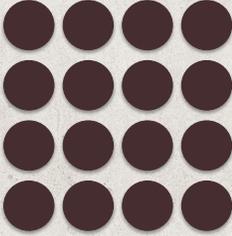
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4 Pessimistic

↑

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### SCENARIO PLANNING

Where we are right now

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New ideas to think about

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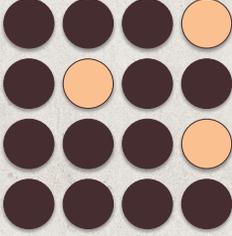
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4 Pessimistic

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**STEP 1**  
*Define the guiding principles.*

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**SCENARIO PLANNING**

Step 1: Define the guiding principles.

**Organizations:**

- We will prioritize the health and safety of our people.
- We will maximize the impact of our programs to fulfil our mission.
- We will be transparent about difficult decisions.
- We will consider short- and long-term implications of our choices.
- We will be ethical in our purchasing choices.
- We will evaluate key metrics and adjust plans accordingly.

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## SCENARIO PLANNING

### Step 1: Define the guiding principles.

**Individuals:**

- I will prioritize the health and safety of myself and those I serve.
- I will create authentic work that fuels me creatively.
- I will be transparent about difficult decisions.
- I will consider short- and long-term implications of my choices.
- I will make choices on purpose.
- I will evaluate key metrics and adjust my plans accordingly.

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## STEP 2

*Define the scenarios.*

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## SCENARIO PLANNING

← *Most optimistic* → *Least optimistic*

Scenario 1	Scenario 2	Scenario 3	Scenario 4
Late summer / fall programs happen at slightly reduced revenue  Things are normal-ish by early 2021  (Alternate: Fully "normal" year)	No summer revenue  Fall programs happen at greatly reduced revenue  Spring 2021 programs happen at slightly reduced revenue  Things are normal-ish by summer 2021	No summer revenue  Fall programs happen at greatly reduced revenue  Spring 2021 programs happen at greatly reduced revenue  Fall 2021 happens with slightly reduced revenue  Things are normal-ish by 2022	Assumes no revenue (aside from emergency funding) through summer 2021  Fall 2021 moderately reduced revenue  Things are normal-ish by 2022

**Key Point**

The scenarios will likely be unique to you or your organization.

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## STEP 3

### *Project the numbers.*

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## ORGANIZATION

List all the existing income sources

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
<b>Income</b>				
Sales				
Individual contributions				
Board contributions				
Governmental support				
Foundation support				
Corporate sponsors				
Emergency funding				
<b>Expenses</b>				
Salaries				
Employee expenses				
Programmatic costs				
Facility costs				
Fundraising expenses				
Marketing / communications				
Travel and research				
Miscellaneous				

Identify key drivers/metrics for each

Distinguish expenses by function if that makes sense for your organization

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## INDIVIDUAL

List all your existing income sources

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
<b>Income</b>				
Sales				
Grants				
Individual support				
Related income				
Unrelated income				
Emergency funding				
<b>Expenses</b>				
Creative supplies				
Studio rent				
Website support				
Utilities				
Marketing / communications				
Equipment maintenance				
Travel				
Research				
Subscriptions				
Miscellaneous				

Identify key drivers/metrics for each

Think about whether this is for your business, your life, or both

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## SCENARIO PLANNING

Revenue assumptions will be key.

For Individuals	Impact
Selling at fairs/festivals	40-50%
Selling mostly online	50-60%
Selling through a gallery / corporate partners	60-70%
Teaching in schools or community centers	40-50%
Funding from city/state sources	20-30%
Part-time job with not-for-profit	?

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## SCENARIO PLANNING

For Organizations	Impact
Performance organization	0 – 40 – 70%
Presenting organization reliant on tours	0 – 40 – 70%
Educational offerings	65%
Major December holiday show	40%
Reliance on tourists	30%
Reliance on state funding	20-30%
Strong corporate partnerships	40-60%
Strong endowment	50-60%

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## SCENARIO PLANNING

### Finding information

- Ohio has cut current year spending by \$775 million *(Source: Columbus Dispatch, 5/5/2020)*
- City of Columbus planning no major gatherings until Spring 2021 *(Source: Columbus CEO, 5/1/2020)*
- 36.5 million new unemployment claims as of May 14 *(Source: Washington Post, 5/14/2020)*

#### Key Point

This will not be quick exercise... Take the time to estimate the impact based on what you know about your business.

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#### Key Question

What time frame am I supposed to look at?

That's a great question. Definitely look closely at the next three months when it comes to managing short-term expenses.

Then look to the end of your fiscal year, plus one more year for medium-term projections.

Then I'd take the projections one more year out to see what a longer-term impact might look like.

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**Key Question**

What is the best way to approach corporate partners and new funders right now?

Focus on what has changed about your programming/mission and what *has not* changed.

Target corporations with the ability to support right now.

Look for mutual benefits to a holistic sponsorship.

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**STEP 4**

*Explore new revenue options.*

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## SCENARIO PLANNING

### Step 4: Explore new revenue options.

- What do you do?
- What do those you serve need?
- Which do you choose?

#### Key Point

There is no shortage of ideas. The trick is to evaluate them effectively.

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## SCENARIO PLANNING

### Decide what criteria to use to evaluate options.

Criteria	Score (1-5)
Does it align with our value?	
Is it something those we serve value <i>right now</i> ?	
What will it cost?	
What will we earn?	
How will it help us strategically?	

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SCENARIO PLANNING

Does it align with our value?

Unique	Value	Proposition
What makes you different?	What do you do to change the world?	How will you do it?
<i>Strengths</i>	<i>Your What For Whom</i>	<i>Your How</i>

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SCENARIO PLANNING

Is it something those we serve (or a new group) value *right now*?

- Don't guess about this. Do some work to make sure you know.
- Think about partnerships you can forge (or tap into) to strengthen this.

**Partnership Ideas**

Can an in-home experience (concert, talk-back, event, gala) include a meal delivered from a partner restaurant?

Can a corporate sponsorship include something creative delivered to employees?

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**SCENARIO PLANNING**

What will it cost?

- What will this cost? Write it down.

What will we earn?

- What will it generate in contributions/revenue? Write this down too.
- How will we generate/earn these funds?

**Key Point**

Add these numbers to the scenarios.

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**SCENARIO PLANNING**

How will it help us strategically?

Idea	Using it Strategically
<p><b>Digital Care Packages</b> A patron can make a \$25 contribution to have a creative digital care package delivered to someone.</p>	<ul style="list-style-type: none"> <li>• Include an ask of the recipient to see if they would like to donate \$25 and send a care package to someone else.</li> <li>• Use some of the recorded collateral to create a larger marketing campaign around the idea (including press releases).</li> <li>• Share the idea with corporate sponsors and/or key business partners.</li> </ul>

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**STEP 5**  
*Make hard choices.*

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**SCENARIO PLANNING**

**Step 5: Make hard choices about expenses.**  
– Personnel is often the largest expense item

**Key Point**

Gravity (a payment processing company based in Seattle) faced a 55% decrease in revenues because of COVID-19. The solution was to cut 20% of the payroll to make the numbers work. But CEO Dan Price instead held transparent meetings with employees.

Employees favored voluntary pay cuts to keep the company afloat without laying anyone off. Employees met privately with HR to communicate their voluntary cut.

Source: "Instead of Laying Off 20 Percent of His Company, This CEO Made an Unusual Decision." Inc. April 2020.

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## SCENARIO PLANNING

- Facilities costs are often second largest expense item
- Programmatic costs are the hardest to eliminate

### Key Point

This is why scenarios are helpful. If you understand the trade-offs, the decisions may be easier to explain.

For example, cutting production costs by 15% and suspending office rent enables a 5% salary cut across the board instead of a 10% salary cut.

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### Key Question

I can make this work over the long-run, but what should I do about cash flow right now?

That's awesome! If you have received some emergency funding, use it judiciously. (That may mean cutting expenses now to make the funding last longer.)

Keep applying for emergency grants if they make sense for you.

Tap your most committed supporters for cash-flow support. (Ideally these will be additional gifts instead of early gifts.)

Ask for released restrictions from funders.

Think about multi-year commitments.

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**Key Question**

There is NO WAY this can work. What should I do? Should we shut down?

I'm sorry. You're not alone. Lots of groups and individuals are exploring dramatic changes right now.

Zero based budgeting could be a potential option for you, especially if you are open to reimagining everything...

**Key Point**

Reimagining everything is really tough. Keep the focus on the value you or your organization provides so the conversation remains mission-centric.

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**STEP 6**

*Update accordingly.*

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## SCENARIO PLANNING

### Step 6: Update accordingly.

- Pay attention to the world around you
- Listen to those you serve
- Keep laser-focused on the value you provide
- Identify key metrics to track

#### Potential Metrics

- Sales
- Attendees
- Donors (% new, % renewals)
- Engagement (customers showing interest)
- Economic figures

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#### Key Question

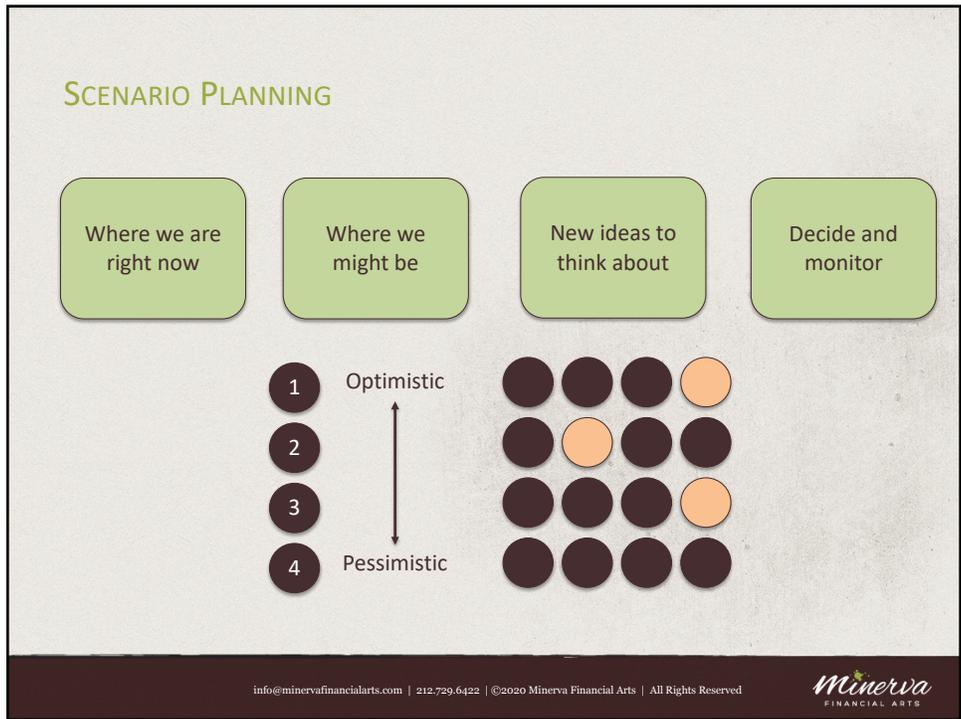
What if I need an actual approved budget to apply for a grant?

Ask your board to approve the scenario you think is most likely to use for grant applications.

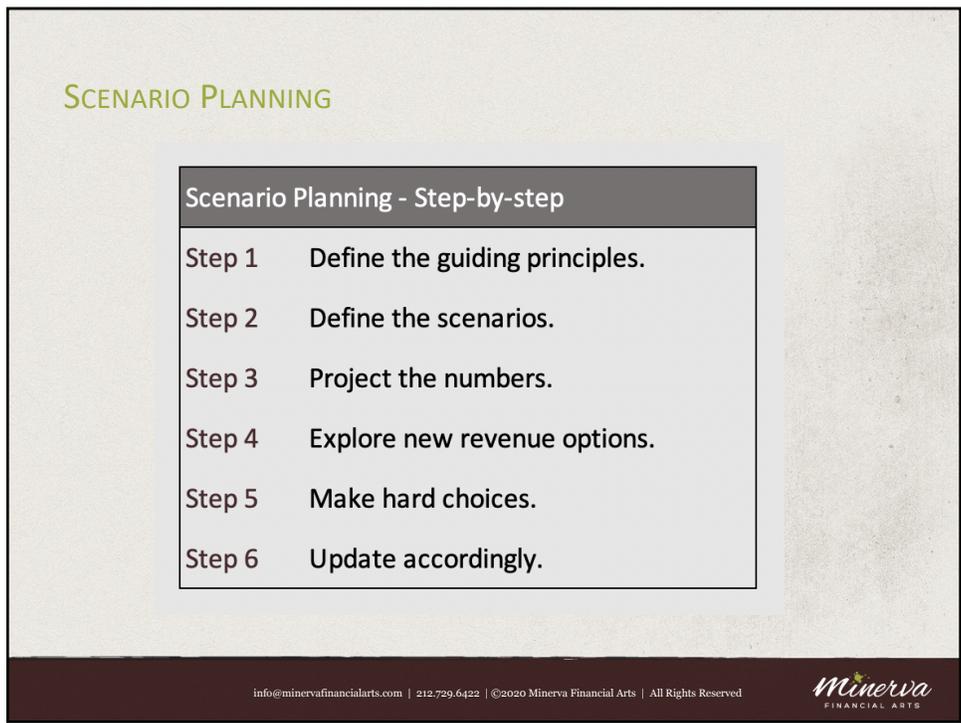
Note that this may include approving a budget with a deficit. Explain how the organization will handle that.

If it becomes necessary to approve a revised budget mid-year, update your funders.

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