

June 27, 2017

Dear Mayor Freiling:

I'm writing to you today at a critical turning point in the history of Colonial Williamsburg.

The Colonial Williamsburg Foundation has, for many years, been operating at a substantial loss. The number of visitors who come here today is less than half of what it was during our high water mark years in the late 1970s and early 1980s. Many factors have combined to cause this: Americans today go on fewer and shorter vacations; it is difficult to get to Williamsburg by air due to the shutdown of AirTran; there is less emphasis on teaching history in our schools; the lingering effects of the "great recession."

Over the past decade, these operating losses have resulted in the Foundation drawing on its endowment at an alarming rate. Normally, a non-profit will draw around 5% annually from its endowment. Over the past ten years, the Foundation has had to draw 10%, 11% and 12% from the endowment every year to cover operating losses and debt service. In the last decade, these excess endowment draws have totaled nearly \$200 million. This is clearly unsustainable.

We have not been complacent. Over the two and a half years since I became President of the Foundation, we have taken aggressive action to address these losses. We've imposed internal cost controls and introduced many initiatives to drive increased revenue. Those efforts have resulted in a financial improvement of more than \$10 million in the last two years. But it has not been enough. As things presently stand, we could exhaust the portion of our endowment available to cover operating losses in as few as eight years.

Therefore, after a hard and careful look at every aspect of our operations, yesterday I announced a plan to substantially restructure the Foundation. We are calling it "Back to Basics." Under this plan, we are outsourcing the management of many of our commercial, non-core operations and are very substantially reducing our administrative overhead. At the same time, we are intensifying our focus on the three pillars of our core charitable mission: the iconic Historic Area; our two world-class Art Museums; and our educational outreach. Our goal, quite simply, is to eliminate the excess draws on our endowment by as early as the end of 2018, making the Foundation financially sustainable for the foreseeable future.

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If we are successful, the future is bright. As we become financially stable, we will be able to introduce new and exciting programs, and again take our place in leading a national and international conversation about American's founding principles. Our mission statement says it all: *to feed the human spirit by sharing America's enduring story.*

But we need help. As you know, Colonial Williamsburg is a key economic driver for the greater Williamsburg region. Success on our path to sustainability will not only enable the Foundation to thrive, but will result in real benefits to the City of Williamsburg, James City County, and York County as well.

In 2016, Colonial Williamsburg accounted for more than half a billion dollars in economic output and supported approximately 8,500 jobs across the Commonwealth. Nearly four hundred million dollars of that economic output and nearly 7,400 of those supported jobs were within the City of Williamsburg, James City County and York County. Colonial Williamsburg directly spent \$37 million on purchases of goods, services, and construction from Virginia companies, \$13 million of which was spent right here in the greater Williamsburg area.

Colonial Williamsburg employed 3,400 full and part-time employees in 2016, with a payroll of \$80 million, plus \$22 million in employee benefits. Most of those employees are residents of the City of Williamsburg, James City County or York County. Through the multiplier effect, household spending by Colonial Williamsburg employees and spending by our in-state suppliers and contractors indirectly generated an additional \$198 million in economic activity and 2,000 jobs.

Spending by visitors to Colonial Williamsburg generated more than \$5 million in sales taxes paid to the Commonwealth, and more than \$4 million in room, meal, and sales taxes to the City of Williamsburg. And Colonial Williamsburg itself paid more than \$2.1 million in real estate and personal property taxes and service fees and business license fees to the City of Williamsburg, as detailed in the attached Schedule of Taxes Paid.

Colonial Williamsburg and its employees have been and are loyal members and supporters of the community. For example, in 2016, Colonial Williamsburg employees provided approximately \$50,000 in financial support through payroll deductions to the United Way of Greater Williamsburg.

Colonial Williamsburg further supports the greater Williamsburg community with events such as the Fourth of July, Halloween, and Grand Illumination, which are free and open to the public, but not without cost to the Foundation. Annually, Colonial Williamsburg opens the Historic Area, Merchants Square, and other spaces for publicly sponsored events, including: Garden Week; An Occasion for the Arts; Summer Breeze Concerts; Saturday Farmer's Market; lighting of the Community Christmas Tree; and New Year's Eve First Night.

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In 1993, our Good Neighbor Program was established. It provides a pass to Colonial Williamsburg that is free to school age residents of greater Williamsburg and only \$10 a year for adult residents. We have also partnered with the College of William & Mary and Christopher Newport University to establish Collegiate Pass programs that provide free admission and other benefits to people affiliated with those educational institutions.

Thus, in a very real way, we are all in this together. Our City-Foundation partnership has taken many forms and has supported the quality of our area for years. We are grateful for the City's annual marketing contribution, and its support for special events. In a host of ways, the City and the Foundation have worked together to build on the successes of the past and address the challenges of the present and future.

At this very critical time, however, I must ask for more. To support our efforts to bring long term financial stability and sustainability to Colonial Williamsburg, I am respectfully requesting that the City waive, for a period of three years, the collection of real estate and personal property taxes as well as service fees and business license fees from Colonial Williamsburg. I am further requesting that the City place a moratorium on the imposition of new taxes on Colonial Williamsburg, including the recently proposed admissions tax. I am making similar requests of James City County and York County. I am also requesting that the City issue a temporary, three year permit to use Lightfoot Tenement as a weddings office, including appropriate signage.

I recognize that this is a significant request, and I do not make it lightly. But I believe that this contribution by the City to our efforts is critical to our success. We share the great privilege and responsibility to serve as stewards of one of America's most historically important regions. Together, we can preserve that legacy, and insure its availability for future generations.

Sincerely,

Mitchell B. Reiss

Enclosure

Copy to: Mr. Marvin Collins, City Manager

The Honorable Paul T. Freiling  
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