

WORLDCON RUNNERS GUIDE

BUDGET AND FINANCE

Insurance

A liability policy for at least \$1,000,000 U.S. must be purchased, in the event that someone should decide to sue the sponsoring organization.

Additionally, the art show staff are keenly interested that any purchased insurance cover the goods in the art show. However, such policies are hard to find and tend to be expensive. One serious logistical problem is that most such policies insist on a complete itemization of all artwork covered (including value), as well as photographs of said artwork (which could in theory be done with a videocamera or smartphone.) Such policies also often charge a percentage of the value of the art, which is a cost that has not traditionally been factored into art show fees. Most committees have ended up taking the position that reasonable efforts will be made to prevent thievery, but that insurance is too costly.

You might also encourage the artists to find an agency who will deal directly with them and negotiate a good rate for the insurance (get competitive quotes) to insure the artwork.

What Are the Difficulties in Budgeting for a Worldcon?

The obvious question is “Why is it so hard to budget a Worldcon so that it breaks even?” To answer that, we need to understand the motivations a Worldcon has in forming its budget, and then look at the external factors that frustrate it.

Worldcons normally aim to make a small profit rather than just breaking even since the penalty for a loss is so much greater than the penalty for a profit. If a Worldcon makes a modest amount of money, fannish heads nod sagely and say that this must have been a prudent committee. Even the smallest loss, even if it only manifests in partial or no membership reimbursements, will be talked about for years.

One problem with creating a budget is that many of the key people who will have to spend the money will not be appointed until 18-12 months away from Zero Hour. As you start, many of the numbers will be guesstimates.

Copyright © 2022 | Worldcon Runners' Guide

“World Science Fiction Society”, “WSFS”, “World Science Fiction Convention”, “Worldcon”, “NASFiC” “Hugo Award”, the Hugo Award Logo, and the distinctive design of the Hugo Award Trophy Rocket are service marks of the World Science Fiction Society, an unincorporated literary society.

This page was last modified on August 2, 2022.

While this sounds fine in theory, in practice once a budget has made it through the initial approval process by the Board of Directors, its numbers tend to become cast in concrete psychologically. Part of this is that once an initial budget is done, individual divisions and departments will not look kindly on notions that they should give up some of their money in situations other than across-the-board budget cuts (and, probably, not even then).

Even if you make a conservative guess as to your income (more about this later) , many of your costs are not going to be known until very late in the game. Examples include:

1. Hotel contracts that stipulate that certain types of fees will not be determined until a year out from the event.
2. Organizations that (particularly unions) are not interested in talking seriously about your needs until six months (or less) prior to the event.

How do conventions deal with these issues? One way is to hold back a certain amount of money from the budgeting process, not as contingency but as “unallocated” and parcel pieces of it out as specific proposals come in.

Another way is to have the preliminary budget contain only amounts needed to get the con to one year out, at which time you can put together the final budget. The downside is that some departments may have wildly optimistic notions of how much their portion of the final budget they will receive.

There simply are no perfect solutions.

If you look back over a sample of fifteen years’ worth of estimates of the net profit (surplus for purists) of Worldcons, you will see an interesting pattern, or rather, a lack of pattern:

Convention	Amount
1980 Noreascon Two	\$15,000
1981 Denvention Two	\$2,000
1982 Chicon 4	\$30,000
1983 Constellation	(\$75,000)
1984 LAcon II	\$100,000
1985 Aussiecon	(\$10,000)
1986 Confederation	\$60,000
1987 Conspiracy	(\$25,000)
1988 Nolacon II	(\$20,000)
1989 Noreascon Three	\$65,000
1990 ConFiction	(\$30,000)
1991 Chicon V	\$55,000

Convention	Amount
1992 Magicon	\$80,000
1993 ConFrancisco	\$25,000

Five cons lost money, one broke even, and eight generated surpluses. The average profit of all these conventions was about \$20,000 out of an average budget of about \$500,000. The average profit was only 4%, but the actual profit ranged from +20% to -13%.

Note: All of these numbers include membership reimbursements for program participants and staff. Reimbursements were not actually paid when the con lost money, but to put all the surplus figures on the same footing these numbers include estimates of what they should have been. (Many numbers are estimates, and corrections would be appreciated.)

Since the only coin in which Worldcon committees are paid is reputation and satisfaction in a job well done, a well-managed Worldcon will sensibly plan to make money. The disproportionate penalties for a loss make Worldcon management extremely risk-averse. (This is inevitable when each Worldcon is a separate organization. If Worldcons were all run by one organization—perish the thought!—the profit from one would fund the deficit from another, and the fluctuations from one convention to another would be a lot smaller. The ‘pass-along funds’ scheme that most Worldcons now participate in is an informal way to minimize fluctuations.)

Given that any prudent Worldcon committee will try to make a modest profit, why have so many lost money? The first half of the answer is that it’s hard to control expenses. It’s perhaps less well-known that it’s even harder to predict income.

Around 85% of a Worldcon’s income comes from memberships. Traditionally, the cheapest memberships are reserved for people who pre-supported the Worldcon while it was still a bid and voted in the election that selected it. Rates increase after the vote and continue to increase right up until the at-door memberships are sold for 2.5 to 3 times as much as the cheapest rate.

These days, about a quarter of a typical Worldcon’s members are voters, and they join at the lowest possible rate. The rest join over the con’s two years of planning, with half joining in the last year. Because so much of a Worldcon’s membership joins late (at the highest rates), the bulk of a Worldcon’s income comes in the months right before the convention.

At one time Worldcons were voted three years in advance, but are now voted two years in advance, so the numbers below should be adjusted accordingly.

When	Members	Rate	Income
Vote	1500	\$55	\$82,500

When	Members	Rate	Income
Year 1	900	\$75	\$67,500
Year 2	1100	\$100	\$110,000
Year 3	2000	\$120	\$240,000
At Door	800	\$150	\$120,000
Other			\$75,000
Total	6,100		\$695,000

Budgeting for a Worldcon is very risky because many spending decisions must be made before the income to support them is certain.

Also, remember that different income categories (child, teen, adult, military, student, program participant (guests, but *not* Guests-of-Honor), dealers, dealers tables, will affect these numbers.

Which leads to the second problem: *it is very hard to predict a particular Worldcon's total attendance.* Reliable monthly membership figures exist for a few North American Worldcons. Up until January of the year of the con, their membership figures were all pretty much the same. Starting in January, *only 8-9 months before the convention*, each convention's membership curve went off on its own, and final pre-registration numbers wound up covering a range of nearly 2,000 members, from the largest to the smallest. And there wasn't much correlation between the con size in January and final sizes.

Put another way, these comparable Worldcons had roughly the same number of members up through January of the year of their convention, yet wound up scattered over a range of 2,000 members in their final attendance figures. All of the difference was in high-priced memberships, and the difference in income between the largest and smallest convention was around \$180,000, or over a quarter of the budget. And as of January, none of them knew what those numbers would be.

No Worldcon, no matter how well run, has much control over its income. True, foolish rate policies can have an effect, and a bad reputation can discourage people from attending, but even without that sort of problem, it's very difficult to accurately predict a Worldcon's total income, and that won't be known until a couple of months *after* the con is over.

If you analyze a typical U.S. Worldcon's income by source you can see why:

Amount	Type of income
\$375K	Base members income comes from the 4,000-5,000 or so members that any U.S. domestic Worldcon can expect to get. It appears to be a fairly stable number and one can be reasonably sure of it by about January of the year of the con.

Amount	Type of income
\$0K-\$140K	Unpredictable advance members are the 1,200 or so members who may or may not go to a particular Worldcon. Most of the divergence takes place in the May-July period and is undoubtedly affected by the con's reputation, hotel rates, travel costs, membership prices, and the state of economy. It's only slightly predictable.
\$40K-\$100K	At the door income seems to have a stable base, but is still wildly variable. It probably depends more on the local population density and on the extent of local publicity than on the con's reputation elsewhere in fandom.
\$75K	Other includes Dealers table fees, Art Show income, ad income, interest, pass-on funds and the like. It is stable and very predictable.
\$490K-\$690K	Total

A well-planned Worldcon must deal with an uncertainty of about 40% in its total income. This is worse than it sounds: By the time the con has an inkling of its actual income, as much as 40% of its total expenses are committed, either because they have already been spent or because decisions to commit to future expenses (like how much of the Convention Center to rent) had to be made. This means that the con is faced with an expense budget of around \$300K (which might still change), and uncommitted income that might range from \$200K to \$400K. The con might have to deal with 30% budget cuts or have a 30% surplus.

While most income is from memberships, there's also income from advertising sold for the website, program book or other publications, as well as income from art show panels/tables, dealers tables, merchandise, and so on. Start by asking for past budgets vs actuals and customize from there. Most Worldcons will have mostly the same types of income and expense categories from one year to the next, but remember that you should not expect to completely match their numbers. It's no wonder that Worldcon surpluses vary a lot. In fact, it's a wonder they don't vary more.

Treasury Office At the Convention

At the convention, the location of the treasury must be kept secret so that thieves can either be misdirected or not realize that a treasury is in the building. One hard lesson learned is: *under no circumstances tell the hotel or convention center in writing where the treasury will be!* One can never tell into whose hands memos will get. The major problem in practice with this has not been that of hotel staff working with thieves (though this has happened at some non-SF cons), but with the hotel accidentally listing the treasury location on the daily program which is posted throughout the hotel.

Other than the treasury staff and paid professional security, the only people that should be allowed in the treasury under any circumstances are the Board of Directors, the Facilities

Liaison, and the spouses of treasury staff—and all of those should be tolerated only as a courtesy that is expected not to be abused.

The running gag is: “I can tell you where the treasury is, but then I’ll have to kill you!”

Multiple Currencies

Determine your basic currency (Euro, Sterling, U.S. dollars, Canadian dollars, etc. and monitor exchange rates. They can fluctuate wildly during your registration years and, if they do, be sure to announce any changes quickly, give the reason, and apologize. (It will make people feel better about it if you do.)

Bank

It would be useful if a local bank would be willing to put a banking facility on-site (or if there were one already at, or attached to, the site). The bank could accept deposits during the convention, cutting the convention’s risk. Why would any bank do this? Because it will be handling anywhere from \$200K to \$600K *in one week*, it will expect to cash Travellers Cheques (which have fallen out of favor) or personal checks, handle currency conversion, properly set up (with correspondent banks) and accept the Dealers Room receipts, etc.

Expense Reimbursement

Create and generate a sample form that can be used by people submitting expenses to be reimbursed (or to get advance checks). This will make it easier to keep track of expenses and payments.

Budget Philosophy

Plan your budget to cover all the anticipated income and expenses you can think of. Estimate how much income and expenses will be needed at various membership levels and at various time points prior to and during the convention. For example, create income/expense estimates for each 250, 500 or 1,000 memberships sold (whatever you feel comfortable with). You should also estimate how far out pre-con these amounts will be needed. Try to prevent any budgetary month going into the red (negative). Instead, design your cash flow estimates so that you are paying for things out of income from that month rather than tapping into future months. This may not be possible for some expenses, but if you do your best, you will improve your overall finances.

Define your budget by Division, Department and Area. Divisions include Events, Programming, Financial, and more. Departments include Hugo Awards, Masquerade, Guests, and more. Areas include Green Room, Con Suite, Technical Equipment, and more.

Despite your best estimates ahead of time, your budget will need to be flexible so that it can be updated as actuals are posted. Once you reach a given milestone, say 500 members, the earlier estimates for less than this number of members can be dropped from the budget. For a given number of members, use the actuals to date to more accurately project forward and adjust the remainder of the budget accordingly. Include your division heads in the initial budget as soon as possible., As department heads come on board, include their input in the division's portion of the budget. If you project properly, the amount to spend on a given division will not go down, only up, as memberships and other income arrive. There's nothing worse than telling folks you have X dollars, and then have to cut that by 20% or more when the anticipated funds fail to arrive on time or at all.

Some expenses will be fixed no matter the number of members. These may include the convention center function space costs from the contract, the hotel function space costs also from contract, airfare or transportation for Guests-of-Honor (until actuals are posted), etc. Most expenses will be variable depending on many variables. These variables include number of program participants, amount of technical equipment needed, licensing fees for music or movies, office supplies, etc.