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**ISO offers time for continued talks and new sustainable business model
for the future as contract deadline expires**

INDIANAPOLIS – As the labor agreement was set to expire Sunday, the Indianapolis Symphony Orchestra was willing and prepared to negotiate 24/7 over the holiday weekend and into next week to reach an agreement. The musicians’ union was not.

“We are disappointed that the musicians' union couldn't find the time to meet again until more than 10 days after the contract expired. Offering dates from mid-September through November doesn't reflect the urgency of the situation,” said John Thornburgh, chairman of the ISO board.

The musicians’ contract expired on Sept. 2, 2012. Unless a new contract is signed by Sept. 7, the ISO will be forced to cancel its first two weekends of performances in the 2012-2013 season (Sept. 14-15 and Sept. 21-23), in order to have enough time to notify its subscribers and single ticket buyers and minimize concert expenses. Given that the union responded by offering future dates to talk that don't even begin until the day of the first scheduled performance, the prospect of cancellations seems increasingly likely.

The Indianapolis Symphony Orchestra is facing significant financial challenges. Essentially, the ISO has a \$10 million annual deficit that must be erased. Thornburgh said, “We are confident this challenge can be solved. It's tempting to avoid the problem, ‘hope for the best,’ and kick the can down the road again, but the ISO feels it imperative to step up and take the difficult steps necessary to close the financial gap while at the same time remaining true to our Symphony Orchestra’s artistic heritage.”

By way of background, the ISO has been able to meet its cash flow requirements thanks to the generous support of the ISO Foundation; a number of individual and corporate donors; and draws on its now exhausted \$8 million line of credit. But banks, donors and foundation trustees will not be endlessly patient or willing to continually hand out money without seeing some fiscal constraint by an organization that outspends the revenue it generates. During the past five

years, the ISO Foundation has provided \$51.6 million in financial support, while investment returns over that same period have totaled only \$12.1 million – a net drain on Foundation assets which now total \$80 million. Chief Financial Officer and interim CEO Jackie Groth said, “If this course continues, the ISO Foundation’s unrestricted funds (those available to fund overall operations) would be totally depleted in approximately three to four years, not generations.”

For the 2011/12 season, the ISO Foundation provided \$11.4 million in funding to the ISO – a sum needed to bail out steep financial obligations, including a heightened third year of labor costs required by the expiring union contract. That amounted to a draw rate on Foundation assets of a whopping 13 percent – compared to the normal 3-6 percent draw rates set by a majority of U.S. orchestras with endowments reporting for 2011-12. Moving forward, the Foundation trustees believe a 5 percent draw is a more financially responsible goal, based on the long-term investment return projections provided by independent investment advisors.

“It is obvious that a 13 percent draw rate is way out of whack and that a 5 percent draw rate is in keeping with prudent financial management,” said Thornburgh. “The challenge is devising a model that matches that adjustment – one that allows us to operate within responsible financial parameters and also present the level of diverse quality programming the public has enjoyed and deserves.

To achieve balance, changes must occur. “If we were in one of the nation’s largest cities, we might have 100 musicians and play to sold-out crowds every week. But like anything else in life – whether operating a symphony, running a business or buying a car – you have to make choices, while still delivering the highest quality possible,” Thornburgh added.

Among other things, the balance contemplated by the ISO includes a shorter season but one that is more tailored to its key concert series (including Classical, Pops, Symphony on the Prairie, Time for Three’s Happy Hour, and Yuletide Celebration); maintains ISO’s significant community, educational and outreach programs, including the Metropolitan Youth Orchestra and the Discovery Concert Series; enhances the ISO’s already city-leading annual giving campaign; develops a more robust planned-giving campaign; and matches the ISO’s orchestra size to its actual needs. As it stands, the musicians’ union continues to propose an orchestra size of 87 while the ISO typically requires only 61 to 69 musicians on stage during performances throughout the year, with the exception of the Classical Series. This results in full pay and benefits for musicians who are not required to perform for more than half of the year. The ISO is proposing that this smaller group of musicians be contracted for, as needed, the Classical Series only.

Similar efforts to take a strategic view of matching needs and people already have occurred on the non-artistic side. The ISO has reduced its staff size from 61 full-time employees at the beginning of the year to 46 – without cutting any of the primary product lines the staff supports. “It’s not ideal,” said Jackie Groth, who added that the ISO likely has one of the smallest staffs among symphonies that offer so many concert series. The ISO staff stood at 78 when the last contract was ratified in 2009. “But again, tough choices have to be made. Most of the easy choices were made long ago.”

This gap between expenses and revenue is not an issue that's *new* for the ISO and its musicians. The topic was a central theme during the last negotiations. "Frankly, in an effort to avoid the tough choices we face now, we adopted a sincere and heartfelt 'hope' strategy," Thornburgh noted. "But the time for hoping corporate partners, foundations and individual donors will come in droves or step up with checks to bail out our existing model seems unrealistic. So, while we remain committed to aggressively pursuing enhanced fund raising, we also need to address the underlying business model."

These difficulties are not *unique* to the ISO. In fact, in just the past 18 months, several of the country's most celebrated orchestras have reported bankruptcy, labor strikes or looming cash flow problems – including Detroit (who endured a work stoppage en route to trimming musician size and performance weeks while still carrying significant debt), Cleveland, Baltimore, Atlanta (currently in their own tough labor discussions), and Philadelphia (which shocked the music world by filing for bankruptcy earlier this year despite its reputation as one of the country's best performing orchestras).

John Thornburgh noted, "We must face the reality that the public has more and more options for spending their time, and donors have more and more causes vying for the same dollars. Hard as it is to contemplate, the model that Indianapolis, Philadelphia, Detroit and other orchestras have used for decades simply needs to be revisited, with the goal always being to retain and attract the highest quality possible with the resources available."

Revisiting those issues will be the topic of future negotiations, as the parties set their sights on future dates to talk and hopefully to resolve the gap between them.

The ISO will provide updates on its website, www.indianapolissymphony.org, as well as via local news media outlets. Ticketholders can contact the ISO Box Office by calling 317-639-4300. [ISO](#) subscribers may email the ISO at subscriber@indianapolissymphony.org.

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