

7/18/2022

TO: City Council

FROM: William Brehm, Opera House Director

RE: Request for ARPA Funds Distribution

Overview

After careful review of the 21-22 season financials, drafting financial projections for the 22-23 season, and completing my initial departmental budget request for 2023 I have come to the conclusion that additional covid relief funds will be required in order to account for reduced gross earned revenues (ticket sales) during the spring of 2022 and prevent the potential accumulation of a deficit in the Opera House Fund.

The amount of my requested allocation is \$122,000 which is the difference between gross earned revenues in the spring of 2019 and the spring of 2022.

COVID RELIEF FUNDING BACKGROUND

From early in the pandemic, performing arts centers were predicted to be one of the first industries to close and last to re-open. In mid-2020 with the concert industry in crisis the Opera House fund balance deficit was projected to reach \$350,000 or more by year's end.

- **CARES funding** – In March of 2020 the U.S. Congress passed the CARES Act and the State of Wisconsin created various programs for distribution of funds received from the Federal government. The Opera House joined the newly formed National Independent Venue Association (NIVA) in April of 2020 and worked closely with the regional chapter and the WI Department of Administration to advocate that a program for venues be included as part of the WI CARES distributions. A venues program was announced in Oct 2020. Due to the volume of eligible venues the program was only funded at 70%, but in early December the Opera House received \$136,354 as a reimbursement for lost revenues. The only other state to create a program for concert venues was Montana.

Immediately upon receipt of the CARES funding I made a request to the Finance Committee and City Council to exceed our 2020 equipment purchasing budget in order to upgrade media technology and allow for streaming and hybrid programming in the theater.

In January of 2021 the Opera House fund was still carrying a deficit of approximately \$250,000. The prior month another COVID relief package passed congress which included the Save Our Stages Act (co-sponsored by Tammy Baldwin). The national NIVA organization hired a lobbying firm to advocate for an equitable design of the disbursement program and the result was the Shuttered Venue Operators Grant (SVOG) which was set to be administered by the SBA.

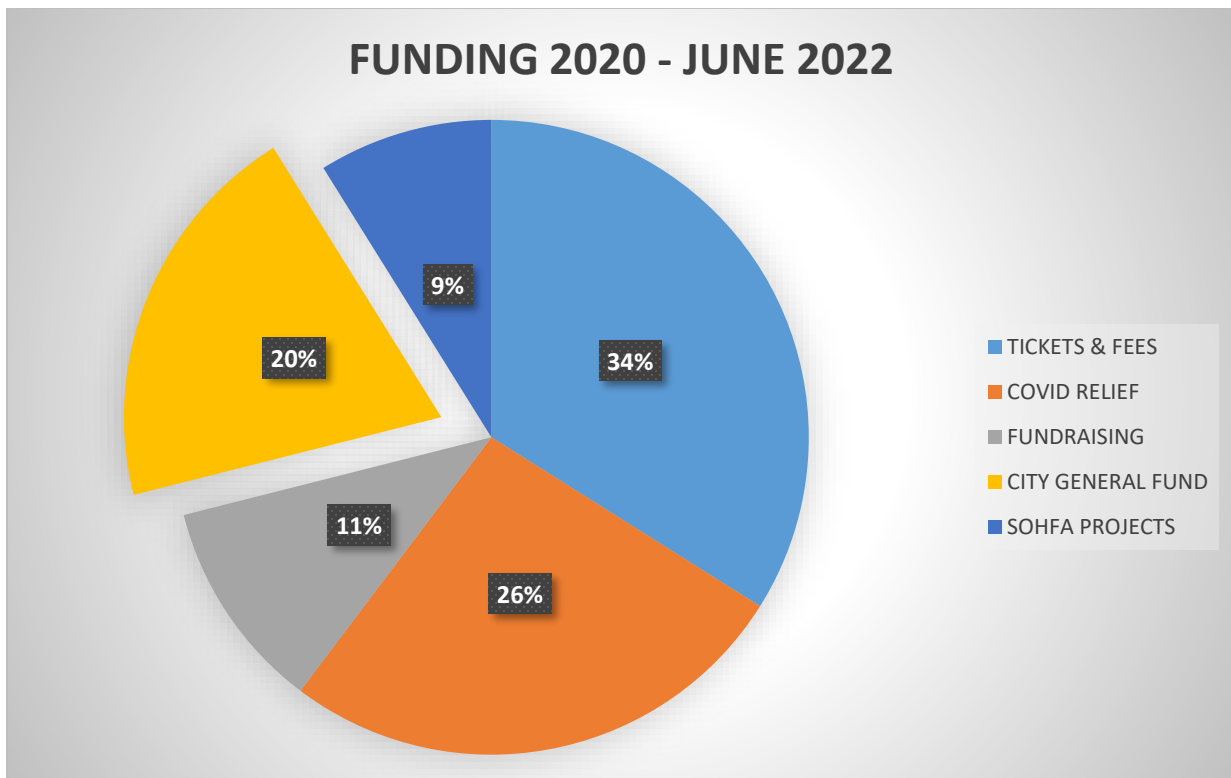
- **SVOG funding** – The SVOG program proved to be the most complicated that the SBA had attempted to administer in their history – which resulted in substantial roll-out challenges. The Opera House received an award and disbursement for our full eligibility in July 2021 of \$324,618. The eligibility amount was determined as a percentage of the total losses on gross earned revenues between 2nd-4th quarters of 2019 and 2nd-4th quarters of 2020. Eligibility was also contingent upon restarting normal operations in 2021.
- **SVOG supplemental** – By July of 2021 it was already clear that the pandemic was not yet over and the Opera House was immediately informed of our eligibility for an additional

disbursement. We applied for those funds in August and received an additional award of \$162,309 in November of 2021.

OTHER PANDEMIC FUNDRAISING

From late 2019 through 2022 we have also continued to campaign for other revenues in the form of donations and memberships. We have also been the beneficiary of two capital campaigns by the Stoughton Opera House Friends Association (SOHFA).

- \$221,720 - Opera House Membership donation drives March 2020 through June 2022
- \$33,310 – General Donations
- \$85,000 – SOHFA Fundraising for 1st floor renovations (Ghostlight Lounge)
- \$125,000 – SOHFA Seat Improvement Fundraising Project



Throughout the course of the pandemic the Opera House has not increased City General Fund transfer

WHERE IS ALL THAT COVID MONEY AND HOW IS THE FUND DOING?

The COVID relief funds reimbursed the Opera House fund for lost revenues and eliminated the deficit. Portions of those funds also went towards revenue producing improvements like streaming technology and concessions sales.

As of July 1st the Opera House fund is just slightly above zero with 22-23 tickets going on-sale August 1st.

WHY DOES THE OPERA HOUSE REQUIRE ADDITIONAL COVID RELIEF FUNDS NOW FROM ARPA?

The American Rescue Plan Act was passed by Congress in March of 2021. As part of that legislation Wisconsin received \$2.5 billion dollars to address needs created in the state by pandemic conditions through grants and direct transfers to municipal and tribal governments.

The City of Stoughton received notification of this plan in May of 2021.

In October of 2021 the state created a new Live Event grant as part of the Badger Bounceback Grants to help venues, promoters, and production companies compensate for lost revenues since recovery at venues continued to be slow.

The Opera House applied for this program but was determined to be ineligible due to being majority owned by a municipality - the reasoning being that ARPA funds were already being sent directly to the municipality.

In December 2021 ARPA Badger Bounceback grant recipients were announced and disbursements were sent in the spring of 2022. In Dane County non-profit or privately owned venues, promotion companies, and production companies comparable to the Opera House each received an additional \$200,000 in COVID relief funds to cover costs associated with continuing lost revenues.

Ticket sales at the Opera House have not yet recovered to their pre-pandemic levels - the difference between gross earned revenues (ticket sales) for spring 2019 and spring 2022 was \$122,000.

In my projected sales for the rest of 2022 and into 2023 I have to hope that sales will continue to improve, but assume that will happen very slowly.

In the absence of an additional \$200,000 from the state program I believe \$122,000 from the ARPA funds at hand will prevent a regrowth of the deficit in the Opera House Fund. It would be a terrible shame after two and half years of effort and with relief dollars at hand to allow that to happen.

WHY ARE THE FEDS AND STATE PAYING FOR THINGS THAT LOSE REVENUE? WHY SHOULD WE?

Live Event Venues are recognized as economic engines for the communities in which they are located and are an efficient economic development tool for injecting money quickly where it is needed.

We had more shows with fewer tickets sold per show during the 21-22 season, but overall we brought 23,000 people to downtown Stoughton looking to spend money. We lost revenue on shows but provided a lifeline for Main St businesses, paid our production crews, paid our staff, bought hotel rooms and food for performers, paid performers who in turn paid their marketing staff, production crews, agents, managers, etc.

THE ASK

I will direct your attention to the graph at the middle of this memo: Throughout the course of the pandemic the Opera House has not required any increase in our annual transfer from the City General Fund. We have dug out of a hole and contributed to the recovery in Stoughton. We have invested in new sources of revenue to fund the future with our lounge and recording technology.

ARPA funds designated for non-municipally owned venues have already been disbursed. Please allocate \$122,000 of ARPA funds received by the City to the Opera House fund due to lost revenue.