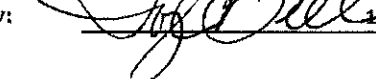
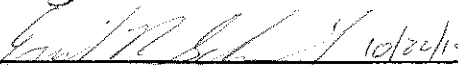


Schedule 13 Funding Request for the 2014-15 Budget Cycle

Department: Higher Education- History Colorado
 Request Title: Increasing the Future Sustainability of History Colorado
 Priority Number: HC-1

Dept. Approval by:  10/21/2013
 Date
 OSPB Approval by:  10/20/13
 Date

- Decision Item FY 2014-15
- Base Reduction Item FY 2014-15
- Supplemental FY 2013-14
- Budget Amendment FY 2014-15

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	5
	Fund	Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
Total of All Line Items	Total	10,094,112	-	10,329,574	544,964	544,964
	FTE	109.9	-	109.9	-	-
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	9,397,016	-	9,619,050	544,964	544,964
	RF	-	-	-	-	-
	FF	697,096	-	710,524	-	-
Society Museum and Preservation Operations	Total	8,336,577	-	8,533,239	414,576	414,576
	FTE	95.4	-	95.4	-	-
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	7,639,481	-	7,822,715	414,576	414,576
	RF	-	-	-	-	-
	FF	697,096	-	710,524	-	-
Auxiliary Programs	Total	1,757,535	-	1,796,335	130,388	130,388
	FTE	14.5	-	14.5	-	-
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	1,757,535	-	1,796,335	130,388	130,388
	RF	-	-	-	-	-
	FF	-	-	-	-	-

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:
 \$45,000 Limited Gaming Revenues and \$499,964 museum admission fees, user charges and other sources of cash funds.
 Cash or Federal Fund Name and COFRS Fund Number:
 Reappropriated Funds Source, by Department and Line Item Name:
 Approval by OIT? Yes: No: Not Required:
 Schedule 13s from Affected Departments:
 Other Information:



COLORADO

Department of Higher Education

*Priority: HC-1
Increasing the Future Sustainability of
History Colorado
FY 2014-15 Change Request*

Cost and FTE

- History Colorado is seeking an increase of \$499,964 cash funds from museum earned revenue to invest in business development and public outreach in order to enhance future sustainability. History Colorado is also seeking \$45,000 Limited Gaming cash funds to true-up electric utility cost increases at regional museums. In total, this request seeks \$544,964 cash funds in FY 2014-15 and FY 2015-16.

Current Program

- Since opening the History Colorado Center in 2012, attendance and membership have increased significantly.
- History Colorado has created a series of new exhibits and programs at the History Colorado Center and regional museums which are designed to fulfill mission, serve diverse audiences, drive attendance, and maximize earned revenue.
- Total revenue for History Colorado is anticipated to increase with the focus on visitation.

Problem or Opportunity

- History Colorado's long-term business objective is to attract more visitors and thus bring in more revenue and encourage more philanthropic support. Additional philanthropic support will help History Colorado be more financially self-sufficient. However, additional business development and community outreach efforts require further investment.
- History Colorado also needs to recalibrate its utility budget due to past cost increases which can no longer be fully absorbed.

Consequences of Problem

- History Colorado currently does not have the cash fund spending authority to fund membership development and guest services support. Without the funding to make this investment, the additional visitation cannot be achieved. The increase in visitation is necessary to drive earned income and develop philanthropic interest and support.

Proposed Solution

- Funding membership business development, public outreach, and guest services support will allow History Colorado to support additional visitation. Additionally, funding utilities at the regional museums will calibrate those budgets to the actual costs at those facilities.



COLORADO

Department of Higher Education

FY 2014-15 Funding Request | November 1, 2013

John W. Hickenlooper
Governor

Joseph A. Garcia
Lieutenant Governor

Ed Nichols
President
History Colorado

Department Priority: HC-1

Request Detail: Increasing the Future Sustainability of History Colorado

Summary of Incremental Funding Change for FY 2014-15	Total Funds	General Fund
Increasing the Future Sustainability of History Colorado	\$544,964	\$0

History Colorado is seeking an increase of \$499,964 cash funds from museum earned revenue to invest in business development and public outreach in order to enhance future sustainability. History Colorado is also seeking \$45,000 Limited Gaming cash funds to true-up electric utility cost increases at regional museums. In total, this request seeks \$544,964 cash funds in FY 2014-15 and FY 2015-16.

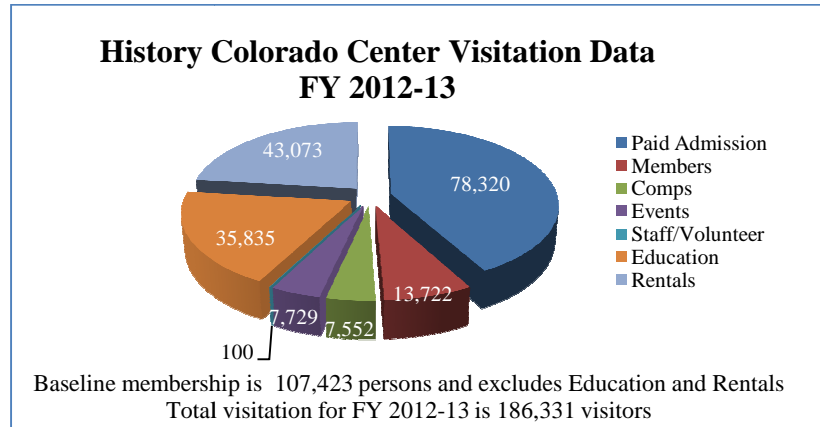
Public Outreach and Visitation (\$499,964 Earned Revenue CF)

History Colorado has created a series of new core and traveling exhibits at the History Colorado Center and regional museums. These new exhibits are designed to serve diverse audiences, drive attendance, and maximize earned revenue. By the end of FY 2014-15, the goal is to have created a base of 154,075 annual visitors to the History Colorado Center, of which 126,875 are anticipated to be paid visitors. History Colorado also anticipates attracting 78,994 paid visitors to its regional museums and properties. To achieve and best utilize these attendance levels, however, History Colorado must invest in the following:

- communication initiatives that raise public awareness of our programs;
- guest services at the History Colorado Center that will build a base of return visitors by providing a quality visitor experience; and,
- a membership fulfillment program that will serve an expanded base of members. History Colorado has planned a core enterprise budget to support communications, membership and guest services through earned revenues.

During FY 2008-09 (the baseline year, the last full year of operations before closure and construction of the History Colorado Center), History Colorado's operating budget for business development and communications was only \$40,000 for all museums in the agency. Visitation to all museum properties was low, the membership base was small and stagnant, and there was no guest services program at any of the museums. Since opening the History Colorado Center in 2012, attendance at the Center has risen significantly, the membership base has nearly doubled, and the organization has incorporated guest services into the operation.

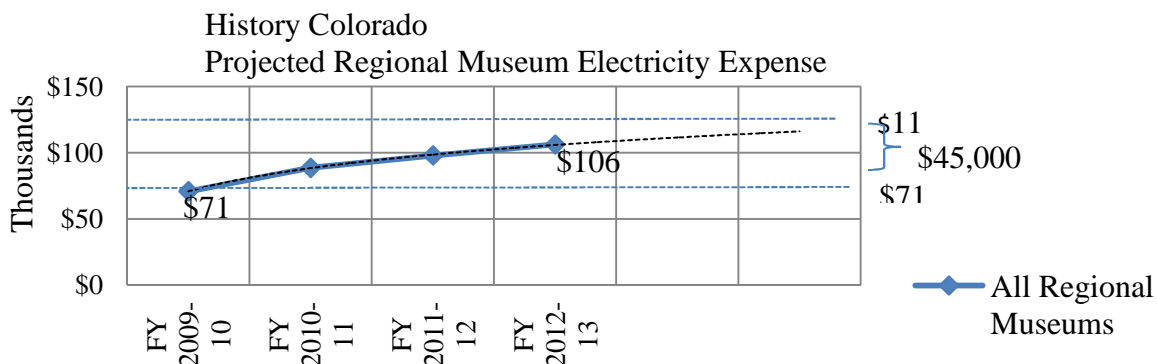
Total revenue at the Denver flagship facilities has risen over 92 percent, from \$1,914,566 in FY 2008-09 to \$3,694,485 in FY 2012-13, with the opening of the History Colorado Center. With this request for an enterprise-based budget increase in FY 2014-15, funded from History Colorado’s own earned revenue, the agency anticipates an increase in admissions revenues of at least \$534,000 over FY 2012-13. With an expanded visitor base, History Colorado will realize additional income from retail, café and events sales and will be in a stronger position to attract corporate and philanthropic support, critical to the agency’s long-term model for sustainability.



In 2010, History Colorado retained the consulting firm of Schultz & Williams to help develop a 5-year strategic business plan that sets realistic and achievable objectives and defines performance metrics. In FY 2012-13, having been open for a year, History Colorado revised that plan to reflect an evolving program of traveling exhibits, to set attendance and earned income goals that would lead the organization to long-term sustainability, and to determine the investment needed in business development and communications in order to raise public awareness of exhibits and programs and to drive attendance. For FY 2014-15, the plan is built around the launch of three traveling exhibits and a statewide signature event celebrating Colorado’s birthday as part of our overall strategy to achieve our goal of 154,075 visitors to the History Colorado Center. The business plan addresses the required investment in communications and business development to achieve those income goals.

Utility Cost Increases (\$45,000 Limited Gaming CF)

From FY 2009-10 to FY 2012-13, electric utility rates at regional museums have risen sharply. During this period, electric utility cost has increased from \$70,885 to \$106,293 and is projected to be \$116,000 by FY 2014-15. History Colorado is seeking \$45,000 in limited gaming funds to help true up this differential and share in these increased utility costs.



Assumptions and Calculations

History Colorado's request of \$499,964 cash funds from its museum earned revenue for business development and public outreach is based on the following assumptions:

	Visitors	Rate \$	Total Investment	Request
<u>History Colorado Center:</u>				
Base Visitation (FY 2012-13)	78,320	1.36	106,515	
New Visitor Development	<u>48,555</u>	2.05	<u>99,538</u>	
Total Paid Visitors	126,875		206,053	206,053
Members, Free Days, Events	<u>27,200</u>			
Total Visitor Base (FY 2014-15)	154,075	1.34		
<u>Regional Museums:</u>				
Base Visitation (FY 2012-13)	55,673	1.36	75,715	
New Visitor Development	<u>23,321</u>	2.05	<u>47,808</u>	
Total Paid Visitors:	78,994		123,523	123,523
	Base # Members	Support Cost per Member	Total Investment	Request
Membership Business Development and Public Outreach	8,550	15.25	130,388	130,388
Guest Service Ambassadors Attendance			8,000	8,000
Point of Service Support			32,000	<u>32,000</u>
Total:				499,964

The request is built on the following assumptions:

- \$206,053 to achieve History Colorado's 2015 strategic baseline visitation target of 154,075 visitors, at an average awareness cost per total visitor base of \$1.34 ($\$206,053 \div 154,075$); \$123,523 targeted to develop and promote public awareness of exhibits and programs at History Colorado's 7 regional museums to achieve a regional visitation base of 78,994 visitors at an average awareness cost per visitor of \$1.56 ($\$123,523 \div 78,994$);
- \$130,388 to attract, retain and support History Colorado membership, yielding gross revenue of \$550,000; and,
- \$40,000 to improve our museum guest experience using a state-of-the-art POS and guest ambassadors.

Start-up Investment

In FY 2011-12, prior to opening the History Colorado Center in April, 2012, History Colorado invested \$570,000 to promote the new museum, plus \$570,000 to build a new visitor base, and \$437,000 for membership building and support. In FY 2012-13 History Colorado invested an additional \$215,000 for public awareness and \$325,000 for membership development and support; and during FY 2012-13, visitation grew to 78,320 paid admissions and 13,722 member visits. The investment in guest services

support was \$151,000 in FY 2011-12 and \$342,000 in 2012-13. Approximately 87 percent of this start-up investment was provided by the *Make History Colorado!* Capital Campaign.

Ongoing Investment:

For FY 2014-15, History Colorado is assuming a cost metric of \$1.36/visitor for its visitor base and \$2.05 to attract new paid visitors. The base cost is supported by data from Schultz and Williams, and the cost to attract new visitors is assumed at a 50% premium for start-up centers like History Colorado. In addition to data provided by Schultz and Williams, we contacted the Denver Art Museum, Denver Botanic Gardens, the Chicago History Museum, New Mexico History Museum and others to confirm our assumptions. In FY 2014-15, the actual investment in public awareness to meet public outreach for visitation and membership goals may be higher because the History Colorado Center is still in a start-up period and continues to introduce new programs and exhibits. To supplement this investment, funding may also be procured from additional sources such as private donations.

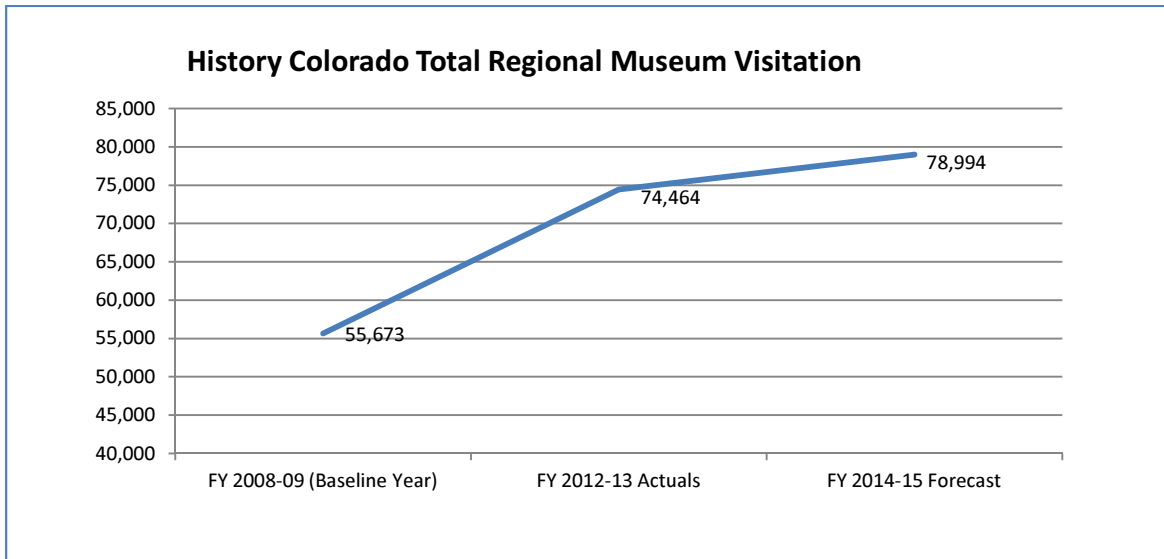
One of History Colorado’s key strategic goals is to ensure the organization’s long-term sustainability by leveraging the cash fund investment to generate earned and contributed support for expanding programs and services. Visitation drives revenue to History Colorado properties through admissions and program fees, rentals, retail and food service.

History Colorado Visitation Data

FY 2008-09 Description	FY 2012-13 (Baseline Year)	FY 2014-15 Actual	FY 2011-12 to Forecast	FY 2013-14 (+/-)
Paid Admission	40,364	78,320	126,875	48,555
Member visits	44	13,722	15,500	1,778
Complimentary Tickets				
Colorado Day, etc		7,552	4,950	(2,602)
Events	8,382	7,729	6,600	(1,129)
Staff/volunteer	-	100	150	50
Subtotal:	48,790	107,423	154,075 *	46,652
Education	30,336	35,835	41,362	5,527
Rentals	28,000	43,073	46,350	3,277
Totals:	107,126	186,331	241,787	55,456

* 314% of FY 2008-09

Regional museum visitation varies by location and venue. History Colorado structures its operations at regional museums to accommodate the local and regional needs of each community. Each museum presents unique opportunities for program development, and public outreach.



Note: Ute Indian Museum is currently scheduled to be closed for construction from June 2015 to February 2016.

History Colorado’s request for \$45,000 in limited gaming funds to defray electric utility cost is based on actual cost incurred at the regional museums and projected cost in FY 2014-15. Since FY 2009-10, regional electric utility expense has escalated proportionately with utility rate increases. The El Pueblo History Museum has been most impacted by a series of rate increases, including a change in billing structure from a bill that was based on KWH utilization only to a bill that combines energy KW demand with utilization. The last funding appropriation for utilities at regional museums was in FY 2007-08 for a total of \$45,000.

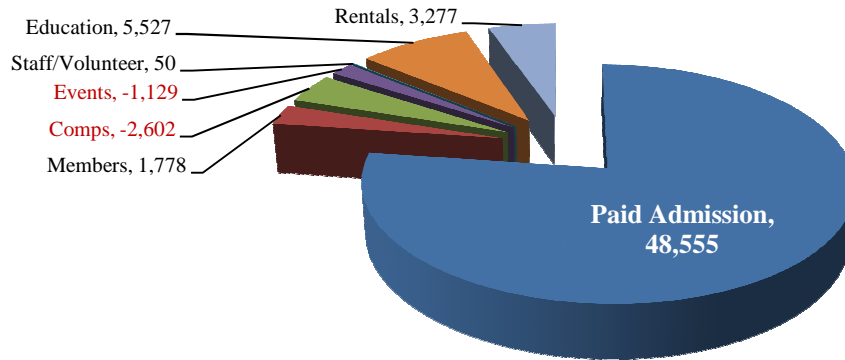
Cost of Electricity at History Colorado’s Regional Locations

Museum Location	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Trinidad History Museum	4,777	6,630	7,087	7,268
Byers-Evans House	2,103	2,964	2,761	2,807
El Pueblo History Museum	37,864	50,180	59,124	67,893
Fort Garland Museum	8,629	9,633	10,501	9,235
Fort Vasquez Museum	2,631	2,709	2,188	2,550
Grant-Humphreys Mansion	6,867	6,953	7,640	7,656
Healy House & Dexter Cabin	1,701	1,550	1,177	1,404
Ute Indian Museum	<u>6,312</u>	<u>8,025</u>	<u>7,468</u>	<u>7,480</u>
All Regional Museums	70,885	88,644	97,946	106,293
Cost Escalation				35,408

Anticipated Outcomes:

1. By FY 2014-15, History Colorado hopes to achieve an increase of 48,555 new paid visitors, a baseline visitation target of 154,075, and total visitation of 241,787 persons. A visitor is defined as those members and non-members who arrive individually, in family groups, or in adult groups. Total visitation includes visitors as well as school group participants and event attendees.

**History Colorado
Two Year Incremental Visitor Growth Targets FY 2012-13 - FY 2014-15**



2. History Colorado strives to build a successful History Colorado awareness program and coordinate with other State of Colorado programs to promote tourism and Colorado’s brand initiative objectives.

Effect on Operations:

By achieving attendance targets, History Colorado expects to realize a \$534,724 increase in admissions revenue, more than offsetting the \$499,964 cash fund request. In addition, History Colorado hopes to increase corporate and philanthropic support which will move the agency toward self-sufficiency.

FY 09 Baseline FY 13 Actual Bus Plan Est. FY 15

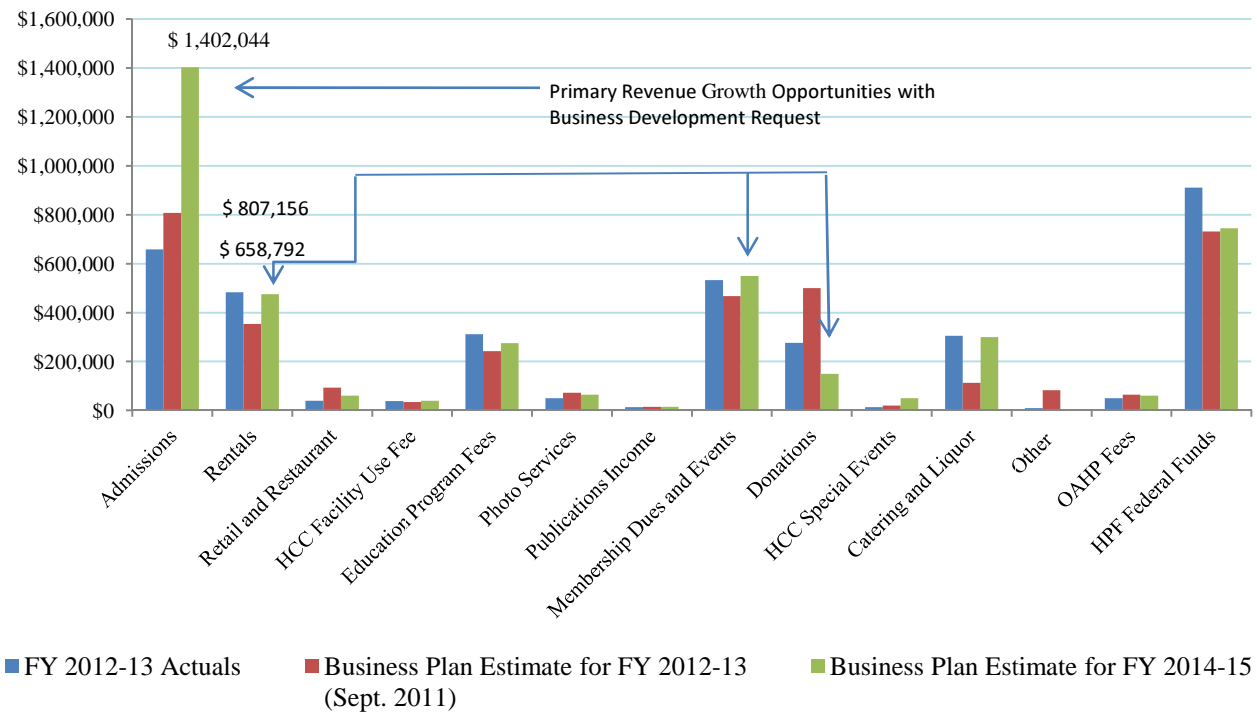
Earned Revenue – History Colorado Center

Admissions	240,147	658,792	1,402,044
Rentals	132,658	483,590	475,000
Retail and Restaurant	3,303	39,034	60,000
HCC Facility Use Fee		38,644	40,000
Education Program Fees	158,720	311,116	275,000
Photo Services	62,782	50,192	65,000
Publications Income	11,144	13,837	15,000
History Colorado Earned Revenue			
Membership Dues and Events	136,897	533,263	550,000
Donations	368,162	276,711	150,000
HCC Special Events		13,332	50,000
Catering and Liquor		305,377	300,000
Other	3,876	9,867	
OAHP Fees	39,631	50,513	60,000
HPF Federal Funds	757,246	910,217	745,000
Total History Colorado Center Revenue	<u>1,914,566</u>	<u>3,694,485</u>	<u>4,187,044</u>
Net Impact on Total History Colorado Center Revenue			<u>\$ 492,559</u>

Earned Revenue - Regional Museums

Admission Fees	89,737	95,473	110,000
Rental Fees	227,789	480,339	500,000
Store sales	214,182	221,147	240,000
Special Events	17,248	10,876	
Total Regional Museum Revenue	<u>548,956</u>	<u>807,835</u>	<u>850,000</u>
 Net Impact on Regional Museum Revenue			<u>\$ 42,165</u>
 Forecast Earned Revenue Increase FY 13 Actual to Business Plan			<u>\$ 534,724</u>

**History Colorado Center
Earned Revenue**



Attachments

History Colorado Center

Estimated Example of Return on Investment in Public Outreach (FY 2014-15)

Total Visitors	154,075	
Outreach Expense	206,053	
Visitation Revenue (paid visitors @\$10)		1,268,750
Additional revenue from museum store, café		126,875
Less: Guest Services and POS Support		(40,000)
Less: Visitation Outreach Expense		<u>(206,052)</u>
Net Contribution		1,149,573
ROI Outreach and Guest Services Support	367%	

Notes:

1. Net ROI excludes building overhead cost.

Estimated Example of Return on Membership (FY 2014-15)

	Members	Basis	Gross Revenue
Membership Revenue	8,550	64.33	550,022
Less: Membership Support Expense		15.25	(130,388)
Net Contribution			419,634
Net ROI		222%	

Notes:

1. This is a weighted basis. Basis varies with membership type – individual family, etc.
2. Net ROI excludes overhead cost.