

February 24, 2020

The Honorable Guy Guzzone
Chairman
Senate Budget and Taxation Committee
3 West Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401-1991

The Honorable Maggie McIntosh
Chairman
House Appropriations Committee
121 House Office Building
6 Bladen Street
Annapolis, Maryland 21401-1991

RE: The Workgroup on the Baltimore Symphony Orchestra – Report

Dear Chairmen Guzzone and McIntosh:

Pursuant to Chapter 743, Laws of 2019, I am pleased to submit the Workgroup on the Baltimore Symphony Orchestra's report on Recommendations for Cost Containment, Audience Development and Future Sustainability of the Baltimore Symphony Orchestra.

I look forward to your review of this report and will be available to furnish any additional information that is needed. If I or other Workgroup members can be of further assistance, or if you have any questions regarding the report, please contact me.

Sincerely,



Edward J. Kasemeyer
Chairman
Workgroup on the Baltimore Symphony Orchestra

Enclosure

**Recommendations for Cost Containment, Audience
Development and Future Sustainability of the
Baltimore Symphony Orchestra**

Pursuant to Chapter 743, Laws of 2019

Respectfully submitted to the General Assembly of Maryland by

Edward J. Kasemeyer, Chairman
Workgroup on the Baltimore Symphony Orchestra

February 24, 2020

**Maryland General Assembly
Workgroup on the Baltimore Symphony Orchestra**

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Workgroup on the Baltimore Symphony Orchestra

I. Executive Summary

“All these years I’ve been wanting to be in the band, and I was listening to people talk about raising money so that little children could have the opportunity that I did not have; so that they should not have to mourn what could have been.”

-Congressman Elijah E. Cummings

Delivered at the 2016 League of American Orchestras National Conference, hosted by the BSO

When cultural organizations like the Baltimore Symphony Orchestra (BSO) succeed, so too does the State of Maryland and the entire region. The economic impact of the arts in Maryland is estimated at \$1.16B annually inclusive of job creation, direct organization and attendee spending, and indirect taxes and fee generation¹. Under the leadership of Governor Larry Hogan and the Maryland General Assembly, the arts continue to play a vital role in Maryland, enriching our quality of life and contributing over a billion dollars and more than 17,000 jobs to our economy. The State of Maryland is viewed as a national leader for its commitment to arts and culture. As Maryland’s largest arts organization, the BSO is a major driving force behind this economic impact and many other innumerable cultural and quality of life benefits – including resident, business and employee attraction.

Recognizing the critical role that the BSO plays in Maryland’s culture, economy, civic pride and narrative, the future of the institution was a central topic of discussion during the 2019 Legislative Session. The resulting legislation, the John C. Merrill Act, was enacted, and in turn the Workgroup on the Baltimore Symphony Orchestra was authorized and established. Please see **Appendices 2-7** for details of the Workgroup’s membership, meetings and milestones.

As the efforts of the Workgroup have continued, and with the steadfast support of elected officials and numerous leaders in Baltimore City and from jurisdictions across the State, there have been extraordinary efforts to build relationships and consensus behind a sustainable plan for the BSO’s future. Equally important, the BSO has experienced a burgeoning groundswell of community support in response to its robust and collaborative work. For example, the BSO has successfully seeded a \$10M to \$15M Transformation Fund of private capital to stabilize the organization in the current FY2020 as well as poise the institution to implement new forward-looking plans from a position of strength. This Fund is critically important as after much intensive work, including the analysis and input of national thought leaders, it was universally agreed that the BSO’s future must prioritize cost management coupled with strategic investments.

In this mindset, a multi-year plan was developed in collaboration with the Workgroup. This plan is designed to energize the institution, grow audiences and revenues, and, increase efficiencies and

¹ Economic impact numbers as compiled by the Maryland Department of Commerce, based on FY2015 data.

effectiveness. Its strategies focus on each area of the organization and fall into four key categories: 1) Culture (the BSO's artistic mission, product and programming); 2) Capacity (having the people, systems, practices and processes for fundraising, marketing and governance); 3) Community (building audiences and deepening relationships by reaching out to communities in new ways, engaging audiences across the State, and enlivening the experience within the BSO's concert halls); and, 4) Capital (the incremental earned and contributed revenues as well as cost efficiencies achievable in the future, as well as the short and long-term investments required to stabilize the organization and implement necessary innovation).

Specific plan recommendations are outlined in the report and include the following:

1. *Artistic Programming*

Develop a rolling 3-year artistic plan filled with exciting, dynamic and surprising performances. Each season will include several highlights that are more successful to secure, to execute and to leverage excitement and revenues with a longer-lead planning cycle.

2. *Community Engagement and Education*

When designing each season, a more intentional and consistent emphasis must be placed on engaging the African American and diverse ethnic communities of Baltimore City, Montgomery County and the State of Maryland, as well as younger generations.

3. *Patron Experience*

The audience experience can be significantly enhanced through improvements that will enrich the experience for newcomers and returning patrons alike.

4. *Statewide Service*

As the largest performing arts institution in the State of Maryland, the BSO must fill this leadership role by offering performances and residences in cities and towns throughout the State with attention paid to geographically under resourced communities.

5. *Marketing*

As the Orchestra builds its artistic and educational programs and expands its service throughout the State of Maryland, it must also continue to build its visibility and reputation for excellence. In addition to reversing the recent tide of serious under investments in programmatic marketing, a rolling, 18-month institutional marketing calendar will be developed featuring performances, events and announcements that reveal the organization's distinction including the annual Gala, announcement of major financial milestones and grants, mini-festivals, the master class series, and more.

6. *Fundraising*

While longer-lead artistic planning coupled with a robust, institutional marketing effort should help the BSO to increase its fundraising, an expanded development program that prioritizes cultivation, prospecting, stewardship and systems must be executed effectively and consistently. As reflected in recent positive fundraising news, pursuing these steps with vigor will require the

addition of development staff; this process has already begun.

7. *Board Development*

BSO Board members are very supportive of the BSO's mission and programming; however; an even stronger and more fully engaged board must be developed.

8. *Staffing*

Additional staff must be engaged as funding allows. Stronger ties between departments will be encouraged, including artistic, marketing and fundraising leadership.

9. *Musicians*

The musicians are the key assets of the BSO, and must play active parts in expanded education, marketing and development programs as well as long-lead planning including any future searches for artistic leadership. The BSO should pursue a new, multi-year collective bargaining agreement in the Spring of 2020 that maintains a 52-week contract with adjusted work rules to accommodate the critically necessary audience, community and donor engagement activities as well as programmatic innovations in Baltimore, at Strathmore *and* throughout the State.

10. *Technology*

Across the organization, technology will be better utilized to support the BSO's mission. To advance its technology strategies and advise on necessary strategic investments, the BSO will leverage the expertise available in its communities to form a Technology Committee comprised of local experts from corporations, universities and start-ups.

In addition to related considerations of capital investments and facility usage, the plan also calls for decisions to be made that consider incremental ancillary revenue-generating opportunities such as the availability, flexibility and attractiveness of the Joseph Meyerhoff Symphony Hall for facility rentals.

A multi-year financial plan for the BSO was developed based on these strategies and a detailed implementation plan has begun and is being further refined. The six-year forecast indicates that the institution can pursue strategic program expansion and create a stable fiscal foundation at the same time. In addition to incremental contributed and earned revenues, this plan and its associated six-year forecast identifies an important role for the State of Maryland to play as a bridge to the BSO's bright future. The members of this Workgroup unanimously support and endorse this plan and its associated recommendations including the consideration of bridge funding and additional legislation by the General Assembly and Governor during Session 2020.

II. Introduction

History

The Baltimore Symphony Orchestra (BSO) is internationally recognized as having achieved a preeminent place among the world's most important orchestras. A cultural jewel of Maryland, the BSO was founded in 1916 as a branch of the Baltimore municipal government; and, reorganized as a private institution in 1942.

The Joseph Meyerhoff Symphony Hall, a 2,443-seat world-class concert hall in Baltimore City, has been the primary home of the BSO since its opening 1982. In 2005, the BSO became the nation's first orchestra with year-round venues in two metropolitan areas with the opening of The Music Center at Strathmore – a 1,976-seat venue in North Bethesda, Montgomery County. A public and private venture between the State of Maryland, Montgomery County, and corporate and individual philanthropists, the Music Center was specifically designed for and with the BSO in mind as a Founding and Resident Partner.

In 2007, the Grammy Award-winning BSO welcomed Maestra Marin Alsop as the Orchestra's 12th music director, making her the first woman to head a major American orchestra. The BSO can recount a prolific history of artistic achievements, including national and international touring (Europe [1981, 1987 and 2005], the Soviet Union [1987], East Asia [1994, 1997 and 2002], and, the United Kingdom and Ireland [2018]), critically-acclaimed recording, and prolific commissioning and world premieres (since its founding, the BSO has performed 89 world premieres, including 42 commissioned works).

Scope of Services & Audiences Reached

The BSO's current mission statement is as follows, "to perform the highest quality symphonic music of all eras that nurtures the human spirit; to engage, inspire, educate, and serve its audiences; and, to enhance the State of Maryland as a cultural center of vitality and importance."

In total, the BSO's records reflect the consistent engagement of 260,000 – 275,000 audiences annually, with 40,000 served through direct educational and outreach concerts and programming. An audit of the BSO's services can be summarized in the following:

- **Subscription Concerts & Special Events** – The BSO's core artistic programming comprises annual seasons of Classical, SuperPops and Off the Cuff series (a program featuring an in-depth discussion of the story behind the composer and/or the music of one featured work in a Classical program), available for subscription and single ticket sales. In addition to Holiday programming, the BSO performs a number of Orchestra Specials (featuring the BSO with special guest artists or, for example, movie with live orchestra) and/or Special Events (including special presentations by artists or groups including programs on which the BSO does not perform) annually. Summer programming in recent years has included a select number of events including annual traditions such as the BSO at Oregon Ridge Park in Baltimore County for Independence Day celebrations.
- **Education & Family Concerts²** – The BSO offers a wide variety of concert programming specifically targeting children and youth, their teachers and families, in the concert hall and in select community locations:
 - *Midweek Education Concert Series* | Arts-integrated, BSO concerts specifically designed for students in grades PreK-2, 3-5, and 6-8. In addition to the concert performance,

² Excluding the Music Box Concert Series (with additional performance venues also including the JCC Gordon Center in Baltimore County and the AMP By Strathmore in Montgomery County), all concerts are presented at the Joseph Meyerhoff Symphony Hall in Baltimore City.

- Teacher Resource Guides developed in cooperation with Maryland teachers and incorporating content from other academic areas are made available for download on BSOmusic.org free-of-charge. In total, sixteen performances across four unique programs are presented annually. *Tickets are subsidized to \$6 to all students, with free tickets (and often transportation) provided to Title I schools with an emphasis on Baltimore City and Baltimore County.*
- *Family Concerts* | BSO concerts curated for children ages four and up and their families featuring pre-concert lobby enrichment. In total, four programs/performances are presented annually.
 - *Music Box Concerts* / BSO chamber ensembles with a narrator collaborate in programs curated for babies and toddlers ages 6 months to 3 years and their families. In total, twelve performances across five unique programs are presented annually.
- **Education & Outreach Programs** – The BSO’s educational and outreach infrastructure includes a variety of programs designed to engage a cross-section of the community, from the very young to adults:
 - *OrchKids* | The BSO’s flagship program serving Baltimore City's underserved students, their families and communities. Delivered in collaboration with Baltimore City Public Schools and several community partners, OrchKids provides safe spaces, free instruments and instruction, performance opportunities, healthy meals, academic support, mentorship and summer programming – during school, after-school and year-round. Enrollment as of the 2019-20 academic year stands at 2,000 young people across eight returning and two new school sites.
 - *OrchLab* | OrchLab is the BSO’s flagship program serving select Title I schools in Montgomery County. It is a musician-led mentoring and residency program delivered at no cost to the students or school, with the number of residency visits varying by school type: elementary schools (five visits); middle schools (six visits); and, high schools (seven visits). In addition, all participating middle and high school students and music instructors are provided complimentary tickets to one BSO subscription concert at the Music Center at Strathmore.
 - *Side-By-Sides* | The BSO hosts talented regional high school students ‘side-by-side’ with the orchestra inclusive of rehearsals, a Concerto Competition and a culminating concert at the Joseph Meyerhoff Symphony Hall. Regular participating school systems include Anne Arundel, Howard and Baltimore Counties as well as the Baltimore School for the Arts in Baltimore City. *A subsidized fee is paid by each participating school system.*
 - *Baltimore Symphony Youth Orchestras* / Serving as ensembles-in-residence at the George Washington Carver Center for Arts and Technology in Towson, the tuition-based BSYO is comprised of a diverse pool of talent from nearly one hundred regional schools and students grades K-12 across three orchestral ensembles as well as Cello Choir and Chamber Ensembles.
 - *Rusty Musicians and BSO Academy* / The BSO has demonstrated its commitment to lifelong learning by launching several programs designed to invite adult amateur musicians to be mentored by, rehearse and perform with the BSO.

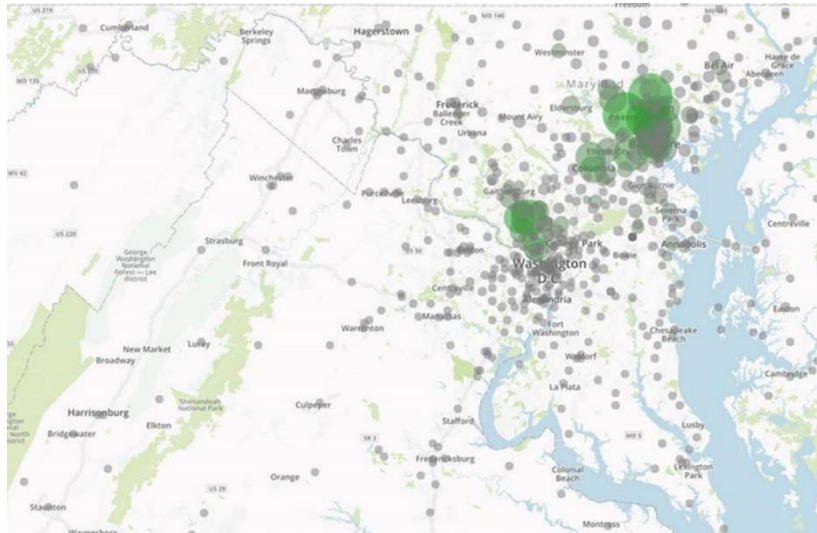
Additional programs include Open Rehearsals (for middle and high school students) and BSO on the GO and BSO Musical Mentors (opportunities for schools or venues to engage with individual

or ensembles of BSO musicians).

- **Accessibility & Pricing Initiatives** – In addition to free, community-based concerts and events, the BSO has launched initiatives designed to make BSO concerts as affordable and accessible as possible. Membership are available for college students (of all ages) and young adults (under 40) to experience largely unlimited access to BSO subscription concerts at discounted prices; and, in the 2018-19 season, a new Young & Free ticket program was created to effectively make attendance to Classical or SuperPops concerts completely free for all children aged 7-17 with an adult attendee. *It should be noted that these accessibility and ticketing programs are offered across both the BSO's Meyerhoff and Strathmore venues.*

Please see **Appendix 11** for a larger version of the following visual representation of where the BSO's ticketed audiences reside noting historic engagement of all 24 Maryland counties and beyond.

BSO Audience Analysis & Statewide reach: The BSO serves audience members from all 24 Maryland counties, with a majority of audiences served residing in the municipalities and jurisdictions most conveniently connected to its primary homes in Baltimore City and Montgomery County. *Please see Appendix 11 for a larger version of the map, a visual representation of the BSO's ticketed reach.*



III. Financials

Business Model & Governance

The BSO is a non-profit organization whose purpose is to maintain a symphony for the State of Maryland, present musical concerts and develop a widespread appreciation of fine music. Governed by a Board of Directors (Board), and led by a President & CEO, the BSO, on average, employs 64 Full-Time and 39 Part-Time administrative staff (including OrchKids staff) to plan and implement its scope of services. Additionally, the BSO enters into independently negotiated collective bargaining agreements for both its Orchestra (via The Musicians' Association of Metropolitan Baltimore, Local 40-543, of the American Federation of Musicians, or AFM) and stage crew (via Local No. 19, International Alliance of Theatrical Stage Employees or IATSE). These agreements dictate the salary, benefits and work rules of each respective integral unit within the BSO's operations. Furthermore, the BSO's Music Director and Principal Pops Conductor have independently negotiated contracts; and, individual guest artists and conductors featured in the BSO's core Subscription Concerts & Special Events also have independently negotiated contracts outlining the terms of their engagements.

Operating Costs

The BSO's annual operating budget has ranged from \$25 million to \$29 million in expenses annually, with key expense drivers including:

- Direct Concert Expenses (salaries, benefits and pension costs related to the Orchestra as well as conductors and guest artists; crew and usher staffing costs; production costs; rent related to the music library as well as facilities, including Strathmore; credit card fees connected to the box office; and, marketing and advertising for concert programs);
- Education & Ancillary Program Expenses (expenses directly associated with presenting rentals and education programs as well as concessions);
- Contributed Expenses (modest expenses related to fundraising and fundraising events); and,
- Operating Expenses (administrative salaries and benefits, facility expenses & utilities, professional fees, technology, postage/printing/supplies, and depreciation).

Recognizing the BSO's uniquely large, full-time staff inclusive of administrative, musician and crew benefit-eligible positions, it should be noted that the rising costs of health care remains a focus in the BSO's cost management and budget forecasting strategies. Please see **2019 Contract Negotiations** for an update on cost containment related to healthcare.

Earned, Public & Private Support

The BSO's revenue structure is informed by the three primary factors:

- Earned revenues from concert subscription and single ticket sales as well as education and ancillary program fees including concessions and facility rentals (both unique to the Joseph Meyerhoff Symphony Hall);
- Annual draw from the BSO Endowment Trust³; and,
- Contributed revenues in the form of public and private philanthropy from individuals (including Board), corporations, foundations and government entities, including special events such as the BSO's annual Gala and contributions from the BSO's volunteer corps, the Baltimore Symphony Associates.

Recognizing that the BSO, in association with the Endowment Trust, owns the Joseph Meyerhoff Symphony Hall, rental of this facility presents unique earned revenue potential that must also be carefully considered in the context of capital investments, facility availability and market competition.

It should be noted that, as with most cultural organizations in general and orchestras in particular, contributed revenue supports a majority of the BSO's operating expenses. **Chart 1** reflects the BSO's

³ In 2006, the Baltimore Symphony Endowment Trust (the Endowment Trust) was established to protect and hold the permanently restricted endowment funds which had historically been contributed to the BSO as a permanent endowment. Also, in 2006, the BSO transferred a portion of its investment portfolio, the Joseph Meyerhoff Symphony Hall, as well as Cathedral Parking Inc. (the parking garage located adjacent to the Joseph Meyerhoff Symphony Hall) to the Endowment Trust. The Trust agreement authorizes the Endowment Trust to provide annual support to the BSO in an amount up to a maximum of six percent (6%) of the Trust Value paid (based on the trailing twelve-quarter market average value of the Trust's net assets, exclusive of the value of the Meyerhoff and stock in Cathedral Parking Inc.). A dedicated pool of restricted investments (the Joseph Meyerhoff Memorial Fund) is available to support the maintenance of and renovations to the Joseph Meyerhoff Symphony Hall. While the Endowment Trust is a separate legal entity with a Board of Trustees that is separate from the BSO's Board of Directors, the financial statements of the two organizations alongside Cathedral Parking, Inc. are collectively referred to as the Organization or Symphony and filed in consolidated financial statements.

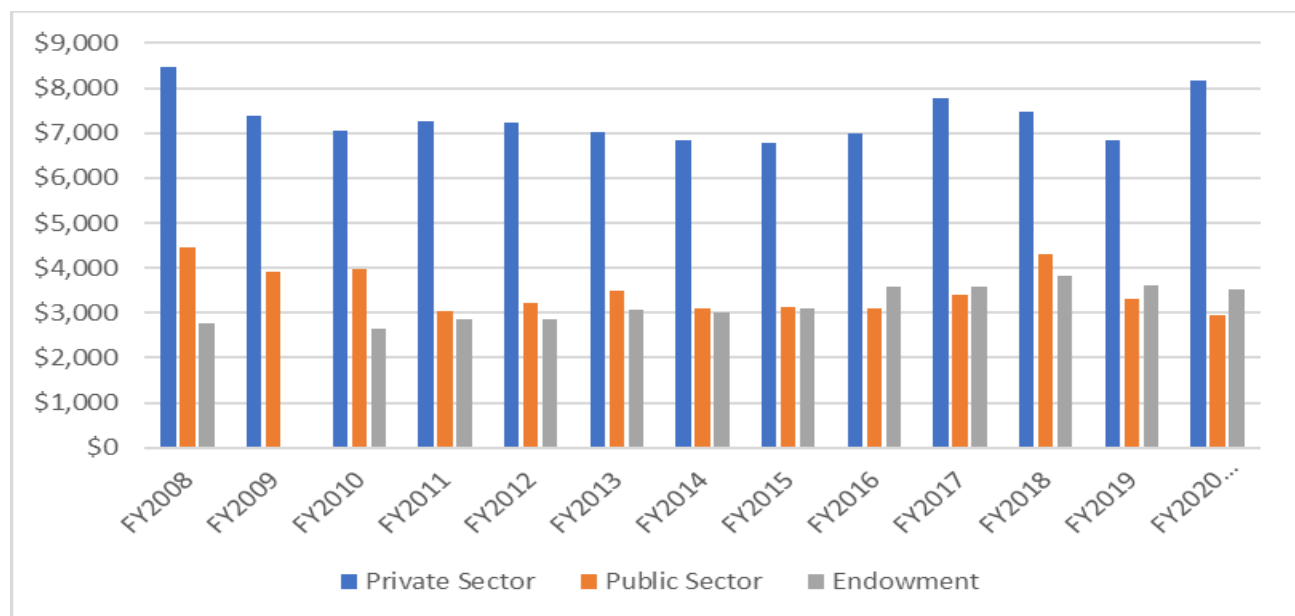
Endowment and contributed revenues broken down by source. **Chart 2** depicts this same data, rolling up all sources into their respective private vs. public sector categories, with endowment draw remaining separate (noting that the endowment was established with and remains largely funded by private sector philanthropy). A detailed summary of the BSO’s support from the State of Maryland, federal and local jurisdictions, is provided in **Appendix 8**. Under the leadership of Governor Larry Hogan and the Maryland General Assembly, the arts continue to play a vital role in Maryland, enriching our quality of life and contributing over a billion dollars and more than 17,000 jobs to our economy. The State of Maryland is viewed as a national leader for its commitment to arts and culture.

Chart 1: Endowment & Contributed Revenues (in thousands) by Fiscal Year and Source

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 Budget
Individuals	4,351	4,078	5,093	5,938	4,313	4,589	4,782	4,914	5,060	5,338	5,658	4,055	5,558
Corporate	1,770	885	798	873	780	824	729	812	715	746	624	483	669
Foundations	800	761	793	840	1,189	759	895	733	882	1,398	1,075	909	824
Government	4,458	3,900	3,966	3,035	3,227	3,504	3,104	3,133	3,104	3,412	4,321	3,306	2,944
Gala	947	1,029	763	740	727	902	651	674	941	963	951	816	981
Endowment	2,766	-	2,654	2,873	2,865	3,061	3,001	3,085	3,573	3,575	3,838	3,625	3,527
Special Events	613	349	345	465	190	195	205	208	92	304	483	287	1,343
	15,705	11,002	14,412	14,764	13,291	13,834	13,367	13,559	14,367	15,736	16,950	13,481	15,846

Contributed revenue includes funding for tours
Restricted Contributed revenue for OrchKids and BSYO programs is not included

Chart 2: Contributed Revenues (in thousands) by Sector, with Endowment, by Fiscal Year



Historical Deficits & Fiscal Analysis

As summarized in **Chart 3**, the BSO has run a deficit every year for the past 11 years. The severity of these deficits has been mitigated by unsustainable extraordinary income in the form of donations from private or public sources that explicitly were available only one-time; and, a 5.5% to 6% draw from its endowment, which is higher than the more typical 5% and, in turn, has prevented the endowment from growing to keep pace with inflation.

Chart 4 depicts in the BSO’s actual deficits compared to what could have been the annual deficit, the latter reflecting the BSO’s results absent the aforementioned unsustainable extraordinary intervention.

Chart 3: BSO Financial Results by Fiscal Year

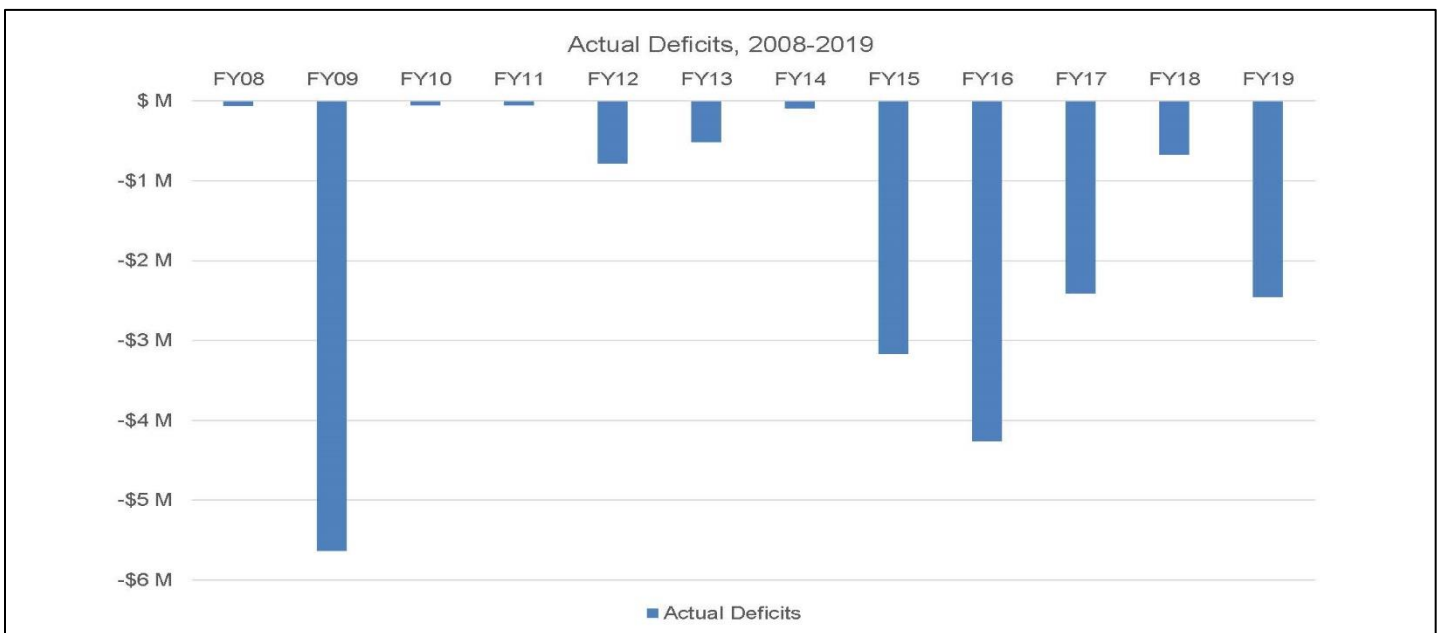
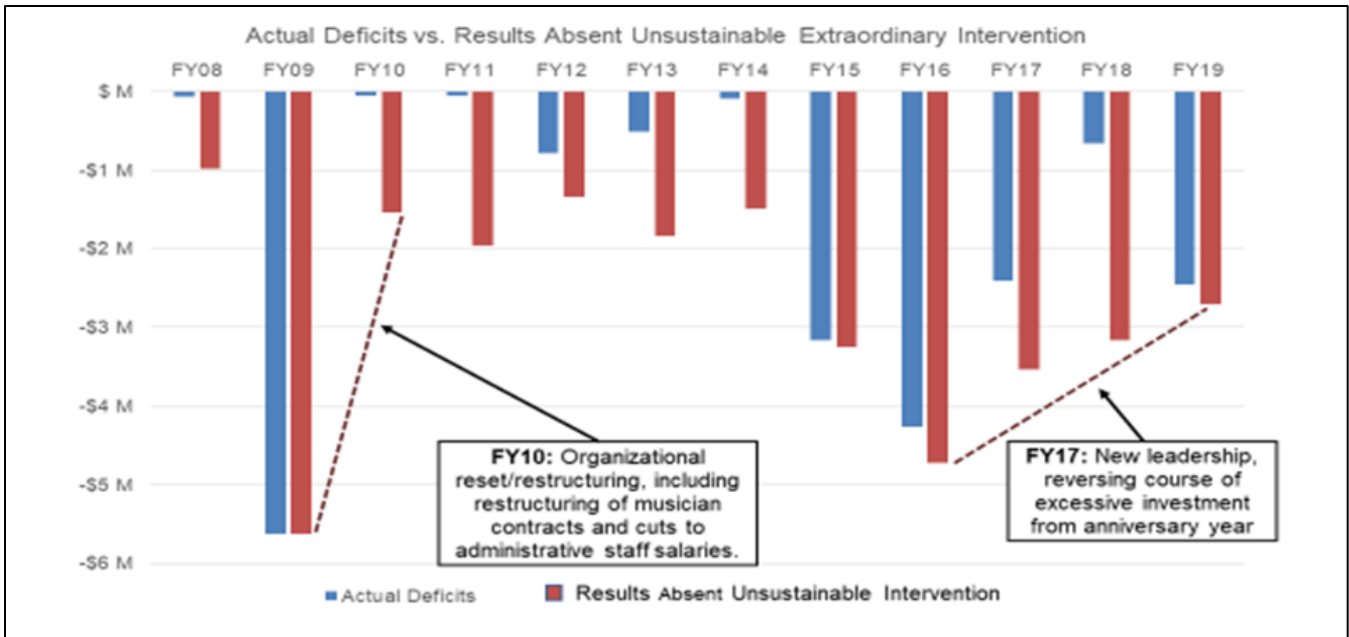


Chart 4: BSO Financial Results (Actual vs. Results Excluding Unsustainable Income)

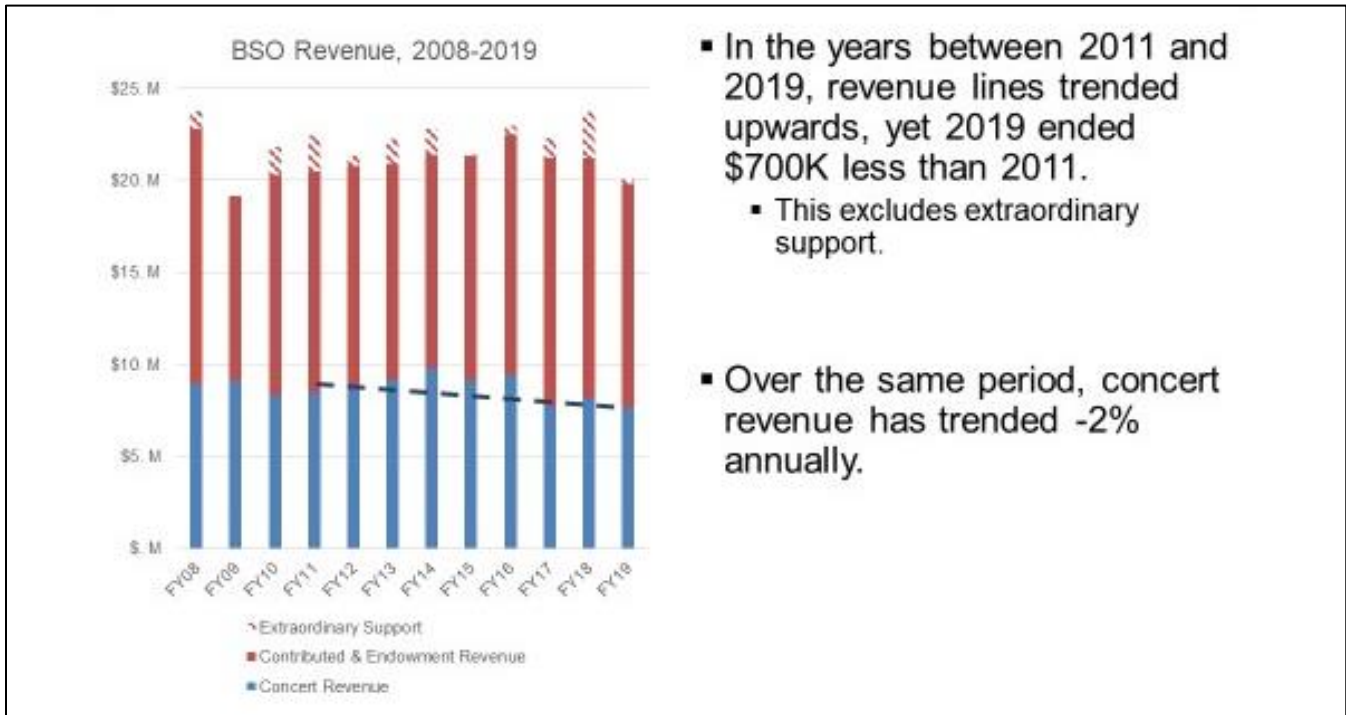


It should be noted that FY2009 was an outlier year, with no endowment draw received following the market crash.

Several factors since the 2010-2011(FY2010) contract restructuring have informed these consistent deficits, including: 1) concert revenues have declined (**Chart 5**); 2) direct concert expenses, which includes musician salaries and benefits (including health care costs), have increased with inflation; 3) informed in part by consistent unsustainable draws, endowment revenue has failed to keep up with inflation; and, 4) contributed revenue has not increased to compensate for the growing gap between revenue and expenses.

Although the BSO’s financial results for FY2017 and FY2018 improved significantly versus FY2016, more than a decade of deficits has resulted in negative liquidity. Cash flow issues over the last few years have prevented investment in marketing and development efforts and have stretched payables to unacceptable levels.

Chart 5: BSO Revenue Trends by Fiscal Year



2019 Contract Negotiations

The BSO and its musicians last executed a multi-year contract for FY2013 – FY2016, with two successive one-year extensions (FY2017, FY2018). BSO Management proposed a new Collective Bargaining Agreement when the contract expired in September 2018, and an extension was subsequently put in place through mid-January 2019.

In the 2019 Legislative Session, House Bill 1404 (HB 1404) – the John C. Merrill Act, a bill authorizing this Workgroup as well as calling for \$1.6M in financial support from the State in FY2020 and FY2021 – was collectively supported by BSO Management and Musicians; as such, negotiations paused and the BSO operated for the duration of the core subscription 2018-2019 season on the terms of the expired contract. When the 2019 allocation was not released nor anticipated to be released in the State’s FY2020 (available from July 2019), BSO management cancelled a series of summer events and re-proposed the proposal put forth in October citing significant cash flow challenges. No agreement was reached, and the BSO’s Board of Directors voted to initiate a lockout of its musicians effective June 17, 2019.

During the work stoppage, musicians were not paid their salaries but were eligible to receive unemployment compensation. Health and dental benefits and premiums were covered for the duration of the work stoppage thanks to generous contributions from members of the BSO Board of Directors and other loyal donors from the Baltimore and Montgomery County communities. Life and instrument insurance benefits were also extended through this period.

On September 9, 2019, BSO Management lifted the lockout and offered work in preparation for the 2019-20 season opening while presenting two revised offers funded, in part, by private contributions. Both proposals were initially rejected. On September 23, BSO Management and Musician's Union reached and announced a one-year agreement to open the 2019-20 concert season with the first classical subscription concert as planned.

The terms of the one-year agreement, effective through September 6, 2020, include the following:

- Increase of 2.4% in weekly scale in the form of electronic media payments⁴ over 38 concert weeks (recognizing two lost weeks) plus 2 working summer weeks, including the BSO's Star-Spangled Spectacular at Oregon Ridge;
- Bonus compensation to the musicians of \$1.6 million for the 10 weeks of summer equal to their increased weekly scale (musicians must work the weeks reserved for Oregon Ridge and a July Special to receive compensation for those 2 working summer weeks);
- Base annual salary for FY20 for 52 weeks would have been \$84,696.04, however due to the work stoppage, the base annual salary for FY20 for 50 weeks is \$81,438.50;
- Continuation of a comprehensive year-round benefits package which includes medical, dental, vision, life, long-term disability and instrument insurance. Musicians and management will jointly address the expected increase in health insurance premiums on January 1, 2020, with a possible modest increase that would be borne by both the musicians and the BSO;
- A reduction to four weeks of paid vacation during the concert season and limitation of guaranteed relief services, as well as additional time off during the summer that will be covered by the \$1.6 million in bonus pay;
- A commitment to hold auditions to fill six musician vacancies during the 2019-20 season;
- The formation of a standing Board committee, the Vision Committee, to include musician participation, with a broad mandate to plan for the future of the BSO;
- Agreement to meet to continue addressing work rules over the next 60 days; and,
- No strike and no lockout through September 6, 2020, and the musicians will withdraw and not refile the unfair labor practice charge that was filed on September 10, 2019.

The net budgetary implications of this one-year agreement for the BSO's FY2020 are reflected in **Appendix 10**, including the note of extraordinary commitments pledged by philanthropic leaders that were essential to the BSO's ability to adopt the one-year agreement for 2019-20. These special funds were not alone sufficient to balance the budget and are restricted for the purposes of funding summer pay for the musicians; however, they did enable the BSO to launch the season.

Regarding the commitment to jointly address the expected increase in health insurance premiums for 2020, a health committee (comprising musicians, management, and the BSO's health insurance consultant), met in each October and November 2019 to consider possible changes to the health insurance coverage. The health insurance consultant negotiated a reduction in the increase in premiums. The decision of the health committee was to remain with Cigna and share the increase in premiums with a resulting modest increase to be borne by both the musicians and administrative staff of the BSO.

⁴ The one-year agreement adopted a new national integrated media agreement, providing additional provisions and flexibility in broadcasting, streaming and recording.

Going forward the health committee will work together to consider possible changes to benefits as needed in addressing annual cost increases.

IV. Organizational Culture

Vision Committee

On the heels of what can be described as a strained period of internal and external organizational relationships and culture, a new standing committee of the BSO Board of Directors, the Vision Committee, was formed in part to build relationships and consensus behind a strategic plan. The Vision Committee was a specific outcome of the one-year agreement adopted for the 2019-20 season.

Chaired by BSO Board Chair Barry Rosen, the Vision Committee has met regularly and narrowed its initial focus on four interconnected areas including programming, fundraising, expenses and governance. Please see **Appendix 9** for a summary of committee composition and membership, guiding responsibilities, meeting dates and minutes. It should be noted that, given the expanded composition of the Vision Committee inclusive of Board, Endowment Trust Board, Staff, Artistic Leadership and Community Representation, several meetings of the Vision Committee were strategically aligned with content and guest speakers of the Workgroup in order to enhance communication and consensus building. To help build a lasting culture of transparency, inclusion, respect, and accountability both internally and externally, the BSO will endeavor to create and implement policies, protocols, structures and practices that will remain strong across transitions of leadership in all segments of the organization and the community.

Future dates of this standing Committee are forthcoming, with the next meeting taking place in February 2020. It should be noted that the Vision Committee has proved successful in both improving key cross-stakeholder relationships and trust; a universal understanding of both historic facts and financials; and, a greater sense of consensus of organizational cultural and business model changes necessary from all parties in order for the BSO to move forward with expanded reach, resonance and financial stability.

2019-20 Season Turnaround and Momentum

The BSO has experienced a burgeoning groundswell of community support and investment in response to its robust and collaborative work.

As of December 2019, and with significant efforts underway by the State Workgroup as well as the Vision Committee (see above and **Appendix 9**) and engagement of national consultants (see **Part V**), the BSO was facing a critical financial situation. With both uncertainty in the lead up to as well as delayed start of the 2019-20 season, subscription and single ticket sales tracked below budget for fall 2019; and, the cash flow forecast was estimating a potential cash flow shortage of \$1.5M by February 2020 and a further \$3M cash flow shortage by Spring 2020.

Acknowledging the need for additional, urgent support in order to move forward with its multi-year planning efforts, BSO Development Staff aided by Executive as well as Volunteer Board, Donor and Community Leadership, set out on an ambitious campaign to conclude the 2019-20 season in a positive position and in turn be poised to not only draft but also implement the intensive long term planning presently underway. This \$6M campaign was structured as:

- \$3M (by early February 2020) – to address immediate cash flow issues and mitigate the current deficit budget; and,
- \$3M (by Spring 2020) – to begin to correct the balance sheet, including settling non-current accounts payable as well as mitigating the organization’s historic reliance on utilizing cash from advance subscriptions and ticket sales for the future season.

In total, and including this near-term bridge, it was estimated that \$10M to \$15M in extraordinary private capital (the **Transformation Fund**) would be required over the next three years to implement new programs, strategies and systems.

By February 11, 2020, the BSO had announced it was successful in not only meeting but exceeding its most immediate \$6M goals by securing \$7.2M in **Transformation Fund** capital from the private sector including individuals and institutions from greater Baltimore and Montgomery County. A multi-year **Transformation Fund**, these \$7.2M in private sector commitments (commitments made above and beyond the BSO’s Annual Fund, or, annual contributed revenue as noted in **Chart 1**) are purposefully front-loaded with 1) \$5.4M paid/to be paid in FY2020; and 2) a further \$1.8M spanning FY2021 and FY2022. Additionally, it should be noted that an additional \$1.25M gift was made to the Endowment Trust; in turn, establishing the BSO’s first-ever endowed administrative position in its 104-year history – The Tiffany Bryan Director of Patron Services.

Additional positive announcements and milestones supporting these extraordinary fundraising efforts as well as seeding continued improvements in ticket sales and contributions across all levels (the BSO Development department reported a surge in the number of total households as well as increased and multi-year giving compared to previous years as of January 1, 2020) have included the following:

- The announcement of the strategic engagement of Michael Kaiser (see Part V);
- The announcement of a new series of free, community-based concerts, Symphony in the City, the soft implementation of the BSO’s evolving multi-year strategic plan; and,
- A further soft implementation of the BSO’s evolving planning, the BSO’s Symphony Store was relocated to a pop-up space in the Joseph Meyerhoff Symphony Hall lobby with the former store space repurposed to offer additional food and beverage options.

While it should be noted that while BSO ticket sales have begun to meet and, in some cases, exceed budget in both December 2019 and January 2020, it is not expected that the BSO will be able to close this ticket revenue variance completely.

V. Engagement of National Consultants

The Workgroup has been informed by the insights and analysis of national thought leaders:

- **TDC**, one of the nation's oldest nonprofit consulting firms, provided important leadership and in-depth analytical work to help ensure a strong foundation and key insights. TDC was engaged by the BSO in August 2019 with a specific charge to help investigate the underlying trends of major financial drivers (audiences, donors, and expenses) as well as develop a financial pro-forma to help the organization understand the corresponding predictions for the BSO's future predictions based on those trends. Leaders who have been involved with the BSO for decades have remarked that the efforts currently underway have been the most comprehensive and substantive that have been undertaken.
- **Michael Kaiser, Chairman of the DeVos Institute of Arts Management at the University of Maryland**, was engaged by the BSO immediately following his presentation to the State Workgroup. Building on the robust historical analysis by TDC, and his own internal and environmental analysis, this strategic engagement has proved instrumental in the BSO's recent fundraising results and has led toward an inspiring and comprehensive multi-year plan for the future that integrates artistic vision and business strategies.

Key Findings & Analyses of Best Practices

A summary of the collective internal and environmental analyses conducted by TDC and Michael Kaiser for, and with the input of the BSO via the Vision Committee and other forums, described below:

Environmental <i>The environment in which the BSO operates.</i>	Internal <i>Strengths and challenges that indicate how the BSO is both structured and poised to address its environmental opportunities and challenges.</i>
<p>Arts organizations globally:</p> <ul style="list-style-type: none"> • Reductions in arts education in public schools has reduced demand for cultural experiences; • An aging of the traditional arts donor base has placed pressure on cultural institutions to develop new sources of revenue; and, • Electronic forms of entertainment and education means that cultural organizations have to become increasingly engaging in order to attract visitors. <p>Orchestras face specific challenges:</p> <ul style="list-style-type: none"> • Subscription rates continue to fall, particularly impacting attendance at classical concerts; • Orchestras are increasingly reliant on special events and popular performances; • There is increased competition for funding; • There is increased pressure to mount multi-media marketing campaigns; and, • There is increasing pressure to embrace new technologies to engage younger audiences. <p>Baltimore is home to a diverse set of important arts institutions:</p> <ul style="list-style-type: none"> • The competition for press attention, attendance, donors and board members in Baltimore and Maryland is intense; • Several major organizations have been able to build strong fundraising campaigns; and, • Arts institutions in Baltimore and Montgomery County must address the demographics of the city, county, and state. 	<p>BSO Strengths:</p> <ul style="list-style-type: none"> • Long history of high-quality performances. • World-Class musicians. • Highly visible Music Director. • Hard-working staff. • Robust and industry-leading education programs. • A supportive community with a few remarkably generous donors, and, many donors and prospects of great potential. • Two exceptional homes with excellent acoustics at the Meyerhoff and Strathmore. <p>BSO Challenges:</p> <ul style="list-style-type: none"> • Paralyzing cash flow constraints (see Part III, Finances), informing a culture focused on liabilities rather than assets and financial-focused institutional image. • Like other orchestras, challenges building earned revenue but with consistent under-investments in marketing informing lower retention and attraction of ticket buyers. • The musician complement has been impacted by critical number of vacancies. • The BSO has not yet capitalized on the tremendous opportunities associated with its second home at Strathmore. • Complicated by successive one-year contracts in recent years, a history of modest long-term programming planning. • Recent history of an under resourced fundraising program, relying too heavily on a few major donors and resulting in limited revenue growth coupled with lower levels of donor retention.

Detailed analyses of the BSO’s performances, education and outreach programming, marketing, development, board, staff and use of technology were conducted, resulting in the following key findings

aligned with industry standards and best practices:

- Budget cuts in particular in marketing and development have created a negative cycle;
- Operating improvements could modestly improve, but do not fully solve, the BSO's long-term financial outlook;
- Forging a viable and sustainable future for the BSO will require meaningful changes to the BSO's overall model and culture;
- No changes take place in a vacuum – any modification is just one part of creating a functional and sustainable financial model; and,
- A complete solution must account not only for the immediate future, but also the historical deficits on both the balance sheet and income statement.

VI. Recommendations

Recommendations: Cost Management & Strategic Investments

A strategic, multi-year plan was developed to energize the institution, grow audiences and revenues, and, increase efficiencies and effectiveness. These strategies focus on each area of the organization and fall into four key categories: 1) Culture (the BSO's artistic mission, product and programming); 2) Capacity (attracting and retaining exceptional talent, as well as the systems, practices and processes for fundraising, marketing and governance); 3) Community (building audiences and deepening relationships by reaching out to communities in new ways, engaging audiences across the State, and enlivening the experience within the BSO's concert halls); and, 4) Capital (the incremental earned and contributed revenues as well as cost efficiencies achievable in the future, as well as the short and long-term investments required to stabilize the organization and implement necessary innovation).

Specific plan recommendations include:

1. Artistic Programming

Develop a rolling 3-year artistic plan filled with exciting, dynamic and surprising performances. Each season will include several highlights that are more successful to secure, to execute and to leverage excitement and revenues with a longer-lead planning cycle including: mini-festivals, major guest artists, high profile contemporary pops performances, and celebrity-driven special offerings. Introduce new products (e.g. a series of master classes featuring world renowned musicians) and new formats (e.g. new starting times, shorter concerts, late night concerts, tweeted performances, live streamed performances and non-orchestral events such as club night concerts in the lobby on otherwise 'dark' nights) to maximize excitement, engagement and revenue potential.

2. Community Engagement and Education

When designing each season, a more intentional and consistent emphasis must be placed on engaging the African American and diverse ethnic communities of Baltimore City, Montgomery County and the State of Maryland, as well as younger generations including college students. The creation of a Community Advisory Board will provide greater, holistic input on BSO programs and ticketing initiatives. Where appropriate, educational programming will be streamed online to allow for a broader geographical reach; and, the BSO's educational reach and

programs serving Montgomery County should be considered for expansion. In addition to investments in OrchKids as a national model of Diversity, Equity and Inclusion (DEI) and leveraging existing partnerships (e.g., seeking to work in collaboration with Morgan State University to create and perform with a combined HBCU choir), the BSO will renew and expand organization-wide collaborations with organizations such as Sphinx. As part of this effort, the BSO will explore opportunities to expand Academy activities to include training and mentoring for musicians from diverse backgrounds.

3. *Patron Experience*

Meyerhoff: While a world class concert hall, the audience experience for newcomers and returning patrons alike can be significantly enhanced through lobby activation (e.g. live music and a general redeployment of physical and human resources) and facility improvements (e.g. food service and wayfinding signage).

Strathmore: The BSO's patron experience can be significantly improved at Strathmore by activating this largely untapped asset. For example, the BSO together with its musicians should embrace more regular post-concert receptions and events (e.g. annual town hall meeting) with audiences and donors alike; and, perform in large and small ensembles throughout Montgomery County, utilizing such programming to create connections with and leveraging federal institutions and embassies in and around the County.

4. *Statewide Service*

As the largest performing arts institution in the State of Maryland, the BSO must fill this leadership role by offering performances and residences in cities and towns throughout the State with particular attention paid to geographically under resourced communities; and, proactively seeking collaborations with other Maryland cultural and educational organizations of all sizes. Strategic locations for regular performances should include the MECU (formerly Pier Six) Pavilion (Baltimore City); Merriweather Post Pavilion (Howard County); and Oregon Ridge (Baltimore County), to name a few. While such performances should be strategically scheduled throughout the year, the summer is recognized as an ideal timeframe for statewide performances and engagement activities.

5. *Marketing*

As the Orchestra builds its artistic and educational programs and expands its service throughout the State of Maryland, it must also continue to build its visibility and reputation for excellence. Recognizing that the BSO has historically spent less on marketing each performance compared to its peers, the BSO will narrow this investment gap while placing strategic emphasis on the following: 1) enlarging our patron base in general with substantial increases in the BSO's universe of prospective ticket buyers; 2) expanding social media and website content initiatives to include more musician-based, 'behind the scenes' and human interest stories; 3) investing in group sales efforts, aligning those with corporate sales opportunities whenever possible; 4) launching an ambitious subscriber retention and benefits program; and, 5) examining all the ways to enhance the patron experience, including innovative uses of technology.

A rolling, 18-month institutional marketing calendar will be developed featuring performances, events and announcements that reveal the organization's distinction including the annual Gala, announcement of major financial milestones and grants, mini-festivals, the master class series, and more.

6. *Fundraising*

While longer-lead artistic planning coupled with a robust, institutional marketing effort should help the BSO to increase its fundraising, a development program grounded in four key steps (prospecting, cultivation, solicitation and stewardship) must be developed and executed effectively and consistently. Recognizing the organization's reliance on a few major donors coupled with a loss in overall donor households in recent years, this effort will focus on expanding our family of supporters at all levels, with particular emphasis on increasing participation in our mid-level (between \$3,000 and \$10,000) and major (between \$10,000 and \$100,000) individual fundraising campaigns. Whenever possible, multi-year gifts will be solicited. Key to making this process effective will be a major increase in the organization's face-to-face engagement with all large and mid-sized donors whereby they feel welcomed into the BSO family and develop meaningful relationships to the organization; and, alignment and engagement with other BSO departments and the Orchestra so that events, experiences and communications leverage the organization's most exciting assets. The BSO will also reevaluate its corporate giving program (e.g. forming a corporate committee of executives) and will leverage enhanced programs and initiatives to pursue additional foundation relationships.

As reflected in recent positive fundraising news, pursuing these steps with vigor will require the addition of development staff; this process has already begun.

7. *Board Development*

BSO Board members are very supportive of the BSO's mission and programming; however; an even stronger and more fully engaged board must be developed.

The Governance Committee should lead the charge to evaluate needs, selecting appropriate new board members and evaluate the contributions of each existing board member. The creation of an 'ideal board' framework inclusive of diversity (ethnicity, gender and gender identity, geography, age, etc.), engagement and giving metrics will guide future board recruitment. While a preliminary version of an ideal board has been developed, the Governance Committee has been tasked with adjusting this version in the near term.

To cultivate enhanced engagement, in turn building a board far more likely to involve their friends and associates in fundraising and 'friend-raising,' the BSO will encourage individual board members to 'adopt' a project of personal interest; proactively develop a calendar of special communications, events and activities that bring the Board closer to the institution's great art and great education; and, build on the progress that has been made to foster open and honest

communication between board members, staff members and the musicians of the Orchestra.

8. *Staffing*

Additional staff must be engaged as funding allows. In the short-term, all vacant development positions should be filled to support aggressive fundraising goals. Stronger ties between departments will be encouraged with special efforts made to ensure that the OrchKids staff and the Education Department staff are working collaboratively. The staff will also need to build a stronger planning culture, an effort led by the BSO President with artistic, marketing and fundraising leadership.

9. *Musicians*

The musicians are the key assets of the Baltimore Symphony Orchestra, and must play active parts in the expanded education, marketing and development programs as well as long-lead planning including any future searches for artistic leadership. The BSO should pursue a new, multi-year collective bargaining agreement in the Spring of 2020 that maintains a 52-week contract with adjusted work rules to accommodate the critically necessary audience, community and donor engagement activities as well as programmatic innovations in Baltimore, at Strathmore *and* throughout the State. As finances improve, the BSO should restore the number of musicians and seek to attract and retain exceptional musicians to join the Orchestra.

10. *Technology*

Across the organization, technology will be better utilized to: 1) assist staff to work more efficiently; 2) assist marketing/development efforts (e.g. social networking, virtual reality); 3) allow the organization to reach a broader geographical area (e.g. streaming and digital education materials and programs); 4) enable more interactive and engaging performances (e.g. live tweeting/Instagramming); and, 5) empower patrons to maintain a relationship with the organization after they depart the concert hall. To advance its technology strategies and advise on necessary strategic investments, the BSO will leverage the expertise available in its communities to form a Technology Committee comprised of local experts from corporations, universities and start-ups.

The adoption of these recommendations will require specific decisions regarding capital investments and facility usage at the Joseph Meyerhoff Hall Symphony Hall. In making such decisions, the BSO should consider not only its internal programming but also additional revenue-generating opportunities associated with facility rentals. For example, a limited renovation of the Calvin Zamoiski Jr. Green Room should be evaluated in order to enhance this area for patron/donor receptions, artist meet and greets and staff usage, but also, in order to make this space more available and attractive for external conferences and presentations. Additionally, modest changes in the Hall's lobby areas can increase space availability and flexibility. Recognizing that the Joseph Meyerhoff Symphony Hall Memorial Fund is reserved for facility maintenance, any significant redevelopment of the building will require capital funding. A new Capital Redevelopment Committee should be considered.

VII. Conclusions and Next Steps

BSO Strategic Plan 2020 & Multi-Year Financial Plan

A six-year financial plan (**Appendix 10**) for the BSO was developed based on these strategies and a detailed implementation plan has begun and is being further refined in concert with the aforementioned strategies and recommendations. The six-year forecast indicates that the institution can pursue strategic program expansion and create a stable fiscal foundation at the same time.

The BSO's Board of Directors unanimously approved the strategic and financial plan on February 3, 2020. The members of this Workgroup unanimously support and endorse this plan and its associated recommendations.

State Role & Impact

In response to its robust and collaborative efforts, the BSO has successfully leveraged significant stabilizing philanthropic investments from the private community and civic leaders. This **Transformation Fund**, seeded in early 2020 with \$7.2M in private capital and aggressively being pursued by the BSO towards its \$10M to \$15M goal, is designed to cover anticipated deficits incurred as the organization moves forward with implementation, as well as provide a degree of risk abatement as increases in contributed revenues (largely, individual and special project private sector funding) and earned revenues are realized over the course of a six-year period. At the end of the plan, any **Transformation Funds** left over will seed the BSO's working cash reserves, in turn providing a stabilizing force against future cash flow demands. This is a critical component of the plan. Working cash reserves will provide the organization strength and stability to help avoid the recurrence of challenges such as those the organization experienced during the summer 2019. As an example, the lack of a working cash reserve, which some might refer to as a "rainy day fund," was a major factor that led to the work stoppage in 2019.

In addition to incremental contributed and earned revenues, equally critical to this financial plan is the role of the State of Maryland as a bridge to the BSO's bright future. Recognizing the BSO's historic statewide reach and expanding commitment to statewide service and collaboration, this Workgroup recommends the following multi-year investment:

- For FY2022 | \$1.5M
- For FY2023 | \$1.3M
- For FY2024 | \$1.1M
- For FY2025 | \$900K
- For FY2026 | \$700K

This recommended State support is strategically and gradually lessened over time to help support implementation of the recommendations outlined in this report. In total, this plan calls for \$5.5M in incremental State support, coupled with the \$10M to \$15M **Transformation Fund** funded by the private sector as well as incremental contributed Annual Fund and Special Project funds annually – an approximate 3:1 match of private to public incremental investments.

Furthermore, and recognizing the intensity of the plan being adopted, this Workgroup recommends that the BSO provide an annual report on its progress to the Governor and to the General Assembly of Maryland. This bridge funding and commitment to transparency and reporting should be introduced as a piece of legislation for the General Assembly and Governor's consideration during Session 2020.

Workgroup on the Baltimore Symphony Orchestra

VIII. Appendices

- i. Appendix 1: John C. Merrill Act (Enrolled Legislation)
- ii. Appendix 2: Minutes, Workgroup Meeting on August 23, 2019
- iii. Appendix 3: Minutes, Workgroup Meeting on October 16, 2019
- iv. Appendix 4: Speaker Comments from October 16, 2019 by Julie Madden
- v. Appendix 5: from Meeting dated October 16, 2019 by John McCann
- vi. Appendix 6: Minutes, Workgroup Meeting on November 12, 2019
- vii. Appendix 7: Minutes, Workgroup Meeting on January 15, 2020
- viii. Appendix 8: Government Support by Fiscal Year by Source/Jurisdiction
- ix. Appendix 9: BSO Vision Committee
- x. Appendix 10: Long-Term BSO Financial Plan
- xi. Appendix 11: BSO Audience Analysis & Statewide Reach

Chapter 743

(House Bill 1404)

AN ACT concerning

**Economic Development – Baltimore Symphony Orchestra – Funding and
Workgroup
*(The John C. Merrill Act)***

FOR the purpose of requiring the Governor to appropriate a certain amount of money to the Baltimore Symphony Orchestra in certain fiscal years; establishing the Workgroup on the Baltimore Symphony Orchestra; providing for the composition, chair, and staffing of the Workgroup; prohibiting a member of the Workgroup from receiving certain compensation, but authorizing the reimbursement of certain expenses; requiring the Workgroup to examine and make recommendations regarding certain matters; requiring the Workgroup to report its findings and recommendations in a consolidated financial report to certain committees in the General Assembly on or before a certain date; providing for the termination of this Act; and generally relating to the Baltimore Symphony Orchestra.

BY adding to

Article – Economic Development
Section 4–513
Annotated Code of Maryland
(2018 Replacement Volume)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Economic Development

4–513.

FOR EACH OF FISCAL YEARS 2020 AND 2021, THE GOVERNOR SHALL INCLUDE IN THE STATE BUDGET AN ANNUAL APPROPRIATION TO THE BALTIMORE SYMPHONY ORCHESTRA OF \$1,600,000.

SECTION 2. AND BE IT FURTHER ENACTED, That:

- (a) There is a Workgroup on the Baltimore Symphony Orchestra.
- (b) The Workgroup consists of the following members:

- (1) one member appointed by the President of the Senate and the Speaker of the House of Delegates;

(2) two members of the Baltimore Symphony Orchestra Board of Directors, appointed by the Chair of the Board of Directors;

(3) ~~two~~ three members of the Baltimore Symphony Players Committee, appointed by the Chair of the Baltimore Symphony Players Committee;

(4) two members of the Baltimore Symphony Orchestra Administration, appointed by the President and CEO of the Baltimore Symphony Orchestra;

(c) The member appointed under subsection (b)(1) of this section shall serve as the chair of the Workgroup.

(d) The Maryland Department of Commerce shall provide staff for the Workgroup.

(e) A member of the Workgroup:

(1) may not receive compensation as a member of the Workgroup; but

(2) is entitled to reimbursement for expenses under the Standard State Travel Regulations, as provided in the State budget.

(f) The Workgroup shall:

(1) examine structural efficiencies of the Baltimore Symphony Orchestra, including health care costs and facility usage; and

(2) make recommendations regarding:

(i) cost containment strategies; and

(ii) audience development, including:

1. methods to diversify access to the Baltimore Symphony Orchestra; and

2. methods to increase statewide public participation in the Baltimore Symphony Orchestra.

(g) On or before October 1, 2019, the Workgroup shall report its recommendations in a consolidated financial report, in accordance with § 2-1246 of the State Government Article, to the Senate Budget and Taxation Committee and the House of Delegates Appropriations Committee of the General Assembly.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2019. Section 1 of this Act shall remain effective for a period of 2 years and, at the end of June 30, 2021, Section 1 of this Act, with no further action required by the General Assembly, shall be abrogated and of no further force and effect. Section 2 of this Act shall remain effective for a period of 1 year and, at the end of June 30, 2020, Section 2 of this Act, with no further action required by the General Assembly, shall be abrogated and of no further force and effect.

Enacted under Article II, § 17(c) of the Maryland Constitution, May 25, 2019.

ii. **Appendix 2: Minutes, Workgroup Meeting on August 23, 2019**

Workgroup on the Baltimore Symphony Orchestra (BSO)

Friday, August 23, 2019

9:00 a.m.

Senate Budget and Taxation Committee Room
3 W Miller Senate Office Building
Annapolis, Maryland 21401

Meeting Minutes

Workgroup Members in Attendance:

Ed Kasemeyer, Chairman, Workgroup on the BSO
Sarah Beckwith, BSO Vice President & Chief Financial Officer
Peter Kjome, BSO President & CEO
Christian Johansson, BSO Board Member
Jane Marvine, BSO Players Committee Member
Greg Mulligan, BSO Players Committee Co-Chair (by phone)
Brian Prechtel, BSO Players Committee Co-Chair
Barry Rosen, BSO Board Member

Workgroup Staff:

Rhonda J. Ray, Maryland Department of Commerce
Ken Skrzysz, Maryland State Arts Council (MSAC)
Jody J. Sprinkle, Department of Legislative Services

I. Introductions

Chairman Ed Kasemeyer called the organizational meeting of the Workgroup to order, and asked members to introduce themselves.

II. Chairman's Opening Remarks – Charge of the Workgroup

Chairman Kasemeyer provided an overview the statute, Chapter 743, 2019 Acts of Maryland – *The John C. Merrill Act* – and expectations of the Workgroup. Chairman Kasemeyer recognized the awkward situation the Workgroup is in, because the members are also the parties involved in the contract negotiations – BSO Management and the BSO Players Committee – and are currently deadlocked. The Chairman did stress his commitment to remaining engaged and finding a solution to the financial challenges and hoped the BSO players would get back to performing soon.

Given these challenges Chairman Kasemeyer recognizes the inability of the Workgroup to meet the statutory report deadline of October 1, 2019 and said he will request an extension from the legislature and possibly seek legislation to diversify and increase the Workgroup membership.

Chairman Kasemeyer referenced a book he recently read *Curtains: The Future of Arts in America* by Michael Kaiser and noted the issue of funding for arts institutions seems to occur frequently and is cyclical.

Chairman Kasemeyer noted many do not understand the value of the arts until they are lost. He realizes everything cannot be resolved by cutting budgets but also understands whatever product the Workgroup develops, it must be fiscally sustainable. If the symphony is lost it would be difficult to bring it back so we have to work to make this right.

Presentations/Comments from Workgroup Members

Barry Rosen thanked the Chairman for convening this Workgroup and agreed there is awkwardness but also great opportunity. It is easy to focus on where people disagree but stressed that we need to start seeing where we agree. Mr. Rosen made the following points:

- He is here to preserve and strengthen the BSO
- Everyone recognizes the 20% pay cut is a drastic thing
- There can be no mission without a margin – no organization can last if revenues do not exceed expenses
- No one should let a crisis go to waste – it is incumbent for everyone to come together to plan and find a solution to preserve and strengthen the BSO

Peter Kjome thanked the Chairman and Workgroup staff. He echoed that everyone wants to assure the BSO is around for a long time and agrees with Mr. Rosen. This process [the Workgroup] will ensure Baltimore and Montgomery County and [the State of] Maryland is home to the BSO for a long time. Following decades of investment, the BSO is a nationally and internationally recognized symphony. It is clear that without the support of [the State] we would not have the orchestra we have today.

Mr. Kjome spoke about an analysis the BSO is conducting comparing Baltimore's symphony orchestra with that of St. Louis and the respective endowments and annual draw of funds. He thanked several state officials and the Maryland State Arts Council for their support and recognized Governor Hogan's fiscal year 2020 budget that included record funding for the arts. Lastly, Mr. Kjome stressed the importance of getting back to concerts and outreach to kids and the BSO educational programs.

Brian Prechtl emphasized the goal of preserving and strengthening the orchestra. He commented on Chairman Kasemeyer's reading of *Curtains*... and noted how often financial challenges arise for arts organizations. Mr. Prechtl noted arts institutions are not like other businesses. "We are incredibly dependent on contributions and the only way you get contributions is to get people excited about the organization." He spoke about the erosion of donor confidence, the current musician lockout, and the need for a contract/labor agreement. Mr. Prechtl expressed his concern about the decision-making process of the BSO and the need to be inclusive of all stakeholders (e.g. musicians and donors).

Christian Johansson said it is easy to be caught up in challenges but asked what does hope look like? He encouraged everyone to think about this and to focus on what at the end of the day does the group need to translate that hope into a cohesive strategy.

Jane Marvine thanked everyone for being here. She said she has probably been with the BSO the longest and if the orchestra plays in September, she would be starting her 41st year. Ms. Marvine stated that they are here today because the musicians mounted a grassroots effort/response to the draconian [budget/fiscal] decisions last fall.

Ms. Marvine said she worked with the board to get the bill [HB 1404] passed. She lamented the fact the BSO did not get the funding related to the bill that they so desperately need. She stressed the players have not been treated as equal partners/stakeholders and have not been included in the decision making to solve the BSO's financial crisis. Ms. Marvine sees this Workgroup as an opportunity to talk about governance, shared decision making and open up the process.

Presentation by Fred Lazarus

Mr. Lazarus presented as representing the BSO donor community and spoke about having a plan calling for a three-year process. However, he “does not believe we have three years.” He has heard different opinions on what the BSO should be doing going forward.

Mr. Lazarus spoke about the financial situation – the annual deficit, lack of assets and mounting debt. He also mentioned the endowment and that the BSO no longer owns the Joseph Meyerhoff Symphony hall where it performs in Baltimore. He spoke about finding supplemental resources, specifically the need for support from Baltimore County, the Maryland State Arts Council and additional public commitment. Mr. Lazarus recognized the generosity of the State in its annual funding of and support for local arts institutions.

Mr. Lazarus advised the need to establish an open process to build consensus around a plan. He mentioned the state money (mandated in HB 1404) would have provided a huge solution for the current year's financial problem. Mr. Lazarus has been able to raise \$1M. After several conversations with Board members and the players, he is very concerned that if the BSO is not back on stage in September “we/they will not be able to sustain the donor base, subscribers, community support.” He emphasized the need to message to the community “we have a plan and are on the road to sustainability.”

Mr. Lazarus posed the question that if this organization goes down, what will be the impact on Peabody, on Strathmore, what will happen to the Meyerhoff Hall, all the chamber music groups and musician groups playing in MD (without an anchor) and what will be the impact on other cultural institutions?

Discussion about financials and audit report

Sarah Beckwith spoke about her role as Chief Financial Officer (CFO) since 2016 and acknowledged the BSO's financial challenges over the last decade. Ms. Beckwith stated the BSO has an independent audit annually and believes the numbers presented outlining the deficit are correct.

Members emphasized the need for transparency with the financials and perhaps a discussion of the financials should take place during a future Workgroup meeting. Members discussed considering best practices in fundraising and the idea of learning from other orchestras and suggested inviting someone in to speak to the Workgroup (e.g. Detroit Symphony that was once close to fiscal insolvency)

III. Proposed Workplan

Workgroup staff Ken Skrzysz put forth a proposal to bring in a consultant to assist with this process.

John McCann, Partners in Performance, was suggested as someone all parties could agree to hear from.

(This consultant helped turn around the Detroit Symphony Orchestra).

Jane Marvine stated John McCann spent six weeks with the musicians in 2007 and 2008 and conducted a workshop on leading without authority. “We have great respect for him. He is an institutional counselor.”

IV. Closing Remarks and Adjournment

Chairman Kasemeyer emphasized the need for a temporary agreement that outlines the parameters for how these groups – the board, management and players – will move forward. “We need a framework for a plan.”

Jane Marvine stated she thinks the incoming Board Chairman needs to look at a pot of money to dip into and respectfully asks Mr. Rosen to bring an open mind. She also stated there are donors who are willing to step up and fill the gap and that everything in the budget needs to be analyzed.

Barry Rosen said we need an interim agreement that gets the players back on stage, which also includes a commitment to establishing long term plan.

Jane Marvine in closing remarks said we have talked about the indebtedness to the State of Maryland and the MSAC. The Maryland State Arts Council is the most generous of all state arts councils nationwide. She posed the question to the Workgroup and Commerce staff: “What does the state/MSAC want from BSO?” She did not want the meeting to end without highlighting that and stressed this support is fundamentally important to us [BSO]. One of the ways orchestras are evolving is to make stronger connections and to be relevant to the citizenry. What do you think the symphony can do to make the generous support meaningful? Suggests next meeting include Ken Skrzysz as a presenter on behalf of MSAC.

Adjournment – meeting adjourned at 10:30 a.m.

iii. Appendix 3: Minutes, Workgroup Meeting on October 16, 2019

Workgroup on the Baltimore Symphony Orchestra (BSO)

Wednesday, October 16, 2019

2:00 p.m.

Board Room – Greater Baltimore Committee

111 S. Calvert Street

Baltimore, Maryland 21202

Meeting Minutes

Workgroup Members in Attendance:

Ed Kasemeyer, Chairman, Workgroup on the BSO

Sarah Beckwith, BSO Vice President & Chief Financial Officer

Peter Kjome, BSO President & CEO

Christian Johansson, BSO Board Member

Jane Marvine, BSO Players Committee Member

Greg Mulligan, BSO Players Committee Co-Chair

Brian Prechtel, BSO Players Committee Co-Chair

Barry Rosen, BSO Board Member

Workgroup Staff:

Rhonda J. Ray, Maryland Department of Commerce

Shawnta Goins, Maryland Department of Commerce

Department of Legislative Services Staff:

Erika Schissler, Department of Legislative Services

Invited Guests:

Chris Bartlett, Baltimore Symphony Orchestra Endowment Trust Chair

Julie Madden, Vice Chairman, Maryland State Arts Council (MSAC)

John McCann, President, Performance Partners

Steven Skerritt-Davis, Deputy Director, Maryland State Arts Council (MSAC)

V. Call to Order/Introductions

Chairman Kasemeyer called the meeting of the Workgroup to order, and asked guests and Workgroup members to introduce themselves. Rhonda Ray staff to the Workgroup referenced the letter from the Chairman to the MD General Assembly Senate and House budget committees requesting an extension for the report due date.

II. Presentations

Maryland's Support for Artists and Arts Organizations

Julie Madden, Vice Chairman MSAC Board of Directors and Steven Skerritt Davis, Deputy Director, MSAC presented on MSAC goals, funding priorities and recommendations for management of nonprofit

arts organizations.

Ms. Madden's remarks concentrated on the following categories MSAC wants to see as part of funding requests: (1) internal environment and the need for staff and artist to reflect diversity; (2) equal partnership where shared decision making is concerned; (3) the need to develop specific protocols for communication; (4) programmatic development; (5) the need for connection between programming and geographic diversity; and (6) programming that reflects mission, vision and goals for the organization.

III. BSO Progress Report

Chairman Kasemeyer stated since the last meeting there has been progress in the negotiations between the players and management.

Peter Kjome

- Informed the Workgroup that a one-year agreement had been reached. The BSO is planning/scheduling the statewide events which is helping to improve perception of BSO.
- The Board created a "Vision Committee" that includes board members, staff, players the donor community and others. And we want the Vision Committee to compliment the efforts of this Workgroup.
- MSAC is the single largest investor in the BSO. Julie's [Madden] remarks are particularly meaningful and appreciate her presentation.
- At the announcement of the 1-year agreement, we had board members, staff, and Marin Alsop present. More importantly, we had Brian [Precht] speak on behalf of the musicians. This was unusual but a testament to everyone's commitment.
- The substance of the agreement was important as well as the symbolism.
- We need to advance a shared goal of a robust multi-year plan to make sure Baltimore remains home of the orchestra for years to come

Brian Precht

- Emphasized achieving a multi-year plan is our highest goal.
- Appreciate Julie's [Madden] comments. During the summer lockout, we [the BSO musicians] did much of what Julie suggested. We crisscrossed the state performing in areas/venues we had not performed before.
- We have begun to chart a course (with BSO management).
- Thinking about what it would be like to have the BSO on the Eastern Shore and in other parts of the State of Maryland.
- Vision Committee is promising. We have a lot of work to do. We are hoping to rebuild confidence – from donors, patrons, and business community. Fred Lazarus [MICA President Emeritus] has been helpful.

Barry Rosen, Chairman

- With regard to collective bargaining, so far, we have a one-year agreement. It is important to know how that came about. It was goodwill from people wanting the musicians to get back to the stage. Donors came forward and made a sizeable donation to the BSO.
- For a multi-year agreement, we will need more from the donor community and the State.
- The Vision Committee comprises four workgroups– Expenses, Fundraising, Program and Vision & Governance.

- The Vision Committee just had its first meeting and there is lots to do.

In response to Chairman Kasemeyer's question about the labor agreement Mr. Rosen provided the following:

- An approximate 2% salary increase for the musicians.
- A new media agreement that is being executed that provides for streaming and rebroadcast.
- Pay for 38 weeks of winter season and two weeks of pay during the summer, plus ten weeks of bonus pay over the summer, this translates to 50 weeks of compensation.
- The formation of the Vision Committee was also part of the agreement.

In response to Chairman Kasemeyer's question about anything threatening the one-year agreement, Mr. Rosen explained that donors are funding the back end – the summer. We still have to get through the 38 weeks [Winter season] – which requires us to sell tickets and raise money. Ticket sales only fund about one third of the costs of a symphony.

IV. Developing Vision and Strategies for Organizations

Chairman Kasemeyer stated that when the Workgroup met in August there was discussion about whom we should bring in to help us with our decision-making process. Two names floated at that August meeting were John McCann and Michael Kaiser. We were unable to secure Mr. Kaiser to present but we were able to book Mr. McCann who is here today. Welcome.

Presentation by John McCann, Partners in Performance

- Consider everything Fred [Lazarus] told you a few weeks ago and Julie [Madden] told you today.
- Anything I offer up today should be seen as a provocation, not a recommendation as I cannot presume to tell you what you need to know as I haven't lived your experience. But I have done work in Baltimore and in Maryland in the past.
- I have worked with the following organizations: GBCA with Nancy Haragan and the formation of the Alliance and its first strategic plan; MSAC with Jim Backus and Maryland's 24 counties; Maryland Citizens for the Arts, with Sue Hess and AEMS-Mary Ann Mears.
- I still work primarily in the arts around vision-strategy-and culture, Martha Graham Dance Company, Washington Ballet, Pittsburgh Ballet Theatre, Central City Opera, Chicago Opera Theatre, The Public Theatre, Philadelphia Theatre Company, Woolly Mammoth Theatre.
- To keep the BSO in existence to ensure it is a going concern... Merely surviving is insufficient to secure long-term investment.
 - Orchestras must carve out relevance and impact for their unique communications.
- The first provocation: Looking forward toward 2030, *what's the purpose? What's the point? What's the aspiration of this organization, beyond survival?*
 - Compelling vision – You need to devise a vision for how this organization [BSO] will shape the future of this City and this State. It needs to be clear, concise and compelling.
- The second provocation: What about your strategy?
 - You must align energy and talent and time in pursuit of the vision. This needs to be intentional
 - Agreeing on and then advancing vision by successful implementation of strategy will

- require engagement across the organization. This will require musicians and management working together.
- Need a healthy organizational culture. It matters how we treat one another.

The Detroit Symphony Orchestra (DSO) experience

Workgroup members asked Mr. McCann to speak to his experiences in Detroit, stating the DSO is a case study for this group. What worked and what didn't work?

Mr. McCann stated that the Detroit Symphony Orchestra had zero liquidity.

- DSO began to talk about what they did to create the financial circumstance they were experiencing.
- They had to ask: How do we treat one another to make sure don't repeat this?
- They then declared they would be the most accessible orchestra on the planet. They had to learn to be accessible.
- The DSO had a retreat at the Pistons arena. They wanted to know/learn how the Pistons generated their following of fans independent of their winning or losing.
- DSO then met with the head of Chrysler to learn how to compete globally.
- The DSO learned they could not function within their existing structure. There were 92 Board of Directors members – Board was restructured to be 26 members. The DSO eventually balanced their budget and has grown the budget every year.

Workgroup members asked how the DSO raised money recognizing they were as financially fragile as the BSO and asked if Mr. McCann thought the BSO should have a 10-year plan. Mr. McCann responded that the DSO had bridge loans and a blueprint to get them to a point of solvency. He suggests the BSO needs to have a long horizon to getting to a point of fiscal sustainability. Mr. McCann said the DSO Board decided to take the governance situation and stewardship seriously and the Board Chair was committed to this. A culture of aspiration began to take off. By being aspirational, they were able to demonstrate they could make it through the day-to-day issues/needs. They [DSO] created a dashboard.

When asked by the Workgroup Chairman if the other orchestras Mr. McCann worked with had public investment, Mr. McCann stated, “yes, most of the time, yet the investment in arts varies widely. MD is at the top of the heap. In some states, there were line item work arounds.”

Engaging supporters/donors

Chairman Kasemeyer asked how to get average people who are not symphony goers, engaged and interested in attending and supporting the orchestra.

Mr. McCann responded that having a high level of meaning and value is what attracts donors. When you lay out a 10-year vision, you are asking people to invest in that aspiration. New pathways for creating value open up new channels for investment. You must go where the audience is. In Detroit, the DSO developed a concert series around what the community wanted and needed.

Workgroup members asked about the jazz program the DSO established and as well as the dashboard. Mr. McCann responded that the jazz program brought in a new set of donors. And with regard to metrics and a dashboard, the BSO first needs to identify what it wants to measure and the related metrics.

Financial fluency

Workgroup members discussed with Mr. McCann the issue of financial data and how BSO management presents the financial data. Musician representatives sometimes disagree with the analysis presented by BSO management and asked Mr. McCann how to get to a place where musicians and management can agree on the financial data and financial facts.

Mr. McCann referenced his earlier comments about the need to have quality conversations and the need to understand the thinking behind questions stakeholders (e.g. musicians) pose. Until this is resolved, there will be constant conflict between the involved parties. Organizations must create safe and sacred places for these conversations to take place.

V. BSO Endowment Trust - Financial Supporter / Partner in the Long-Term Viability

Chris Bartlett, Chairman, Baltimore Symphony Endowment Trust

Mr. Bartlett provided an overview of the Endowment Trust. Created in 2006, the Endowment is separate from the BSO. Its mission is to ensure the long-term future of the BSO. The Trust Agreement dictates no more than 6% can be withdrawn annually; the investment committee would prefer 5%. Mr. Bartlett noted the Endowment Trust runs a portfolio and has exposure in the debt and equity markets and is susceptible to the fluctuations of the market.

To demonstrate the Endowment Trust's support for the BSO, the Trust has extended loans in 2017 and in the summer of 2019 to help make payroll and pay down accounts payable. The Endowment also funded an outside consultant – TDC – to help the BSO chart a path forward. The Endowment is reaching a point where any future gifting is at risk due to fiduciary responsibility and legal responsibilities. The Endowment's high mark was \$80M. The Endowment Trust started a fundraising campaign some years ago and the goal is \$65M; right now, it is just under \$50M.

Symphonies of the BSO's stature have a larger endowment.

VI. Financial Update

Sarah Beckwith, Vice President Chief Financial Officer

Ms. Beckwith provided an update on the BSO's financials.

Adjournment – meeting adjourned at 4:15 pm.

iv. Appendix 4: Speaker Comments from October 16, 2019 by Julie Madden

Julie Madden, Vice-Chair of the Maryland State Arts Council

Good morning, I am Julie Madden, Vice-Chair of the Maryland State Arts Council. Thank you for inviting me to address the Workgroup of the Baltimore Symphony Orchestra. I am here to offer the assistance of the Maryland State Arts Council staff and board during this period of transition for the Baltimore Symphony Orchestra.

Research of large cultural institutions across the country reveals several trends that define 21st century ways of operating based upon creating an internal atmosphere of collaboration and assessment. The Maryland State Arts Council has adopted these national trends as part of its new strategic plan. Our staff stands ready to work closely with the staff, board and musicians of the BSO to assist with the development of a model focused on changes related to internal environment, programmatic development, community impact, and funding. We understand that significant systemic change takes time. The following are recommended goals:

Internal Environment

1. The organization's personnel (board, staff, regularly employed artists), over time, reflects the population of the Orchestra's geographic area of service so that programmatic decisions reflect a multicultural perspective.
2. An equal partnership is established between the staff, board and musicians revealing a model for transparent and shared decision-making.
3. Specific protocols for general communication, engagement in programmatic decision-making, and ongoing fiscal transparency and collaboration, are developed and implemented.

Programmatic Development

1. The BSO clarifies its identified geographic area of service (Baltimore City and Montgomery County specifically, or the State of Maryland).
2. A clear and demonstrated connection is developed between programming and the identified geographic area of service, including participation with other arts organizations and services that are facing and overcoming similar challenges.
3. Programmatic development intentionally connects the vision, mission, goals, and values of the organization, allowing each arts activity to demonstrate public value for the constituents in the geographic area of service, and its measurable impact.

Impact

1. Programmed arts activities are designed to consider the non-dominant norms, values, narratives, standards, or aesthetics of the geographic area of service.
2. A plan is developed and implemented for engaging constituents in the geographic area of service who are not currently engaged.
3. A plan is developed to train the staff, board, and musicians in the work of equity, diversity and inclusion to consider city and state demographics and how those demographics relate to programming.
4. Constituent voices are invited to the table for programmatic conversations so that programming is created OF communities rather than FOR communities, including the evaluation of the artistic activities.

5. Goals for community impact, beyond educational programming, are clearly defined so that engagement is targeted toward elevating the awareness of the orchestra for all Marylanders.

Funding

1. A publicized message of confidence in sustainability, based on projected impact, is crafted to engage donors, acknowledging that 21st century donors wish to invest in the impact the arts have the lives of its constituents.
2. A plan for programmatic development, driven by community impact, tracks donor engagement allowing the BSO to become a necessary part of the statewide arts community because necessity equals sustainability.

Again, the staff and board of the Maryland State Arts Council continue to stand by as a resource to help guide planning for systemic change within the Orchestra. We understand that systemic change takes time. The Baltimore Symphony Orchestra is an important strand of the cultural tapestry of our state and we are ready to assist in any way possible to ensure its sustained success.

I respectfully submit these recommendations on behalf of the Maryland State Arts Council.

v. Appendix 5: from Meeting dated October 16, 2019 by John McCann

John McCann, President, Partners in Performance

Testimony delivered to the Baltimore Symphony Orchestra, Work Group Session (October 16, 2019)

Good afternoon and thank you for inviting me here today to speak to the work group for the Baltimore Symphony Orchestra, one of the nation's treasured institutions.

I'm humbled to be here, and anything I offer up today, should be seen as a provocation, not a recommendation. It would be highly presumptions of anyone to believe they can come into this room with little understanding of your lived reality and tell you what you should be doing.

I'm especially excited to be here because of my prior work in Baltimore and across the state of Maryland.

GBCA with Nancy Haragan formation of the Alliance and it's first strategic plan

MSAC with Jim Bachas 24 counties...

Maryland Citizens for the Arts, with Sue Hess

AEMS---Mary Ann Miers

I still work primarily in the arts around vision-strategy-and culture, Martha Graham Dance Company, Washington Ballet, Pittsburgh Ballet Theatre, Central City Opera, Chicago Opera Theatre, The Public Theatre, Philadelphia Theatre Company, Woolly Mammoth Theatre.

I work with orchestras. More than 30, over the past 20 years, Cleveland, Philadelphia, Detroit, St. Louis, Nashville, Knoxville, Memphis, North Carolina, Tallahassee, Spokane, etc.

When not working directly with such organizations, I direct the Emerging Leaders Program for the League of American Orchestras, the Community Arts Education Leadership Institute for the National Guild for Community Arts Education, the Rising Leaders Program for the Michigan State Arts Council

I teach governance and organizational communications through the Nonprofit Management Program at Duke University, where I now live in Durham, NC.

And outside the arts I spend a good amount of time in the intelligence community (CIA-DIA-ODNI) developing organizational learning skills through the University of Maryland School of Public Policy since 2012.

I say all that to tell you, my comments today are based on this lived experience, not on any assessment of the realities at the Baltimore Symphony. I have what you shared through the few documents, and what I've read in the press accounts. I had a short discussion last week with some BSO staff and musicians. And, in light of full disclosure, a bit over a decade ago as part of an initiative of the Mellon

Foundation, I spend a number of weeks, working with members of the orchestra around the areas of communications and leadership. Then in 2010, I facilitated an all-day discussion amongst musicians, board, endowment board and staff. Both engagements I remember quite fondly.

A sustainable business model. Well, yes. There's not an option, right? So, I would support all the commentary from Fred Lazarus, around earned revenue, contributed revenue, prudent growth, and cost containment. A sustainable business model in pursuit of what? Is it merely to keep the BSO in existence? To assure once again it's a going concern? Supporting the BSO because it's always been here, even because it makes great music, even is world class? My experience tells me that merely surviving will be insufficient as a case for investment. Orchestras, and all the performing arts are finding out they must carve out roles of relevance and impact for their specific and unique community, if they are going to garner the investment necessary for future endeavors.

So, my first provocation:

The question is, looking forward toward 2030, what's the purpose? What's the point? What's the aspiration of this organization, beyond survival?

Back in about 1996, working with the NEA, we had gathered about 250 folks from 50 arts organizations from across the country, and Peter Sellars, the incomparable director and visionary, we invited in to speak to this group. I picked him up at National Airport, and on the way over to the NEA HQ over on Pennsylvania Avenue (which is now a hotel, that makes the news occasionally) he asked me what might be on their minds. I said, Peter, the economy is down, and I think most of them just want to survive. Peter, with a pause and his inimitable chuckle said, 'Survival may be necessary, yet it's just not very damn interesting.'

So, devising an aspiration for how this enterprise will help shape the future of this city, of this state, can be a generative, stimulating, galvanizing, and action orienting commitment. I don't believe there's any option for you than to proclaim a clear, concise, and compelling vision for the future.

The second provocation:

What about your strategy? One that aligns all the time, effort, energy, talent and commitment exclusively toward that vision. This strategy is not a traditional strategic plan with goals-objectives-action steps-tactics-implementation steps. These kinds of rigid frameworks are proving rather useless in our volatile-unpredictable-chaotic-ambiguous (VUCA) environment in which this organization will need to function and thrive.

With purpose and vision clear, the strategy will indeed need to be intentional, yet while also being quite supple, what we might call an adaptive strategy. Because things are not going to play out the way we think they will. More on this later.

What's ahead is a hugely complex endeavor that will require you continually grow the adaptive capacity for the BSO to learn its way forward in doing the work in a way that matters to this community.

Third provocation:

Agreeing on, and then advancing toward this vision by successfully implementing the strategy will

require significant engagement across the entire organization. Musicians, board members and staffers all working together.

Why? Because the big questions ahead will not fall neatly into categories: questions of governance, questions of artistry, questions of a financial nature, each question will have all three dimensions, which makes high quality dialogue not only important, but essential. So, this brings me to the third of the three elements of moving forward. A healthy organizational culture.

People want a culture that's healthy. A place where one appreciates coming to every day, a place where one works hard, with joy, meaning and purpose. It's natural to prefer a healthy environment. I hear people say things like, 'it really matters how we treat one another, doesn't it'?

In figuring out all of what's ahead, nothing will matter more. To move through hurt, resentment, confusion, and to do so in a way that guarantees the dignity of each person.

Kate Beatty at the Center for Creative Leadership, says there are basically three kinds of organizational culture:

Dependent---everyone waits to be told what to do, the boss, the positional leaders have the answers and the directions and will dispense them

Independent—everyone is off doing their thing in their silo, staying in their lane

Interdependent--mutual support, cross constituent engagement, shared scenario building, through this evolves a shared awareness of the realities we confront; a shared consciousness of what's required to move through them, and a shared commitment to what's possible.

Is Kate describing the kind of culture you want to build?

Lou Gerstner, CEO of IBM looking back on the turnaround, that saved, and then propelled IBM to greatness said: Culture isn't just one aspect of the game, it is the game."

So:

- A compelling vision for the future, focusing on the impact the organization can have on the community
- An intentional, adaptive, and supple strategy
- A healthy organizational culture

Finally:

Three capacities:

Increasing your capacity for high quality conversations. What I mean by this is that putting a view forward, even with great clarity, will not be enough, in doing so, everyone must remain open to influence, by the people around them, the facts on the ground, and the feedback our community is offering up.

Such communications contribute to, and reflect what will be your most prized attribute, organizational resilience, which you will need in abundance. The way forward will not be steady nor straight. Ups and downs, some trips down dead ends, some onto superhighways, sometimes things will move very, very slowly and then accelerate, some days will be absolutely confounding, and the next, highly illuminating. And this continuous oscillating between these worlds, requires resilience, the capacity to bend, shape,

mold ourselves to ever-changing realities, while losing not one ounce of our enthusiasm about the future.

The capacity for rigorous analysis of everything you do and how it affects the bottom line, then to develop a shared understanding of what the analysis tells us. What I mean by this is, that it's only through a shared understanding of this analysis, that people can participate fully and usefully in the decision making ahead.

The capacity to maintain a singular and unifying focus on the future. It's where value will be created. What I mean by this is that I am in a lot of meetings, especially board meetings, and it's fair to say that about 80% of the time is spent retrospectively, reporting on what's already happened, and only about 20% prospectively, about shaping the future. How can our time be spent developing new hypothesis, workshopping new scenarios and experiments to test those hypotheses, then prototyping, and taking to scale what works and that creates value in our community.

And finally, for each of these requirements, you will need champions. People who step into the breach and take the lead. It's through their example that these champions, board members, musicians, staffers will sustain the commitment of others. Basically, behaving in ways that bring people together, to move things forward, over what can be an immensely thrilling decade!!

Thank you!

John McCann

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www.partnersinperformance.us

vi. **Appendix 6: Minutes, Workgroup Meeting on November 12, 2019**

Workgroup on the Baltimore Symphony Orchestra

Tuesday, November 12, 2019

1:00 p.m.

Meyerhoff Symphony Hall

1212 Cathedral Street

Baltimore, Maryland 21201

Meeting Minutes

Workgroup Members in Attendance:

Ed Kasemeyer, Chairman, Workgroup on the BSO

Sarah Beckwith, BSO Vice President & Chief Financial Officer

Peter Kjome, BSO President & CEO

Christian Johansson, BSO Board Member

Jane Marvine, BSO Players Committee Member

Greg Mulligan, BSO Players Committee Co-Chair

Brian Prechtel, BSO Players Committee Co-Chair

Barry Rosen, BSO Board Chair

Workgroup Staff:

Shawnta Goins, Maryland Department of Commerce

Keyonna Penick, Maryland State Arts Council, Maryland Department of Commerce

Ken Skrzysz, Maryland State Arts Council, Maryland Department of Commerce

I. Call to Order/Welcome and introductions

Chairman's Remarks

Chairman Kasemeyer welcomed the board, musicians, staff members, as well as donors and called the meeting to order.

President and CEO, Peter T. Kjome introduced Mr. Michael Kaiser.

II. Background Info/Presentations

Michael Kaiser, Chairman of the DeVos Institute of Arts Management.

Mr. Kaiser has a reputation of helping big organizations with big challenges. He was president of the John F. Kennedy Center for the Performing Arts, Executive Director for American Ballet Theatre, Executive Director for the Alvin Ailey American Dance Theater and served in a leadership role for the Royal Opera House. His approach begins with a thoughtful question; "What makes a healthy cultural institution?"

Kaiser says the first step towards a healthy cultural institution is amazing art. The key to health in the cultural world is great, exciting, engaging and surprising art.

One challenge around the world for arts organizations is that financial conflicts lead to being more artistically conservative. Art should be planned well in advance (Who will support? Who will attend?) -five year long rolling artistic plans should be in place.

The next piece of this approach is programmatic marketing. When art is exciting and institutional marketing is strong people want to join a family. A five-year artistic plan provides the benefit of getting people excited (along with a smart, comprehensive, through and through reasonable and ambitious plan that makes sense).

The third piece focuses on new audience outreach activity, not programmatic marketing. Create a structure that constructs a vision and how long to implement that vision. There needs to be a smart effort that pulls everything together and makes sense. Art must drive the experience. The mission is to create great art. If we use the art well and smartly, together we can get engagement. Good fundraising occurs when it is person-to-person not mass mailings. After sessions there must be a collective effort to improve on creating a family, rather than an endowment campaign. There needs to be a campaign to build annual fundraising.

A rolling five-year artistic plan also works for staff retention and to ensure that staff are constantly excited. There should be an ability to talk about a menu of projects that is over five years instead of one. It provides an opportunity to excite people on how we will move from year to year; constantly sharing good news to show we are making progress. We must think through the whole experience.

There should be a broad mix of board members diversity that reaches the people we are trying to serve. The board has to be willing to reorganize. Board membership is a privilege not a right.

Music director Marin Alsop expressed frustration in the orchestra's inability to use what it has. She mentioned several programs that she feels are not being and have not been properly promoted. Such as an upcoming project that will honor the 250th anniversary of composer Ludwig van Beethoven with a new translation. She also pointed out that she is the first woman music director with a major American orchestra, an accomplishment she feels has not been capitalized on, especially with the year 2020 marking the 100th anniversary of the ratification of the 19th amendment granting US women the right to vote. Marin believes this, among other programs proposed and founded by Marin, have not received adequate publicity and supportive programming.

III. Next Steps

Future presenters

IV. Closing Remarks/Adjournment

Meeting adjourned at 3:00 p.m.

vii. **Appendix 7: Minutes, Workgroup Meeting on January 15, 2020**

Workgroup on the Baltimore Symphony Orchestra

January 15, 2020

2:00 p.m.

Amoss Hearing Room
Miller Senate Office Building
Annapolis, MD 21401

Meeting Minutes

Workgroup Members in Attendance:

Ed Kasemeyer, Chairman, Workgroup on the BSO
Sarah Beckwith, BSO Vice President & Chief Financial Officer
Peter Kjome, BSO President & CEO
Christian Johansson, BSO Board Member
Greg Mulligan, BSO Players Committee Member
Brian Prechtl, BSO Players Committee Chair
Barry Rosen, BSO Board Chair

Workgroup Members Absent:

Jane Marvine, BSO Players Committee Member

Workgroup Staff in Attendance:

Rhonda J. Ray, Maryland Department of Commerce
Shawnta Goins, Maryland Department of Commerce

I. Call to Order

Chairman's Remarks

Chairman Kasemeyer welcomed the board, musicians, staff members, as well as the chief elected officials of several Maryland jurisdictions and called the meeting to order. He thanked the presenters for making time in their busy schedules to attend the meeting.

II. Remarks by County Officials

Calvin Ball, Howard County Executive

County Executive Ball thanked the Workgroup Chairman, former Senator Edward Kasemeyer for his service to the county and State and expressed appreciation for his service as Chairman of the Workgroup. County Executive Ball is a native Marylander and he grew up supporting the BSO. He congratulated the Symphony on their recent fundraising success. Howard County has always supported the Arts and has increased funding in its Arts and Culture grants. County Executive Ball provided record funding for the Arts in his first budget, which included more than \$40,000 for the BSO last fiscal year. When the BSO is successful, we are all successful. We

want to continue the partnership.

Marc Elrich, Montgomery County Executive

County Executive Elrich highlighted the fact the BSO performs at The Music Center at Strathmore, which allows the symphony to extend its reach to Montgomery County and the Washington, DC area. Because of their presence and performance dates, there is a very real impact on area restaurants. Patrons at Strathmore are patrons at restaurants – there is significant economic impact. The Arts in Montgomery County provides \$16.5M in local/State revenue and employ approximately 3700 individuals. Title 1 students get to participate in OrchLab. We hope the BSO continues to have roots in Montgomery County and continue to be successful. They are an important economic development driver. We care about this.

Johnny Olszewski, Jr., Baltimore County Executive

County Executive Olszewski thanked Chairman Kasemeyer for the opportunity to join the Workgroup today and stated he hoped his presence and those of his fellow elected officials conveys how important the BSO is to the region and State. The County Executive acknowledged the partners at MSAC and Commerce. Baltimore County is embracing the Arts like never before – the County recently applied for and was granted designation of its first Arts and Entertainment District in Catonsville. County Executive Olszewski mentioned the outpouring of support for the tradition of the BSO playing at Oregon Ridge Park and wanting to continue that in 2019 when the BSO players were locked out during contract negotiations. We have kept the lines of communication open and we are glad to be part of the dialogue. Despite the \$81M shortfall in the budget, Baltimore County retained significant support for Arts and the BSO.

Bernard “Jack” Young, Mayor, Baltimore City

Mayor Young believes in regionalism and he thanked the Workgroup for putting the BSO on a path to long-term sustainability. Mayor Young’s remarks hit highlights of the BSO’s work in attracting patrons and visitors (more than 350,000 from the City and region attend performances) and recognized the OrchKids program of which he is a big supporter. The Mayor stressed Baltimore City values the BSO and to demonstrate this provides an annual \$500,000 grant.

Workgroup Discussion/Q&A

Peter Kjome asked the panel of elected officials if there are initiatives that they would like to see us [BSO] pursue, such as a performance at Merriweather [Post Pavilion]. County Executive Ball agreed and mentioned that it would highlight the development and energy in downtown Columbia – there is a lot of excitement around the arts.

Chairman Kasemeyer noted that a goal is to get the BSO to perform around the State. This effort to get the BSO on a strategic and financial path has been a long haul and it is not over yet – but we have momentum.

III. Update on Vision Committee Efforts

Peter Kjome, President and CEO, Baltimore Symphony Orchestra

Brian Precht, Chair, Baltimore Symphony Players Committee

Barry Rosen, Chair, Baltimore Symphony Orchestra Board of Directors

Kjome noted the invitation to have Michael Kaiser present to the Workgroup has had a significant positive impact.

Prechtl noted the change in mood surrounding the organization [BSO]. There were feelings of wariness coming out of the contract negotiations. Kudos to Chairman Kasemeyer for working with us and for inviting Mr. Kaiser to attend the October meeting. Donor confidence came together once we got Kaiser onboard to help guide the BSO in its long-term strategic planning. This has been a shot in the arm. We are all relieved.

Rosen outlined the three topics his remarks would cover: BSO generally, the last five months and the Vision Committee.

- The BSO is a treasure – a world-class orchestra. It is a key ingredient to what makes Baltimore a world-class city and Montgomery County a place people desire to live.
- Over the last five months, the Board has been developing multiyear budget/plan but we need everyone’s help.
 - a group of donors came forward and helped end the work stoppage.
 - BSO engaged TDC, which is doing a deep analysis. The consultant has formed a framework to help us do better.
 - Michel Kaiser was amazingly inspiring at the October 2019 meeting and led to the BSO hiring him to build a five-year plan on top of the TDC analysis.
 - First step is to address the cash flow issue. Next, we need to make investments – in marketing, PR, and fundraising.
 - We expect to see an increase in annual giving, and we need to increase the endowment. We need to continue to manage costs.
 - Need budget/funding to get us [BSO] through five years and an increase in public funding needs to be part of that calculation. This is art.
- Vision Committee – coming out of the collective bargaining there was an agreement to create a Vision Committee, it has 19 members and the goals include:
 - Develop a common set of facts
 - Allow group to come together, lower heat and build trust and perpetuate a sense of trust
- Thank you Senator Kasemeyer. Your leadership has been steady and gentle. To have the county elected officials come and speak was important and impactful.

IV. Next Steps/Closing Remarks

Chairman Kasemeyer led the discussion of where do we go from here. He summarized meetings he has had and meetings he plans to have with legislative leadership. There is a desire to meet with Governor Hogan to demonstrate the progress the BSO and the Workgroup have made. Chairman Kasemeyer mentioned *Senate Bill 192, Budget Reconciliation and Financing Act of 2020* (BRFA) includes a reduction of the \$1.6M for the BSO for FY21. The Chairman recognizes it is the Workgroup responsibility to instill confidence in order to keep the funding intact.

Kjome had questions about the format of the mandated report. Workgroup staff Ray suggested a subset of the Workgroup convene to develop/draft the report. Kjome mentioned the economic impact of the BSO should be included in the report as this a reason why donors continue to

support in addition to it being a cultural asset.

Chairman Kasemeyer's closing remark was the next hurdle is to get a long-term agreement in place with the BSO players.

Adjournment -meeting adjourned at 3:15 p.m.

viii. Appendix 8: Government Support by Fiscal Year by Source/Jurisdiction
FY2008 through FY2020 (Budget), in thousands

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 Budget
State of Maryland	2,392	1,776	2,151	1,549	1,629	2,169	1,861	1,888	1,873	2,106	2,971	2,042	1,645
Baltimore City	750	689	482	241	250	241	246	251	256	256	262	268	500
Counties:													
Baltimore County	800	800	850	850	850	680	680	680	680	680	680	680	500
Carroll County	2	2	2	2	2	2	2	2	1	1			
Harford County	55	55											
Howard County	10	19	18	19	24	24	28	45	27	35	36	41	40
Montgomery County	430	430	388	350	329	306	284	268	268	335	372	275	259
Community Fdn for the National Capital Region						4	3						
National Endowment for the Arts	20	130	75	25	100	35							
	4,459	3,901	3,966	3,036	3,184	3,461	3,104	3,134	3,105	3,413	4,321	3,306	2,944

Notes:

Included in State of Maryland Support are funds received by the BSO from the Maryland State Arts Council (annual general operating support), the Maryland State Department of Commerce (one-time funds for special projects such as the 2018 tour and a FY2013 distribution from the Preservation of the Cultural Arts act), and the Maryland State Department of Education (annual grant support for the BSO's Midweek Education Concert Series).

ix. Appendix 9: BSO Vision Committee

VISION COMMITTEE OVERVIEW

Adopted September 20, 2019

1. **Vision Committee Responsibilities.** A new standing committee of the BSO Board (the “Vision Committee”) will be formed to study, advise, monitor and recommend to the BSO Board going forward strategies addressing:
 - (a) Expenses
 - (b) Pensions
 - (c) Annual Fund
 - (d) Endowment
 - (e) Alternate income
 - (f) Programming
 - (g) Season length
 - (h) Ticket sales
 - (i) Capitalization
 - (j) Size of orchestra, and ways to achieve the same
 - (k) Governance. (In the interim, 2 members of the Players’ Committee will be invited to attend BSO Executive Committee meetings in which key staffing decisions are made.)
 - (l) Auditions, substitute musicians
 - (m) Marketing and branding
 - (n) Community and geographic outreach
 - (o) Education

2. **Vision Committee Membership.** The new Vision Committee will be comprised of 19 people:
 - (a) 5 musicians
 - (b) 4 Board members
 - (c) 3 management representatives
 - (d) 3 endowment members
 - (e) 1 music director
 - (f) 3 community members (chosen by mutual agreement)

This overview is from the September 20, 2019 Memorandum of Understanding between the BSO and the Musicians' Association of Metropolitan Baltimore

VISION COMMITTEE SUMMARY OF MEETINGS & ACTIVITIES

Complete as of February 20, 2020

October 14, 2019 | This kick-off meeting introduced the Sub-Committees and elaborated on future meeting dates and agendas, before BSO Vice President and CFO provided a Current State Financial Presentation.

October 22, 2019 | **Expense Subcommittee Meeting** | A systematic review of the BSO’s expenses aimed at identifying which expenses deserve further attention.

November 1, 2019 | Fundraising Subcommittee Meeting | Fundraising and Capitalization. A discussion pertaining to the BSO's short term, intermediate term, and long-range needs with a discussion of the achievability of meeting those needs, as well as the plans and alternative plans to do so.

November 13, 2019 | Programming Subcommittee Meeting | A discussion pertaining to ticket sales, programming, and vision.

- Overview of the Artistic Planning Process | BSO VP & General Manager
- Marketing Presentation, Where Are We Now? | BSO VP of Marketing and Communications
- Vision Presentation, Reinventing the BSO | BSO Musician Players Committee Chair

November 19, 2019 | Expense Subcommittee | A report from the Expense Subcommittee, which included a continuation of the exploration of expense items, and a deeper dive into particular expense categories.

November 25, 2019 | Presentation and Session with John McCann | Internal Culture Shift
John McCann, Partners in Performance President, ran a workshop with the committee working towards a shared definition of organizational culture, and introduced a framework for understanding and advancing positive organizational culture. He discussed the current realities at the BSO, and what's required to work constructively in achieving the vision and goals for the future.

December 16, 2019 | Presentation by Susan Nelson of TDC

TDC Principle, Susan Nelson, lead the committee through a report based on intensive analytical inquiries into the BSO's data around ticket sales/trends, and development trends.

December 20, 2019 | Presentation by Michael Kaiser of DeVos Institute of Arts Management at the University of Maryland

DeVos Institute's Michael Kaiser lead the committee through a proposed turnaround strategy comprised of the four C's: Culture, Capacity, Capital & Community.

January 16, 2020 | Presentation by Michael Kaiser of DeVos Institute of Arts Management at the University of Maryland

DeVos Institute's Michael Kaiser lead the committee through the second part of his turnaround strategy, and a first draft of a suggested financial plan.

x. Appendix 10: Long-Term BSO Financial Plan
FY2020 (Budget) through FY2026, in thousands

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Concert Revenue	7,480	7,600	7,935	8,175	8,420	8,685	8,946
Direct Concert Expenses	18,753	19,589	20,691	21,030	21,206	21,550	22,243
Other Net Earned Revenue	559	600	620	660	700	770	810
Surplus/(Deficit) on Earned Revenue	(10,714)	(11,389)	(12,136)	(12,195)	(12,086)	(12,095)	(12,487)
Surplus/(Deficit) on Education	164	165	165	165	165	165	165
Contributed Revenue:							
Individuals	5,557	5,900	6,350	6,740	7,250	7,900	8,540
Corporations	669	700	740	800	850	900	950
Foundations	824	850	875	925	950	1,000	1,050
Government	2,944	4,500	4,300	4,100	3,900	3,700	3,500
Gala	981	1,000	1,025	1,050	1,075	1,100	1,125
Endowment	3,527	3,450	3,400	3,300	3,200	3,100	3,300
Special Projects	1,343	1,450	1,585	1,910	2,050	2,150	2,250
Total Contributed Revenue	15,845	17,850	18,275	18,825	19,275	19,850	20,715
Total Contributed Expense	836	950	1,042	1,175	1,225	1,261	1,311
Net Surplus before Op. Expenses	4,459	5,676	5,262	5,620	6,129	6,659	7,082
Operating Expenses	5,789	5,907	6,053	6,175	6,270	6,569	6,799
Net Surplus/(Deficit)	(1,330)	(231)	(791)	(555)	(141)	90	283
Opening Transformation Fund balance	10,000	7,420	6,189	4,648	3,593	3,202	3,292
Net Surplus/(Deficit)	(1,330)	(231)	(791)	(555)	(141)	90	283
Payables Reduction	(1,000)						
Remedial Marketing, Performance	(250)	(1,000)	(750)	(500)	(250)		
Closing Transformation Fund balance	7,420	6,189	4,648	3,593	3,202	3,292	3,575

Notes:

Funds raised in Summer 2019 to support musician compensation (\$1,275) over Summer 2020 are reflected in Special Projects

Seeded by \$7.2M in private capital in early 2020, the BSO's Transformation Fund is a \$10M to \$15M immediate impact campaign (conservatively budgeted at \$10M in the above) over the next three years to implement new programs, strategies and systems associated with the BSO's plan. This Fund is purposefully designed to leave a six-year end balance, in turn seeding the BSO's permanent Working Capital Reserve.

xi. Appendix 11: BSO Audience Analysis & Statewide Reach

The BSO serves audience members from all 24 Maryland counties, with a majority of audiences served residing in the municipalities and jurisdictions most conveniently connected to its primary homes in Baltimore City and Montgomery County.

The percentage of ticketed attendance by City/County for BSO artistic (Classical, SuperPops, Off the Cuff, Oregon Ridge and Specials including Pulse) and education concerts (Family, Midweek, and Music Box) in the most recently completed 2018-19 season stands as follows:

- Baltimore City – 27%
- Baltimore County – 22%
- Montgomery County – 14%
- Anne Arundel County – 7%
- Harford County – 3%
- Howard County – 8%
- Carroll County – 2%
- Frederick County – 1%
- Prince George’s County – 1%
- Other Maryland Counties – 9%
- Outside Maryland – 6%

Representation of ticketed attendance (2018-2019 season) produced by the BSO’s patron database (*Tessitura, the leading customer relationship database used by major orchestras*)

