

# RICHMOND SYMPHONY

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## **RSO Financial Health Committee Meeting Minutes Draft**

**Location:** Via Zoom

**Date & Time:** Thursday, January 13, 2022 @ 8:00 AM

**Attendees:** Rick Sample (Chair), Phil Bennett, Bill Mears, Brandon Taylor, Ludi Webber, Mark Wickersham, Mark Wolfram

**Other Attendees:** Walter Bitner, Gail Henshaw, Lacey Huszcza, Frances Sterling, Tara Matthews (RSOF Treasurer), Dominic Rotella (Orchestra Committee)

**Regrets:** Elizabeth Cabell Jennings

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### **Agenda Items:**

- I. Welcome and Apologies for Absence (Rick Sample)**
- II. Review and Approval of Notes from Last Meeting (Rick Sample)**
  - **Approved**
  - It was noted that the minutes from the December meeting are a good reference for Board members regarding the audit. Both documents will be sent to Board members in advance of the upcoming Board meeting.
- III. FY23 Artistic Expense Budget Analysis (Lacey Huszcza and Jen Arnold)**
  - The Masterworks Series (to be renamed the Symphony Series) and Pops Series are presented today. They comprise over 85% of our ticket revenue.
  - From an audience perspective, our goal is to reduce “churn” (new patrons not developed into repeat buyers), to increase sold seats filled in the house and to grow subscribers.
  - On the artistic side, we want to select programs that facilitate orchestra growth, artistic expression and include the chorus. Programs are also selected based on the relevant story they tell and their potential for high sales.
  - Assumptions for symphony concerts include continuation of all programs presented both on Saturday and Sunday, continuation of streaming, full pre-COVID orchestration, new sponsorships and artistic/audience growth and development.
  - The biggest changes in our numbers are in the Pops programming. The typical three Lollipops will be merged into a series of a total of seven Pops concerts, which will include a mix of classic programs that appeal to a traditional older audience and new programs that will appeal to a younger group. This mix is anticipated to have significantly higher earnings potential, as well as help us evaluate future pops programming choices. FY23 will be the final year of the current Star Wars contract with a concert in May 2023.

- The Symphony Series budget for FY23 is \$1.2 million, which ranges from \$130K to \$170K per concert weekend. Compared to prior years, this is an increase due to contractual musician salary increases, core orchestra musician expansion, one relatively high guest artist cost (covered by a corresponding sponsorship), continued streaming, and two anticipated commissions (some of which are also covered by income from grants).
- The figures presented are precise and are not broad estimates.
- When looking at comparisons by concert, costs for the second concert are high because of a guest artist sponsorship. Costs for the fourth concert are low because guest artist fees are very low due to our participation in a sponsored fellowship program. The sixth concert is our highest cost with a large orchestra required and will have chorus participation.
- Valentina will conduct six of the eight concerts. As in the past, her compensation is not included in these figures.
- Artistically, we plan to have three to five works by living composers next season. Performances will include the chorus, dancers and the Menuhin senior first prize winner from last year. Pillar repertoire works will include Tchaikovsky's 4th, Mahler's 2nd ("Resurrection"), Brahms and Rimsky-Korsakov's Scheherazade.
- For Pops, FY23 costs of \$540K are expected to be slightly higher than the equivalent number of programs costing \$510K in FY22. Increased licensing costs reflect Star Wars and possibly another film. Planned programming will highlight local bands, Danny Elfman works at Halloween and the holiday favorite *Let It Snow*. The revenue expectations from these programming choices are significantly higher.
- Committee members asked if resistance had been met regarding the changes in the naming of the series and the programming of Pops, and if the process to date included Board input. Lacey indicated that the only hesitancy expressed from verbal conversations was that family programming be continued, which it absolutely is - through outdoor festival participation with the Big Tent and through family-friendly Pops programs, as well as evaluating the use of other opportunities in different venues for family-focused programming. Ludi Webber concurred and emphasized the importance of maintaining a family orientation for some of the Pops series concerts. Fiscally, it is not feasible to continue in the Lollipops format.
- It was suggested to place a framework of reference around these measures in introductory comments to the Board at the February meeting, stressing the fiscal aspect as it connects to the artistic and marketing changes. Lacey was appreciative of the feedback and comments and will incorporate them into the presentation.
- Final plans for the chorus are still being made. Since there is an upcoming change in the Choral Director, we want to make sure to effectively facilitate that transition. The Chorus is very high on our mind and will be an integral component in our FY23 performances. Valentina has worked hard to make meaningful and powerful

programming choices to include the Chorus and invest in their artistic growth with her and with the Symphony. Rick Sample expressed concern that this vision for the Chorus is not yet evident in the FY23 programming. The Chorus is currently scheduled only for i) the *Let It Snow* Pops concert, ii) a new, commissioned work for orchestra and chorus at the September concert, and iii) a short appearance at the end of the fifth and final movement of Mahler's 2nd in March.

#### **IV. FY22 December YTD Actual Results and Full Year Forecast Versus Budget (Gail Henshaw)**

- YTD net income of \$578K was \$630K better than budget, largely due to the receipt of unbudgeted government funds from the Small Business Administration.
- As promised, full year forecasting is presented beginning this month and will continue to be updated going forward. Currently, we are anticipating net income of about \$15K versus a budget of \$3K.
- Individual giving appears to predict a budget miss of \$405K; however, that is a bit misleading since the needed bridge funding was budgeted in this line but was actually received in the government grants line. Within institutional support, we are experiencing some softness in the corporate giving area. The \$50K budget miss in special events is based on a high-level estimate and is not identified to any particular event.
- Ticket-related earned income is projected to be on budget at this point while contracted services reflect declines in county contracts and runouts due to COVID, as well as timing of one program moved to next fiscal year.
- Program revenue is expected to miss budget because RSSoM's online classes were not as well attended as anticipated. The \$15K negative variance in additional earned income is from a decline in program book ad sales.
- Various ups and downs result in a net positive variance expected in artistic expenses, primarily musician vacancies that were budgeted as filled. Marketing and development expenses are anticipated to be on track with budget, while unbudgeted expenses (strategic plan and PR work) will cause G&A administrative costs to exceed budget. A slight savings in G&A personnel is projected, reflecting vacancies.

#### **V. Cash Flow (Gail Henshaw)**

- We were able to pay off our line of credit in December for the second time in recent history.
- Although some adjustments were made to expected cash received from earned income (mostly individuals), the net projected result is the same as last month with an outstanding line of credit balance of \$235K at June 30, 2022.

#### **VI. Gala Update (Frances Sterling)**

- We have sold 130 tickets so far at about \$82K gross revenue, which at this point would result in profit of \$40K - \$50K. We do not have a high level of confidence of reaching our goal of approximately \$290K, given the current economic and social environment, but our costs are incredibly low.
- We have an impressive honorary committee, including the mayor and our past Executive Director, demonstrating community support of the work of the Symphony. Invitations will be dropped to about 2,000 people next week. We hope to have about 200 in attendance.

## **VII. Updates (Gail Henshaw)**

- The timeline for FHC meeting topics was reviewed. The Form 990 will be distributed to FHC members for their review as soon as it is available, and then sent to the full Board before filing.
- A brief discussion was held regarding selection of the audit firm since our contract with Keiter expires with the current FY21 audit and tax return. Phil Bennett suggested that the current COVID environment may not be ideal for bringing on a new firm, and that unless we are dissatisfied with Keiter, there are no overarching needs to take the contract out to bid this year. The group agreed to continue with Keiter with a multiple-year commitment. Gail Henshaw will contact Keiter to inform them that we want to renew contract services with them and will provide a specific timeline after the FHC comes to a decision in February.
- All attendees were excused except for committee members, Gail and Lacey. A brief executive session was held.

**Next meeting:** Thursday, February 10, 2022, at 8:00 am via Zoom