

It is over 3 months since we last communicated on this subject. Measure C was a hope for the future of Carmel. COVID-19 was just becoming prominent in the news. Some dialog between the HPP's and the Sunset Center staff was taking place. The Bach Festival had reached agreements on their summer plans and dates. The Symphony was getting ready for its mid March concerts with a Guest Conductor from Italy.

Then the world turned upside down. Due to the immediate closures caused by COVID-19, the beloved Measure C was passed but with little sales tax revenue would not help the City's budget in the short term. With one day notice, on Wednesday, March 11th, the Symphony cancelled its March concerts with rehearsals at Sunset Center scheduled to start the next day, and Pac Rep announced that the closing weekend of its Golden Bough show Matilda was cancelled immediately, and Shelter in Place took effect.

Since then, all of us have endured so many changes and differing realizations, but mostly with hope that there will be recovery and there will be future opportunity.

We are very respectful of your full plate and major budget issues looming ahead for the City of Carmel-by-the-Sea, but we do not want you to lose sight that many of the major issues discussed in our mutual task force meetings affecting the local Performing Arts organizations that perform in your City venues have not been resolved.

We have continued to work with the very limited documents available to the general public including the SCC Inc. Operations Statement for the period July 2019 through December 2019.

Our analysis shows that an "HPP's and Locals" operation could self-sustain continued operations of the Sunset Center with an estimated subsidy from the City of no more than \$100,000 - at least \$500,000 less than the minimum subsidy in the contract between SCC Inc. and the City. This amount could even be lower depending on other possible services provided by the City, i.e. insurance costs, maintenance, etc. The operation and use of the venue would not be jeopardized by the requirement for performances beyond those of all the local user groups - HPP's and local dance companies, Youth Music Monterey County, School programs, etc.

Attached you will find this analysis we have made for the Sunset Center operation if it were run by the HPP's headed by the Monterey Symphony as a venue for the priority of the local users. Following our suggestion from the "White Paper" after the 1st task force meeting, we have allocated the Income and Expenses, of an assumed full year operation, between "Presents" (Note 3 column) and "HPPs & Locals" (Note 4 column). Please understand that these allocations are necessarily only best "guesstimates" at the moment, since we have no direct access to actual accounting data or any staff member at SCC, Inc. who could help.

However, a detailed forensic accounting analysis would show the real numbers, but we are certain having looked carefully at the structure and staffing of the

current Sunset Center, Inc.. that these savings are realistic. The incredibly high salaries and large staff of the Sunset Center is not needed to provide the venue services required for the operation of the Center itself. Much of the current spending is concerned with marketing, fundraising, arranging and selling expensive shows, and well over \$100,000 in fees for the most expensive software in the theatrical industry - Tessitura - all of which are not needed for the local users at all.

The "Presents" column estimates the revenue and expenses that could be undertaken by a successor entity to Sunset Center Inc. with a mission to present concerts/theater/events, etc. and occupy the building when the local users do not need it. **However, our analysis shows that there would still need to be a considerable subsidy - perhaps as much as the current \$600,000 - along with other gifts, grants, etc. without major restructuring of the organization and its mission, for that type of operation to be continued. It is definitely not needed for the long term survival of the venue.**

We present this data in this way to show you that there is a different paradigm for running the Sunset Center that would require far less City subsidy and therefore we do want to continue the dialog with you as you pursue your immediate and future budget cycles and as you look at post Covid-19 Carmel-by-the-Sea. **The success of the Sunset Center as a valuable resource for the Community of Carmel-by-the-Sea is extremely important, and we believe it DOES NOT REQUIRE THE "PRESENTS" Portion of this analysis at all in order to sustain itself and meet the objectives of the historical users who need this facility in order to perform. In the immediate post COVID-19 era, it is even more evident that the City should consider this restructuring since many of the local groups may not even be presenting concerts during the next fiscal year. The Bach Festival revenues won't begin again until July, 2021 and it is highly likely that the we will be announcing very soon (late June/early July) that the next Monterey Symphony concert will be October, 2021. Those are your two biggest sources of revenue from the local users and you will not have that revenue at all in the upcoming fiscal year. There are many surveys that talk about the concern of audiences coming back to facilities like the Sunset Center until an effective vaccine or other remedy is in place and is safe for general use. In Fiscal Year 2020-2021, that work can be done by the organizations that need to do the analysis so they can be poised to open and flourish, and does not take \$600,000 worth of subsidy to pay for salaries of persons at SCC, Inc. for that work. A possible alternative for the city could be to keep the Sunset Center closed during the post Covid-19 Fiscal Year, save the \$600,000 subsidy, conduct the necessary investigations into the Center's operations, and develop the necessary restructuring plan.**

In any case, we do ask that the forensic accounting audit of SCC Inc. be commissioned immediately. We understand that the current \$600,000 subsidy is in your new Fiscal Year Budget Package and is contractually payable to SCC Inc on a quarterly basis. Every quarter that goes by without this analysis being done

will cost the City \$150,000, and this large budget item could stop as soon as the contract is terminated. Once again, if there is any question regarding payment for this forensic audit, the Monterey Symphony believes that it is so important for the future of the Performing Arts in the City and the long term success of the Sunset Center, it is willing to agree to fund the first \$5000 toward the necessary retainer. Please provide an answer by the end of June as to when this forensic accounting audit could begin.

With respect to the Forest Theater we believe a similar analysis will easily show that there is an opportunity for the City to save some subsidy money by allowing the Forest Theater HPP's headed by Pac Rep manage that venue.

Lee E. Rosen
President,
Monterey Symphony