

Appendix B: Budget Narrative



**BATCHER BLOCK
OPERA HOUSE
BUDGET NARRATIVE**

ASSUMPTIONS

The three-year operational budget of the Batcher Block Opera House is built upon the following assumptions:

The Year 1 budget represents full capacity. It is anticipated that key staff salaries and related start up costs will be represented in a Capital Campaign budget and supported through fundraising prior to completion.

The Capital Campaign will consist of a “silent” phase targeting large donations and grants, followed by a public, small donor campaign led by a board of directors along with a “Friend of the Batcher Block” advisory group.

Year 2 and 3 represent 5% annual growth in both expenses and revenues; these are conservative estimates, particularly in event rental revenues. It is anticipated that demand for private event rental of the Opera House will grow with greater awareness of the space in the region and more partnerships built with event planners, wedding websites, and other industry-specific resources.

The budget summary presents two options, one in which building insurance and basic utilities such as water are covered by the city of Staples. This presents the most viable option for building cashflow.



BUDGET NARRATIVE

(Narrative descriptions correspond to the letter/number in the full budget document. Additional information per category is available in the pages following the full budget)

REVENUES

A healthy mix of program revenues, as well as a concentrated effort on securing both program-specific and general operating philanthropic support, will contribute to the long-term sustainability of the Batcher Block Opera House. The budget as follows presents gross revenues comprised of roughly 75% program income or earned revenue (building tours, event ticket sales, rental fees, class registration, and ticketing fees) and 25% unearned (grants, sponsorships, individual donations, and fundraising events). Due to the significant potential for earned income from rental fees, the ratio of earned to unearned revenue is slightly higher but still in line with similarly sized nonprofit arts centers across the state, such as:

- Paramount Center for the Arts in St. Cloud, MN (70% earned revenue, 30% unearned)
- Lake Benton Opera House in Lake Benton, MN (70% earned revenue, 30% unearned)
- The Barn Theatre in Willmar, MN (64% earned revenue, 36% unearned)

A. BUILDING TOURS AND SHOP SALES

A1. Building Tours

Scheduled guided building tours will be offered on a scheduled basis led by a volunteer Opera House “Ambassador.” While a nominal income stream, tours will be an important driver of tourism to the building. Group tours will also be offered, and Opera House marketing will target industry groups and adjacent interests – such as historic preservation, statewide tours, and others – to reach a target audience.

BUILDING TOURS	COST	#/MONTH	AMT/MONTH	REVENUE
Individual Tour	\$5	30	\$150	\$1,800
Group Rate Tours	\$5	100	\$500	\$6,000
			\$650	\$7,800

A2. Merchandise

The Opera House will sell t-shirts and other merchandise such as posters, canvas bags, and similar items. This budget assumes the sale of 10 t-shirts at \$15 each and 15 other items at \$10 each per month, total \$3,600 in gross revenue annually. With production costs at \$7 per shirt and \$3 for other items, merchandise sales total \$2,220 in annual revenue.



A3. Local Art Sales

Along with concert tickets and Batcher Block-branded merchandise, the Opera House will sell local goods made by regional artists, everything from clothing to visual art. The classroom spaces will double as local art galleries, and many of those pieces will be for sale, as well. This budget assumes 8 sales a month at an average of \$40, which includes higher-priced items such as original paintings as well as lower-cost items such as leather goods. This budget represents a 60% cut of sale price going to the artist, with 40% going to the Opera House. Annual net revenue for local art sales is \$1,536.

B. PROGRAMMING

B1. Mainstage Series – Ticket Sales

The “Batcher Block Presents” series represents the signature performance series in the Opera House. It is anticipated that year 1 will see eight performances. Each performance will have a tiered ticket system at \$25 for presale, \$35 day-of, and \$20 for students, as well as a subscription series at \$100 for five performances, with the ability to include additional performances as an add-on at \$20 each.

We anticipate roughly 110 tickets sold per show with an additional 50 subscription series tickets, for around 150 – 170 people in attendance per performance. This represents \$2,830 in ticket sales per event along with \$5,000 in annual income from subscriptions, totaling \$27,640 in ticket sales annually. While the Batcher Block space holds up to 400 people, included attendance estimates are conservative at around 30% capacity, which is anticipated as awareness and program recognition increases year over year

B2. Rooftop Series

The Batcher Block Opera House will host a seasonal rooftop concert series May – October, with roughly two performances each month. Tickets will cost \$7 in advance and \$10 day-of, with \$7 student tickets also available. This budget assumes 55 people in attendance per event.

B3. Film

In community visioning sessions, residents expressed an interest in a local movie theater. While the Opera House will not act as a first-run theater, the space can program a film series for specific interests – for example, a “cult classic” film series, family film series, or “film and food” series in partnership with a caterer. This budget assumes a gradual increase in film programming as Opera House staff understand what type of films will draw the greatest local audience. Included are two film series, a family movie series and cult classic series, with six films for each series in Year 1. Family movie prices will be \$5 per person or \$10 family, cult classics being \$8 in advance and \$10 day-of. Annual ticket sales are anticipated to be \$4,050.



B4. Theater

There are two existing community theater groups in Staples, one specifically a children’s theater. The opening of the Opera House presents an opportunity for the existing group to either become the Batcher Block resident theater company or for the formation of a new theater company. This budget represents twelve performances a year, with tickets selling for \$12 in advance, \$15 day-of, and \$10 for students. In addition, it includes 60 subscription sales, which would include six shows for \$55. In addition, this line includes gross revenue from a quarterly “dinner theater” event which would sell for \$25 in advance and \$30 day-of.

B5. Co-Productions

Co-productions represent the category of event arrangement between in-house presented programs and event rentals, in which community groups and local artists co-present performances with the Opera House and all ticket sales are shared between the groups. These arrangements allow for marketing and promotional responsibilities to be shared between groups and allow for greater access to the space for artists and community groups who may not be able to afford rental fees.

C. RENTALS

Several spaces will be available for rent in the Opera House – the Opera House space itself; the rooftop, which will include both indoor and outdoor space, and the first floor classroom. Each space will have different rentals rates depending on use – a local artist/nonprofit rate, a rate for arts and culture rentals, and a rate for private events such as weddings and corporate events. **Rentals represent a significant source of revenue for the nonprofit, and considerable marketing efforts will target potential weddings and other private events.**

RENTAL	AMT/MO	COST	AMT/MO	COST	TOTAL \$/MO	TOTAL / YR
	<i>Weekday</i>	<i>Weekday</i>	<i>Weekend</i>	<i>Weekend</i>		
Opera House – Promoter	0.5	\$1,000	0.5	\$1,500	\$1,250	\$15,000
Opera House - Artist / Nonprofit	1	\$500	1	\$750	\$1,250	\$15,000
Opera House - Private Event	2	\$1,500	1	\$3,000	\$6,000	\$72,000
<i>Opera House Subtotal</i>					\$8,500	\$102,000
Rooftop - Private Event	1	\$350	1	\$500	\$850	\$10,200
<i>Rooftop Subtotal</i>					\$850	\$10,200
Classroom - Private Event	2	\$150	1	\$200	\$500	\$6,000
Classroom - Artist / Nonprofit	1	\$100	1	\$150	\$250	\$3,000
<i>Classroom Subtotal</i>					\$750	\$9,000
Total						\$121,200



D. EDUCATION

The Opera House will offer a full range of classes for all ages. The Opera House will maintain partnerships with the community center and Central Lakes College to understand gaps in arts education and engage partners for co-led classes where appropriate. The Opera House will also offer culinary classes in the test kitchen, ranging from children's cooking classes to specific cuisine courses. The kitchen provides an opportunity to partner with SPROUT Food Hub. Costs for each class will vary and be dependent on duration, material costs, and teacher fee. Culinary classes will cost more due to food costs, and will range from \$15 - \$25, whereas general education classes such as yoga and photography will cost around \$10, or lower for classes which can be bought by series (for example, a 5 week dance course for \$35).

CLASS	#/MO	DURATION	COST	STUDENTS	STUDENTS/MO	AMT/MO	GROSS REVENUE
<i>Culinary</i>							
Cooking Classes	2	90 minutes	\$25	10	20	\$500	\$6,000
Kids Cooking	1	90 minutes	\$15	10	10	\$150	\$1,800
Regional Cuisine 1	2	90 minutes	\$20	10	20	\$400	\$4,800
Regional Cuisine 2	1	90 minutes	\$20	10	10	\$200	\$2,400
	6				50	\$1,050	\$12,600
<i>Dance</i>							
Dance / Movement	4	60 minutes	\$7	8	32	\$224	\$2,688
	4				32	\$224	\$2,688
<i>Adult Education</i>							
Language / Education Classes	2	60 minutes	\$10	5	10	\$100	\$1,200
	2				10	\$100	\$1,200
<i>Arts</i>							
Photography	1	60 minutes	\$8	7	7	\$56	\$672
Wine & Paint	1	90 minutes	\$15	7	7	\$105	\$1,260
Additional Art	1	60 minutes	\$10	7	7	\$70	\$840
	3				21	\$231	\$1,260
Total	15				113	\$1,605	\$17,748



E. CONCESSIONS

The nonprofit will obtain its own liquor license and retain beverage sales for all events in the building, as this is an effective source of revenue for many arts nonprofits.

For private events such as weddings, a “preferred vendor” list will be created of local catering companies familiar with the space. The nonprofit will still retain the sale of beverages for these events.

Programming concessions are based on an average spend of \$7 per person per event. Rental concessions are based on an average \$10 per person.

EVENT CONCESSIONS	GROSS/MO	GROSS/YR
Programming Concessions	\$3,181	\$38,170.00
Rental Concessions	\$4,345	\$52,140.00
Fundraising Event Concessions	\$750	\$9,000.00
	\$8,276	\$99,310

F. TICKETING FEES

A \$2 “Preservation Fee” will be included with the sale of each ticket purchased for the Batcher Block Opera House. In addition, visitors to the Opera House can purchase tickets for other community events, such as choral group performances, happening both at the Opera House and elsewhere, with the \$2 fee going towards the Opera House. It is anticipated that box office sales will begin as a volunteer position.

This budget anticipates around 500 tickets sold each month to Opera House programming, including concerts and classes. In addition, it anticipates the sale of 50 community event tickets per month.

G. FUNDRAISING

G1. Mainstage Series – Grants

As the signature event series, the “Batcher Block presents” series will include programs eligible for grant funding. Potential grants include:

- Arts Midwest Touring Fund, a regional regrantee arm of the National Endowment for the Arts
- Minnesota State Arts Board “Arts Tour Minnesota” grant program
- Other industry-specific grants, particularly those for performing arts organizations in rural areas.



G2. Grants / Foundations

Outside of the mainstage series grants, Opera House staff will also build programming eligible for grants from other regional and nation-wide funders, such as the National Endowment for the Arts, Association of Performing Arts Professionals, Minnesota State Arts Board's Community Arts Education Support Grant and General Operating Support grants, Five Wings Arts Council, Region Five Development, Forecast Public Art, Bush Foundation, and various regional and industry-specific foundations. These grants will go to general operational support where applicable or to fund specific programs such as culinary education or artist residencies.

G3. Mainstage Series – Sponsorship

Local businesses will be approached with several sponsorship tiers for the "Batcher Block presents" series, which will include tiers at \$2,500, \$5,000, and \$7,500 for Year 1. This budget anticipates one sponsorship at the "presenting" level of \$7,500 and two "supporting" sponsorships at \$2,500.

G4. Theater – Sponsorship

Two sponsorships at the "presenting" level of \$5,000 for Year 1.

G5. Corporate Gifts & Additional Sponsors

Non-program specific sponsorship to cover operational costs will equal \$26,000 annually. This budget anticipates several gifts under \$10,000; with a strong culture of nonprofit support and several supportive local organizations, this annual number of \$26,000 can also be reached through fewer, larger grants built in long-term partnerships.

G6. Individual Gifts / Memberships

A strong membership program will be an annual driver of consistent revenue. The membership program will be led by the Board of Directors as well as the "Friends of the Batcher Block" advisory group. Memberships will range from \$50 - \$1,000 and up, and members will receive access to member events, reduced ticket rates, and recognition.

CONTRIBUTION LEVEL	# SOLD YEAR 1
\$50	75
\$100	44
\$250	25
\$500	2
\$1,000	
Total	\$15,400



G7 – G9. Special Events

Three new annual fundraising events taking place at the Batcher Block Opera house, which could include holiday or seasonal events, dinners, or member events. These events will take place either in the opera hall or, for a smaller group, on the rooftop. In addition, the Opera House can plan joint fundraising events with other community organizations and split proceeds from the event.

G10. Endowment

Over time, any annual program revenues can contribute to the formation of an endowment for long-term sustainability of the organization. A secondary capital campaign, directly targeting an endowment, will be part of the long-term operational strategy of the nonprofit.

EXPENSES

H1. Merchandise Production Costs

T-shirt costs are anticipated to be \$7/shirt, and \$3/item for other gift shop items to be sold for an average of \$10.

ITEM	COST	#/MO	AMT/MO	GROSS REVENUE	COST	AMT/MO	NET/MO	NET/ANNUAL
T-shirt	\$15	10	\$150	\$1,800	\$7	\$70	\$80	\$960
Other merch	\$10	15	\$150	\$1,800	\$3	\$45	\$105	\$1,260
		25	\$300	\$3,600		\$115	\$185	\$2,220

H2. Local Art Sales

60% of retail art sales will go to the artist, with 40% going to Batcher Block Opera House.

ITEM	COST	#/MO	AMT/MO	GROSS REVENUE	CUT TO ARTIST	AMT/MO	NET/MO	NET/ANNUAL
Local art	\$40	8	\$320	\$3,840	\$24	\$192	\$128	\$1,536
		8	\$320	#3,840		\$192	\$128	\$1,536



J1. Programming Expense

Programming expenses include event staff including technical direction and concessions, supported by a strong volunteer base, as well as artist fees. For the Mainstage Series events, artists fees are a fixed amount determined prior to the show; whereas with other community events, the program expense is calculated at 60% of ticket sales going to the artist. Film series expenses include movie rights.

PROGRAM	PRODUCTION COSTS	# / YEAR	AMT/YEAR
Mainstage Series	\$4,500	8	\$36,000.00
Rooftop Series	\$262	12	\$3,146
Movie Series	\$300	12	\$3600
Theater Company	\$456	12	\$5,472
Dinner Theater	\$1,200	4	\$4800
Co-productions	\$390	24	\$9,360
	Total:		\$61,178.40

J3. Lodging Maintenance

Recurring expense for the cleaning and maintenance of artist lodging facilities.

K. Rentals

Rental expenses include staffing, cleaning, and associated building overhead. Expenses range from 20% - 30% of event costs depending on event rate.

Note: Concessions staff are not included in this number but instead in the concessions expense line.

L. EDUCATION

L1. Teacher Fees

Teacher fees equal roughly 60% of program income for non-culinary classes. Culinary classes include an additional roughly 18% for food cost.



M. CONCESSIONS

Concession expenses are calculated at 30% of sales and include inventory and staffing. Concessions prices will range from \$5 - \$10, slightly more expensive than local food service establishments but in line with pricing at performing arts centers.

EVENT CONCESSIONS	GROSS/MO	GROSS/YR
Programming Concessions	\$3,181	\$38,170.00
Rental Concessions	\$4,345	\$52,140.00
Fundraising Event Concessions	\$750	\$9,000.00
	\$8,276	\$99,310

N. MARKETING

Marketing costs will primarily go towards advertising and printing to reach audiences across the region and from adjacent markets, including both Minneapolis / St. Paul and Fargo, highlighting the unique venue in which the performance will be presented. Graphic design services will be held on retainer.

MARKETING	MONTH	TOTAL
<i>Advertising</i>		
Social Media Ads	\$200	\$2,400
Radio	\$150	\$1,800
Print	\$150	\$1,800
Total	\$500	\$6,000
<i>Printing</i>		
Brochures	\$333.33	\$4,000
Posters	\$100	\$1,200
Postcards	\$100	\$1,200
Total	\$533	\$6,400
Total		\$12,400



O. STAFF

O1. Staff

Initial staffing will include one FTE position and two .5 FTE positions. It is anticipated that both .5 FTE positions will increase to FTE in Year 2 or 3.

Executive Director: The Executive Director will play a major role as the public face of the Opera House. This role will focus on fundraising and development as well as building partnerships with community groups, regional partners, and others.

FTE STAFF	SALARY
Executive Director	\$62,000
Operations Coordinator (.5 FTE)	\$22,000
Administrative Coordinator (.5 FTE)	\$22,000
Total	\$106,000

O2. Payroll Taxes

Payroll taxes are calculated at 10% of payroll.

O3. Health Insurance

Health insurance is calculated at \$300 / person / month for three FTE staff.

O4. Contract Staff

Professional services including grant writing, technical direction, and marketing. This amount does **not** include event staff, such as audio technicians and concessions attendants – those cost are factored into Programming Expense and Programming Concessions, respectively.

CONTRACT STAFF	
Grant writing	\$10,000
Technical Director	\$12,000
Marketing	\$12,000
Total	\$34,000



O5. Professional Development / Travel

Assumes one staff member will attend Arts Midwest, the Midwest region's premiere music booking conference, for the purpose of securing talent and meeting other presenters in the Minnesota Presenters Network. In addition, short, in-state travel several times a year for Minnesota Presenters Network meetings.

An increase in Year 2 and 3 represents the inclusion of an additional conference, the Association of Performing Arts Professionals (APAP) conference. APAP and similar organizations offer subsidized registration to new organizations or first-time attendees; the Opera House staff will be eligible for these subsidies in Year 1 and Year 2.

P. FUNDRAISING

P1. Development Expense

\$250 / month to cover basic fundraising expenses such as postage, brochures, donor events, etc.

P2. – P4. Special Events

Associated costs with annual fundraising events, including marketing, staffing, donor cultivation, and materials (food, décor, contracted talent for events, etc.)

Q. ADMINISTRATION

Standard office expenses, which can be reduced should a co-working or shared office space model include shared services.

Q7. Ticketing System

The purchase of an in-house ticketing system software and POS system will be necessary for the Opera House, and it will allow for both the creation of the \$2 / ticket "Preservation Fee" as well as opportunities for the Opera House to sell tickets to community events.

R. INSURANCE / PRO FEES

Standard insurance and professional fees, including liquor liability, a fine art policy, and additional legal fees.

S. UTILITIES

Standard utility rates, including electric at \$1.25 / square foot annually.

