

CHAPTER EIGHT: BUSINESS PLAN



THE BUSINESS CONCEPT

The Western North Carolina region is an exceptional place with many heritage resources that hold great attraction to people worldwide. These heritage resources provide the capital upon which enterprises can be established that protect, interpret, and develop them. Indeed, the regional history is full of many public and private organizations and individuals that have already done so. We believe that the people and groups currently undertaking these efforts or thinking about undertaking such efforts in the future represent a strong potential client base that could have needs for services that the Blue Ridge National Heritage Area is equipped to provide. Our business model relies upon a streamlined, competent, and committed staff utilizing the knowledge and expertise of strategically recruited partners to identify needs and opportunities of this client base that are mutually compatible with our mission, and then to provide financial support, marketing and promotions, research, and partnership facilitation that will help them achieve their ambition. While doing this, we recognize that we can also produce benefits in the Heritage Area environment from projects we undertake on our own. This business model is reflected throughout this planning document.

CHALLENGES TO THE CONCEPT

There are some organizational and operational challenges that must be overcome for the opportunities before us to be realized.

The management approach described in Chapter 2 and discussed in greater detail in Chapter 7 relies heavily upon partnership. The knowledge and expertise in the region of people within the heritage community is truly astounding. While there is value in seeking comprehensive input from a variety of potential partners, there is also risk in getting so much information that it overwhelms and paralyzes the BRNHA. To address this, we must be strategic in our recruitment

process of organizations and individuals to serve on the Preservation Task Force and Committees and develop clear policy statements that establish expectations about roles and responsibilities. At the same time, we must not overburden those partners who agree to serve on the PTF and Committees, most of whom by their professional affiliation already are challenged for time.

The management approach selected pursues many activities and attempts to satisfy needs of each of the heritage preservation, interpretation, and development interests. While this can be done given deliberate thought and planning, it is quite possible that BRNHA could lose focus and attempt to satisfy so many different interests that no real measurable outcomes are achieved for heritage preservation, interpretation, or development. Even worse, support could be given to projects across goals that actually compete against each other, cancelling out the intended benefits that the support was supposed to help generate.

The existence and ability of the grants program to produce positive outcomes may be challenged over time due to its dependency on federal appropriations. Some attention may be needed to diversify revenue streams to include other grant making agencies and organizations. This also must be done with deliberate thought and planning. The BRNHA does not want to be in the business of competing with the very people it is trying to help for the same sources of financial support.

FINANCIAL CONSIDERATIONS

The BRNHA annual operating budget is approximately \$800,000 (based on 2007 figures). Most of that has come from federal funding, but a small amount has come from commissions generated by activities in the marketing and promotions program and from other sources. Some programmatic support has come from the Cherokee

Preservation Foundation, the NC General Assembly, and small donations. To sustain the organization and accomplish management intent, a minimum operating budget of \$800K will be needed.

The role of the National Park Service and US Congress in generating revenue for the BRNHA has been and will continue to remain crucial, not just in terms of helping to satisfy operating requirements but in its ability to leverage additional funds in support of heritage resources. Table 8-1 illustrates an estimated financial impact from the BRNHA over the last three years and how federal appropriations have helped leverage a large amount of match funding. Appropriations from the NC General Assembly and other private foundations are also shown. Table 8-2 shows one scenario of how an elimination of federal funding could affect the bottom line. In the 1st year after the elimination of federal funding, there could be a 79% decrease in total financial impact from \$6.73 million to \$1.44 million. The 21% of effort remaining on heritage associated activities would come from: a) the heritage tourism officers' work paid for from the NC Department of Commerce; b) some private and state grants to support BRNHA operations; and c) some matching grants from private and government sources at the local level for projects associated with heritage development, preservation, and interpretation. The BRNHA would have to cut staff, eliminate its grants program, severely curtail its research efforts, and cancel plans for future marketing and promotional initiatives. However, five of the six existing marketing initiatives could continue due to their relative independence from federal funding. There would also result substantial changes to the partnership program, affecting composition of the BRNHA's organizational structure.

Table 8-1

BRNHA Existing Financial Impact: 2004 - 2007 (STATUS QUO)					
Source of Funding	Total Operating Income	Percentage of Income	State or Private Matching Grant Leverage Amount	Total Financial Investment	Percentage of Investment
Federal	\$ 2,393,795.00	54%	\$ 2,283,582.09	\$ 4,677,377.09	69%
State In-Kind	\$ 642,996.00	14%		\$ 642,996.00	10%
State Appropriation*	\$ 450,000.00	10%		\$ 450,000.00	7%
Grants	\$ 969,486.00	22%		\$ 969,486.00	14%
Totals	\$ 4,456,277.00	100%		\$ 6,739,859.09	100%

* One time state appropriation of \$450K was received in 2007 but is to be spread over two years.
The full appropriation is counted in the 2004 - 2007 calculations.

Table 8-2

Immediate Change in BRNHA Financial Impact from Baseline Levels Per Loss of Federal Funds^					
Source of Funding	Total Operating Income	Percentage of Income	State or Private Matching Grant Leverage Amount	Total Financial Investment	Percentage of Investment
Federal	\$ -	0%	\$ 500,000.00	\$ 500,000.00	35%
State In-Kind	\$ 642,996.00	68%		\$ 642,996.00	45%
State Appropriation*	\$ -	0%		\$ -	0%
Grants	\$ 300,000.00	32%		\$ 300,000.00	21%
Totals	\$ 942,996.00	100%		\$ 1,442,996.00	100%

^ The table represents one possible scenario out of several other conceivable changes.
The scenario presented reflects professional judgment of technical consultant, BRNHA leadership, and IDT

While the above tables represent the impact of federal appropriations given the Status Quo approach to management, Table 8-3 illustrates how the selected management approach described in Chapter 2 would affect income, in-kind service values, and matching grant leveraging potential. The scenario assumes that federal allocations will average \$750,000 each year (assuming some disruptions in federal appropriations may occur), which is a slight decrease from baseline levels. The amount of state in-kind services would increase by 33% due to the role of various state organizations serving on the PTF. There is no state appropriation expected from the General Assembly. Private and public grants are expected to trend essentially as they have at \$300,000 per year. Matching grants would be expected to nearly double over baseline levels. The doubling of matching funds is based on BRNHA initiated projects securing just 1% (\$1.82 million) of State of NC trust fund dollars available in 2007 that can be used to protect important heritage resources.

To accomplish the level of financial impact illustrated in Table 3, the BRNHA will pursue a diversified funding strategy.

Federal Appropriations

It is assumed that the National Park Service will approve this Management Plan and continue to fund the BRNHA at a similar level as it has in the past, though it is recognized that some changes in the formula used to determine support for Heritage Areas may affect this assumption.

Value of Personnel Provided by State of NC

Pursuant to a Memorandum of Understanding with the North Carolina Department of Commerce, five Heritage Tourism Development Officers are assigned to work on matters related to the BRNHA. The current monetary value of the Heritage Officers' services is calculated at a total of approximately \$214,332 per year, based on FY 2004-5 salaries and other expenditures. These positions are

Table 8-3

Estimated BRNHA Financial Impact Over Next 3 Years from Alternative E					
Source of Funding	Total Operating Income	Percentage of Income	State or Private Matching Grant Leverage Amount	Total Financial Investment	Percentage of Investment
Federal	\$ 2,250,000.00	56%	\$ 4,103,582.00	\$ 6,353,582.00	78%
State In-Kind	\$ 855,184.68	21%		\$ 855,184.68	11%
State Appropriation		0%		\$ -	0%
Grants	\$ 900,000.00	22%		\$ 900,000.00	11%
Totals	\$ 4,005,184.68	100%		\$ 8,108,766.68	100%

[^] The table represents one possible scenario out of several other conceivable changes.

The scenario presented reflects professional judgment of technical consultant, BRNHA leadership, and IDT

funded on a continuing basis, and it is expected that this source of funding will be relatively secure for the foreseeable future. In addition, the BRNHA will recruit other state agency partners on the PTF and account for the value of their in-kind participation. This will be summed together with the existing in-kind contributions from heritage tourism officers with the NC Department of Commerce and used to attract financial support from other sources.

Grants

Since our authorization in 2003, we have received nine grants totaling \$969,486. All these grants have been made to fund specific projects. It is the intention of this plan to continue to seek grants to fund these activities as needed and potentially at the rate of the last three years. The BRNHA will also more effectively network with State of NC trust funds and private foundations to help cultivate matching grants in support of local implementation partners’ heritage preservation projects. The \$4.1 million match over three years shown in Table 8-3 is not at all an unattainable goal given current staffing levels. It may be worth considering the addition of a development officer on the BRNHA staff who can devote more time to working with the PTF and cultivating interest among potential matching grantors for projects that are stimulated by the BRNHA. Depending upon the nature and structure of partnerships cultivated by BRNHA that develop such proposals, it is possible that some of the grant awards could be used to support the salary of a development officer.

Potential Revenue from Other Sources

Other potential income sources include:

- Go-Blue Ridge Card (Go Card): If the Go Card proves successful, reasonable projections suggest that BRNHA would recover its initial outlay within three years, and that revenue from the project would be substantial. For example, start-up expenses have been quoted at \$120-130,000; annual operating fees thereafter would be \$130-140,000. Sales of 7,500 Cards annually at an average price of \$75 per card would generate a net profit to BRNHA of \$90,000 annually.

- Destination Center I-Wall: The estimated cost of the I-Wall to BRNHA is \$86,682. BRNHA has engaged a contractor to market advertising on the I-Wall. The goal of the marketing program is to raise a total of \$100,000 annually, which would be sufficient in FY 2006-7 to pay for the I-Wall with private funds and generate a surplus of approximately \$14,000. In succeeding years the entire surplus, minus commissions, would be available to the BRNHA for maintenance of the I-Wall and other uses.
- Merchandise: BRNHA plans to develop a line of authentic merchandise, produced by local craftspeople whenever possible. Costs and revenues are speculative at present.
- Additional income to support the BRNHA will be sought from individual and corporate donations. While the BRNHA has no plans to become a membership organization, it will encourage donations to support its work. Tasteful solicitations are planned for the website and to accompany the upcoming distribution of 3 million heritage trail guides. In addition, the BRNHA has invested a substantial amount of effort developing the Go-Card and I-Wall marketing and promotional initiatives. These are intended to promote and facilitate visitation to some of the region’s attractions. This is a tangible service, which if provided by a private marketing firm, would have fees associated with it that the beneficiaries would be expected to pay. It would not be unfair for the BRNHA to also expect some modest compensation through commissions, advertising revenue, and the provision of the coordinating services provided.

BUSINESS FACILITIES AND OPERATIONS

Through a cooperative agreement with the National Park Service, the offices of the Blue Ridge National Heritage Area are located in the Blue Ridge Parkway Destination Center, just outside of Asheville, North Carolina. The Heritage Area staffs the Regional Visitor Information desk, provides information technology, and shares the cost of operating the Destination Center.

