

# Hartford Symphony Orchestra Frequently Asked Questions (FAQs)

## General

### **What are the key challenges which led to the HSO's current situation?**

The plight of the HSO is regrettably a manifestation of the larger national decline of classical music. In 2011, Jesse Rosen, President of the League of American Orchestras, addressed a League Meeting in what is now known as his "red alert" speech, acknowledging wide spread and deep financial and structural problems in the field including a 29% decrease in participation in classical music over the previous decade. Since that address, scores of American orchestras - - from San Francisco to Philadelphia - - have been embroiled in strikes, lock-outs and bankruptcies; and most sadly, Honolulu, Syracuse, Albuquerque and many others have been forced to close their doors altogether.

Orchestras all over the country remain "in crisis", struggling with aging audiences, changing tastes, the lack of arts education in schools, high built-in cost structures, waning public sector support, a shift in philanthropy from arts to social needs, and, perhaps, most lethal of all, a perceived lack of cultural relevance.

In varying degrees, the HSO is faced with all of these challenges as well as:

- Connecticut's prolonged economic recession, and Hartford's non-growth status have exacerbated the HSO's financial challenge.
- The virtual absence of public support (state, county or city) in Connecticut provides a significant handicap. National statistics reveal that symphony orchestras receive on average of 6% of their budgets from these public sources in other states. In Connecticut, orchestras receive less than 1% of their operating budgets from public sources.
- Owing to longstanding structural deficits, the HSO's modest endowment has eroded. The balance of HSO's available endowment funds will be fully depleted by the end of the 2015-2016 season.

### **What exactly is the financial condition of the HSO?**

The financial decline of the HSO is not a recent phenomenon. The HSO has historically been severely undercapitalized and has posted annual operating deficits of up to \$1.3 million for over a decade. Deficits were defrayed by a combination of:

- "Emergency funding" provided by 2 or 3 extraordinarily generous donors
- Funds withdrawn from a bank line of credit
- Funds, in excess of the organization's formal spending policy (5%), drawn from HSO's modest endowment.

This prolonged situation has resulted in a dire financial condition:

- Projected 2016 deficit: \$900,000
- HSO's line of credit was fully exhausted and the full amount was paid in full to the bank in January

## **Why does the HSO have such large annual deficits? And how have they dealt with them historically?**

For over a decade, the HSO has had an unsustainable business model. Owing largely to its noble aspiration to “punch above its weight class,” HSO has not been able to properly align with new market realities specifically, a declining interest in traditional symphony concerts.

- HSO has chronic annual operating deficits of up to \$1.3 million over this period.
- Approximately \$400,000 of the annual deficit is attributable to un-used or under-utilized services guaranteed by the current musicians’ contract. Established in the 1990s, the number of guaranteed services (rehearsals and concerts) for the core musicians (180) has never been met and is not supportable in the Hartford market. Loss of services owing to the demise of the Hartford Ballet and Connecticut Opera - - as well as curtailment of field trips and in-school services were major contributing factors. (Of note, comparable markets of Springfield and New Haven support approximately 44 guaranteed services each.)
- HSO’s operating deficit persists despite focused marketing and philanthropic efforts, as well as dramatic reductions of cost (25% reduction in overall budget from FY07 to FY14).
- HSO survival has been made possible by:
  - Withdrawals from a bank line of credit
  - Withdrawals, in excess of formal spending policy, from endowment
  - “Emergency funding” from 2-3 extraordinarily generous “angel donors” (defined as a donor habitually giving six-figure gifts annually).

## **Why have HSO’s “angel investors” decided to discontinue their support now?**

Several historic “angel donors” have passed away; the very few who remain have stated that they will not commit additional dollars to save an orchestra that is unwilling to address underlying structural issues and make necessary adjustments in accordance with new market realities. However, the HSO Board is confident that the organization can re-engage donors if a sound financial plan can be put in place, which the Board is fully prepared to do. An essential component of this plan is a musicians’ contract that addresses the pay for un-used services that contributes to the annual deficit.

## **Why did we not hear about the financial crisis earlier?**

Two principal reasons:

First, the HSO vowed at the onset of negotiations with the musicians’ union that they would “not negotiate in the press” - - a vow it honored for over a year until which time the HSO’s financial condition was so grave that HSO felt an obligation to alert the community of the severity of the problem.

Second, because the HSO did not have a final plan in place (including a musicians’ contract) to stabilize its finances, coupled with the damage of negative publicity, a number of major donors and supporters expressed concern and advised they would not continue

their significant support. This situation shortened the prospective "life expectancy" of the HSO from years to months.

### **Why didn't HSO mount an endowment campaign to strengthen its financial position?**

- We did engage national expert Tom Morris in 2007 to develop a plan to help address our financial condition and Tom did recommend that we raise \$10 million in endowment.
- Whenever an institution conducts an endowment campaign, the first phase of the campaign is a "quiet period" in which the institution speaks with potential large donors about supporting the campaign. The amount raised during this phase typically comprises 25% - 33% of the total targeted amount of the campaign (i.e., if the institution raised \$2 million during this phase it would target raising \$6 - \$8 million dollars during the entire endowment campaign). Once this amount is raised, the campaign is then publicly launched at which time the total target is announced and progress against this target is communicated (i.e., "our goal is \$7 million and we've already raised \$2 million").
- Because of the Great Recession which began right after Tom Morris' report, HSO was unable to start the quiet period of an endowment campaign until 2011 - 2012.
- When HSO reached out to potential large donors in 2011 - 2012 to begin the process of launching the quiet period of an endowment campaign, there was consensus that the HSO needed to stabilize its management team before they were willing to support an endowment campaign.
- After entering into a two-year management agreement with the Bushnell in 2014, HSO again began the process of launching the quiet period of an endowment campaign, the High Note Campaign, but again there was consensus among large potential donors that we needed to stabilize the finances of the HSO as well as have a clear strategic plan for the future of the HSO.
- The Board now has stabilized the management team, approved a strategic plan in June 2015 and we are currently in contract negotiations with the musicians trying to agree upon terms which will help stabilize the finances of the HSO - - the final requirement for successful endowment building.

### **What is The Bushnell's role at the HSO?**

- For seven decades, the HSO has been a cherished resident arts company at the Center; the organizations' missions and fates, intricately bound. Throughout their histories, they have shared a commitment to the advancement of classical music - - and have partnered frequently in planning and co-programming for the community.
- In 2014, The Bushnell was contracted by the HSO to provide selected management and administrative services. The HSO entered into this agreement both to reduce operating expenses and to gain additional capacity in key areas such as marketing, development, box office, and finance. In this arrangement, all HSO and Bushnell staff members, whose functions are delineated by the management contract, serve at the direction of the HSO board.

### **Is the HSO's ability to keep Carolyn Kuan as the Orchestra's Music Director in jeopardy?**

Maestra Kuan has made a commitment to the HSO for the next 6 seasons. She has expressed great enthusiasm for the vision of the orchestra as outlined in the 2015 Strategic Plan and intends to be a principal in its realization. This is one of the reasons why we are so eager to conclude negotiations with the AFM and develop the orchestra under Maestra Kuan's leadership.

### **Musicians contract negotiations**

**What is the HSO management trying to accomplish in the negotiations? Is it true that HSO is requesting a 30% pay cut from its musician, and if so, why are you balancing your budget on the backs of the musicians? Why isn't there a "shared sacrifice" by management?**

The HSO is trying to achieve fiscal solvency, and trying to create a realistic budget without the built-in structural deficit we've been juggling for more than a decade.

It is irresponsible for any business – even a non-profit – to continue to operate with a structural deficit, and especially for a non-profit, it is irresponsible and unfair to donors who want to support us. Starting approximately six years ago, the HSO realized that it would have to make significant cuts in overall costs in order to become more fiscally responsible. We began with cuts in administrative costs (cutting expenses from \$6.5 million to \$4.8 million) and making significant and rather dramatic cuts to the staff, reducing staff size from approximately 28 to the present 9 full-time and 2 part-time.

HSO cut its staff by two-thirds. We would never suggest cutting the orchestra size by two-thirds, so instead, our principal request is that the musicians accept a reduction in their "service guarantee." The "service guarantee" is the minimum number of services the musicians are guaranteed, and compensated for, each season. Under the old contract, musicians must be paid for up to 450 hours of work per year, even though our community has never been able to support that level of commitment. In fact, the average HSO musician actually works approximately 260 hours per year. Under this arrangement, some musicians are paid for work that does not exist – and which has never existed – and results in a deficit each year of roughly \$400,000. We simply asked that those musicians consider a new model in which they are paid for a guaranteed minimum each year based on work that really does exist in the current market. And obviously, much more is required to balance the budget; paying our musicians only for work that they actually do is not the entire solution to the problem.

We have pledged to continue to reduce administration costs, and in so doing, we are asking the staff (who already work incredibly hard) to take on additional responsibilities as part of the shared sacrifice needed. Unlike HSO musicians who are part-time and work approximately 260 hours per year for the orchestra, our staff do not have the time or the flexibility to pick up part-time work from any other source, as they are already working a full-time job at the HSO. So, cutting someone's full-time salary (which represents their only source of income) is very different from reducing compensation paid for a part-time job.

### **Why would the HSO have made a contract to pay musicians for work that did not exist?**

In the 1990's, when that contract (and subsequent contracts) were made, there was a hope that one day, the orchestra would grow and would be able to offer more work to the musicians. Unfortunately, the "hope" of creating more work was put in the form of a promise, whereby the musicians got paid, regardless of whether or not that work was created. Over the years, some programs were developed, such as a Family Series, Classical Conversations, and Jazz & Strings, but for a variety of reasons, including inadequate audiences, those programs were abandoned or suspended. But under the contract, the musicians still had to be paid.

Furthermore, at the turn of the 21<sup>st</sup> century, this community lost the Connecticut Opera and the Connecticut Ballet, which represented rehearsals and performances that were included in the promise of work to the musicians. When those companies disappeared, so did the work. But the HSO was left with a contractual obligation to continue to pay the musicians as if that work still existed.

### **Why can't the HSO simply program more services?**

We would like to, but developing new programming takes time – and money. If we are running an annual deficit of \$1 million or more, we do not have the resources available to invest in new programming, nor do we have the ability to assume a high degree of risk for fear of catastrophic losses. It is also important to understand that orchestral programming does not "make" money; it does not even break even as a rule. Virtually every other concert (including a sold-out Masterworks concert) loses money; ticket sales from those concerts generate only 50% of the true costs involved. The rest comes from donors. So, there is a real challenge to develop new programming that will not only create employment for our musicians, but will respond to the community's interests, attracting sufficient audiences as well as new donors and funders, to make up the shortfall. Creating that programming takes time and resources we do not presently have.

### **How are musicians paid and aren't they full time?**

In its entire 72-year history, the HSO was never a full-time orchestra. All of our musicians are part-time, and work on average 260 hours a year, which is a little more than 10% of the time you might devote to a full-time job. Some of them are paid an annual salary, some are paid per service. At one time, probably back in the 1960's or 70's, there was the hope that it could be developed as a full-time orchestra and some financial support was obtained based on that hope. But that was fifty years ago, and today, like all symphony orchestras, we are faced with new market realities which preclude that possibility.

### **So how many musicians would be impacted by the HSO's proposed reduction in guaranteed services?**

The majority of the impact would be on the 31 "core" musicians,

**What is a guaranteed service?**

A service is a unit of work for a musician, typically but not exclusively a rehearsal or a performance, consisting of about two and a half hours. Sometimes, a service can be as little as an hour if it is in connection with education, since education performances are shorter in duration. But the musician is still paid the same "service rate" regardless of the time.

**And what's the service rate paid to musicians?**

Each musician is paid at a different rate depending on whether or not they are a principal player, or have other responsibilities in the orchestra (such as playing more than one instrument, or Librarian responsibilities.) It ranges from \$128.65 as the minimum service rate to almost \$200.00 at the highest.

**Is that rate of compensation competitive with other orchestras in the area? And do other orchestras have the same kind of structure in terms of guaranteed services?**

Yes. The rate is competitive. The difference is that other orchestras (our closest would be Springfield Symphony or the New Haven Symphony) have much lower guaranteed services. Those two orchestras, for example, have guaranteed services of approximately 44 a year – which is less than 25% of what we have.

**Is it true that the HSO is requesting additional daytime services, which would preclude musicians from doing their other jobs?**

In an effort to be more responsive to the community, especially the needs of educators who are asking that musicians be available to provide education services in the afternoon, we have asked for exceptions to the current rule which does not count weekday afternoon services as part of the guaranteed minimum. Under the present contract, that means a musician can play a weekday afternoon education concert if they want, but it would not count to the "guaranteed minimum" and they'd have to be paid extra.

We are very sensitive to the fact that virtually all of our musicians have other full-time or part-time work outside of the HSO. So, our proposal is simply that musicians who are available to play in the afternoon be permitted to take such work, and of course, be paid for it. Any musician who cannot accept afternoon work because of other commitments would, of course, be excused from those engagements. We are not asking anyone to give up outside work; our position, however, is that they cannot also be paid by the HSO for work that they turn down because they are being paid elsewhere.

**If you have no money as you claim, and you are looking to reduce compensation to musicians, how do you have the funds to hire an assistant conductor, and why is this important?**

The Assistant Conductor position was never going to cost the HSO anything extra. This type of "no financial impact" is called "budget neutral" – which means we are utilizing funds already allocated for other purposes, namely, the cost of guest conductors (primarily used in

education, Talcott and Pops!) That is the only way that we could ever have created the position, and to our delight, we had more than 80 applicants for the job.

It is important to note that this is a part-time position, and was specifically created to expand our reach in the community, provide additional resources for concert programming, support the development of education programs, and strengthen relationships with students, music educators and music administrators. This new position, which planned more than 18 months ago, is critical for the growth of the orchestra as we begin to implement the new Strategic Framework which took more than a year to create. It allows Carolyn Kuan to work more extensively on the development of new and innovative programming to reach new audiences, which was a clear objective in our strategic planning. The Assistant Conductor would be a "cover" conductor as needed, and of course, the Assistant Conductor is a "talent development" position, giving Carolyn the chance to mentor a young conductor, just as she was mentored.

### **So, what is the impediment to getting this done?**

That is precisely what we have been negotiating for a year. Unfortunately, negotiations do take time, and negotiations that require major changes can be challenging. We must stress our deepest respect and value for each of the musicians, who are extraordinarily gifted, talented and committed. Our goal is to make sure that we will have a Hartford Symphony Orchestra serving this community for another 72 years at least!

### **If I bought single tickets, or a subscription, will I get my money back if a performance is canceled?**

Yes, if that is what a patron requests. Patrons would have the options of using their tickets for other HSO concerts if available, refunding their tickets, or donating their unused tickets back to the HSO for a tax deduction. Donating unused tickets would provide a huge benefit to the HSO at this especially fragile moment in time.

### **If the future of the HSO is in jeopardy, why is it important to continue to make contributions by donating tickets or giving money to support the Annual Fund?**

Very simply, because we want to keep our doors open for as long as our finances will permit. Since money from ticket sales covers roughly 50% of our operating costs, it is obvious that the rest of our expenses – for musicians, for staff salaries, for music rental fees, for everything else – are covered by contributions made by donors in the form of donated tickets, gifts to the Annual Fund, and generous gifts to an unrestricted endowment, which in turn generates income that we can use each year. If donors were to stop contributions, we would have no way of replacing that revenue. The only way that we can hope to continue to perform and provide education and other services to the community is through the amazing generosity of our donors. If you love the symphony, then you would want it to continue. And the only way we will prevail is if donors continue to support us. Maintaining a symphony in this community is not possible if there are only a few "angel" donors; it is possible *only* if everyone who loves the music – or who wants to have a symphony remain in Hartford - gives what they can to keep the beautiful music playing.