

Pasadena
SYMPHONY
AND POPS

RECOVERY PLAN

FOR A

SUSTAINABLE FUTURE

Revised
March 2010

PASADENA SYMPHONY AND POPS

RECOVERY PLAN FOR A SUSTAINABLE FUTURE

A Best-Practices Approach to Organizational Stewardship for Excellence - Innovation - Access - Fiscal Responsibility - Sustainability

EXECUTIVE SUMMARY

At the center of the Pasadena Symphony Association's Recovery Plan For A Sustainable Future is an approved cash budget from May 1, 2009 through September 30, 2009, a fiscal year budget beginning October 1, 2009 and a debt correction plan that creates a financially sound organization with future balanced budgets by September 2010.

This plan has been designed by the Pasadena Symphony Association management team with the assistance of outside legal, financial and strategic communications experts and the support of its board and staff, who have all fully endorsed this Recovery Plan For A Sustainable Future.

As a result of the Board and Administration successfully implementing this roadmap to recovery, the Pasadena Symphony Association aspires to restore consumer confidence in each member of the greater community so all may assist in the long-term health and care of this crowned jewel of Arts and Culture.

RECOVERY TEAM

PASADENA SYMPHONY ASSOCIATION

Paul Jan Zdunek	Chief Executive Officer
Lora Unger	General Manager of Artistic Operations
Elizabeth Fieux	Director of Development & Marketing
Kevin Glover	Director of Finance
Diane Rankin	President, Board of Directors
Harvey Knell	Executive Vice President, Board of Directors
Reorganization Committee	Board of Directors

COUNCIL

Kimberly S. Winick	Attorney	Clark & Trevithick Law Firm
Carrie E. Miller	Attorney	Clark & Trevithick Law Firm
Peter Boyle	President	Clifford Swan Investment Counsel
Kathleen Gilmore	Principal	Clifford Swan Investment Counsel
Robert Kelly	Senior Vice President	Capital Guardian Trust Company
Eric Miller	Senior Vice President	FD Communications
Niall O'Muilleoir	Senior Vice President	FD Communications

In October 2007, the Pasadena Symphony and Pasadena POPS – two well-known and highly respected organizations, each with its own passionately committed constituencies – joined forces under the auspices of the Pasadena Symphony Association (PSA) to achieve the following:

- **Provide year-round live orchestral music for the entire community**
Each organization had its own calendar season, the Symphony from October through May and the POPS from June through September. Their coming together allows for orchestral concerts each month of the year, thus providing continuous community engagement.
- **Create multiple access points for audiences**
Each individual is on their own personal journey through this wonderful world of orchestral music – from the first-time concert-goer to the fifty-year subscriber and everyone in between. Having an extremely wide range of repertoire as well as education and community engagement programs, the PSA is able to provide virtually every member of the community with an entry point wherever they are on their musical journey.
- **Complement and enhance each organization's strengths**
While artistic, administrative and Board strengths are important aspects of each organization's resources, a vital component is the complementary financial support of each: the POPS with its significant corporate sponsorships and the Symphony with its substantial individual contributions.
- **Serve as a far-reaching cultural resource for the entire community beyond what each could provide individually**
Simply stated, the demographic and geographic opportunities for a combined organization are immense and well-beyond what each could accomplish on its own.

CAUSES OF THE ORGANIZATIONAL CRISIS

As with any organizational catastrophe, there is more than one cause – usually many working in combination with each other to lead to such a downfall. The major factors contributing to the Pasadena Symphony Association's organizational crisis were:

- **Both the Pasadena Symphony and Pasadena POPS were living beyond their financial means**
Each had to rely on end-of-year support to balance their respective budgets: the Symphony relied on its investment or Endowment funds – the POPS on extra individual Board support or a special end-of-year fundraiser. Comparing the 2007-08 Season Profit & Loss of both the Symphony and POPS, the results show a virtually equal loss to each entity, thus dismissing the notion that one has caused the other hardship within this combined scenario. When the two organizations joined forces, budget issues magnified.
- **The organizations combined resources to achieve economies of scale but did not successfully implement the means to this end**
Whether it was marketing vehicles or staff configurations, the combined entity did not fully and comprehensively rid itself of excesses or duplications.
- **The merging of both organizations and cultures presented diverse challenges**
Separately, each organization had distinct cultural and organizational structures that included the Artistic Personnel, Board of Directors, Administrative team and deeply engaged constituents. Time and effort was not sufficiently spent on blending these two organizational worlds harmoniously together.

In the end, neither the economy nor the combining of these two organizations caused the crisis, they only exacerbated the situations mentioned above.

The Pasadena Symphony Association's Recovery Plan For A Sustainable Future initiates a best-practices approach to organizational stewardship while focusing on Excellence, Innovation, Access, Fiscal Responsibility and Sustainability. If all elements of this holistic plan are achieved, the Association will be financially sound by September 2010.

Recovery Plan Components

- Dispelling the assumptions: reversing the business as usual model
- Implementing best-practices within a road map to sustainable fiscal responsibility
- Reviewing – revising – renewing the recovery plan to meet goals
- Executing a holistic problem-solving approach
- Communicating to internal and external constituents for renewed consumer confidence

Since October 2008, the Pasadena Symphony Association has made great progress within the following structural areas:

- Artistic & Production
- Marketing & Development
- Administrative Management
- Board Governance

The Recovery Plan For A Sustainable Future requires further adjustments in each of these areas for long-term success.

Focus of Pasadena Symphony Association: March 2010

- Develop an **All-Star Board** of Directors and Advisors who are leaders of significant networks in the San Gabriel Valley
- Relentlessly pursue Pasadena Symphony Association's **Prevalence & Relevance** in the San Gabriel Valley
- Continue mantra of **Exceeding Expectations** in every area of the Pasadena Symphony Association

I. Artistic & Production

In the middle of its 2008-09 Season the Pasadena Symphony Association reprogrammed its repertoire to ensure a successful balance between artistic excellence, marketing cache and fiscal responsibility. Since then, a new cost structure has been applied to all current and future artistic and production expenses which emulates a best-practices approach within the orchestral industry.

Significant Adjustments:

- Programming that is artistically satisfying, significantly marketable and fiscally responsible. This includes repertoire choices, guest artists and composition of orchestral forces. Combined, this represents a savings of 33%.
- Production costs have been readjusted to appropriate amounts within the annual PSA budget. Additionally, after wonderfully outgrowing the Descanso Gardens summer concerts, the Pasadena POPS will be moving to a prominently positioned area in front of the Rose Bowl, in the heart of Pasadena, beginning summer 2010. Additionally, the POPS' triple-concert weekends will be paired down to single-concert weekends with the ability to serve over twice as many audience members per weekend in this new venue. These components represent a total production savings of 38%.

- The Education & Community Engagement program has been operating at consecutive deficits for a number of seasons due to a lack of meticulous management oversight. Annually, the Association would commit to programs that were not completely funded at the time contractual commitments were made. Moving forward, the PSA will only produce programs that are completely funded and plans to restructure funding to allow for a multi-year budget planning process. The Pasadena Youth Symphony Orchestra, a fee-based program, will continue to operate on a successfully balanced budget.

Successes: January 2009 – March 2010

Artistic Production

- Moving PSA's World-class orchestra into two new world-renowned venues: Pops' move to Lawn adjacent the Rose Bowl & Symphony's move to Ambassador Auditorium
- Added matinee to Symphony Classics Series for 2010-11 Season for families and seniors
- Produced new annual Holiday POPS concert
- Developed collaborative partnership with Local 47
- Successfully negotiated three-year Collective Bargaining Agreement with Local 47
- Saved 50% - over \$350,000 - in production expenses during summer Pops 2009 compared with summer Pops 2008

Education & Community Engagement

- Achieved balanced PYSO & Education budgets
- Musical Circus – move to Americana has produced a more accessible experience and doubled audience size with the majority of audiences experiencing PSA for the first time
- Improved PYSO-PSA internal professional and personal relations
- Increased PYSO communications through regular email and on-line use
- Successful produced Air Force Blue Steel / PYSO combined concert January 2010 – reciprocal visit by PYSO to Colorado Air Force base planned for 2011
- Created SoundCheck program – generating new student access to concerts – currently have 65+ students who purchased a SoundCheck card for the 2009-10 Season
- Developed PYSO Alumni Association – first annual event planned for May 2010
- Created & currently leading Music Education Partner coalition: Scholarship Audition Performance Preparatory Academy, Verdugo Young Musician's Association, Saturday Conservatory, Pasadena Suzuki, Pasadena Young Musicians Orchestra, Pasadena Community Youth Orchestra, El Sistema inspired program at Longfellow Elementary and Pasadena Youth Symphony Orchestra
- Created new social networking events called REVERB primarily targeting 25-45 year old constituents with inaugural event April 8, 2010 held at the Americana featuring guitarist Celino Romero and members of the Romero Quartet.

Opportunities for Improvement: March 2010

Artistic Production

- Improve the greater community's awareness and perception of quality regarding the Pasadena Symphony and Pops

Education & Community Engagement

- Fully pursue and engage the San Gabriel Valley's student and family population in all PSA offerings
- Further develop the region's 25-65 year old demographic

II. Marketing & Development

In previous years, both the Pasadena Symphony and Pasadena POPS were in a reactionary mode when creating marketing and development initiatives. A newly implemented annual model for both marketing and development readjusts the Earned vs. Contributed Income mix of 28/72 to a 50/50 balance in the 2009-10 fiscal year.

Significant Adjustments:

- Rebranding the Pasadena Symphony and Pasadena POPS to restore their own identity, thus capitalizing on each brand's past loyalty over the combined 100+ years. A new logo was released in June 2009.
- Rescaling the Pasadena Civic Auditorium and returning to a pricing structure with multiple entry points. Rescaling of the hall allows the Association to benefit from highly desired seat locations while multiple entry points and past ticket pricing levels enable a 70% increase in total per-concert gross earning potential. Restructuring of the Pasadena POPS ticket pricing will also allow for multiple entry points, including first-ever lawn seating – resulting in a reasonable potential ticket sales increase of 30% for the summer concert season at the Rose Bowl location.
- New ticketing packages for the Pasadena Symphony include a Family Package – children under 17 years are only \$10 with an adult full-price purchase; SoundCheck – students can purchase a card for a one-time \$30 fee that will allow them the best seats available to all Pasadena Symphony Classics Concerts at the Pasadena Civic Auditorium.
- Comprehensive approach to contributions as well as redefined allocation of funds to avoid any multiple line-item accounting. In addition to a proactive development plan, the Pasadena Symphony Association has many options to create funding levels for individuals, corporations and foundations to contribute to the annual fund through both philanthropic and sponsorship opportunities. The 2009-10 Budget reflects a combined contributed income increase of 25%.
- Instituting a new mantra for all fundraising and friend-raising events as well as all marketing initiatives: Low Risk (both in human and financial) and High Net Profit (return on investment). In today's economy, large marketing budgets and financially risky galas are impractical for the PSA. The Pasadena Symphony Association has been creating a new model that brings our musicians and our audiences closer together while providing for ideal marketing and fundraising opportunities.
- Creating partnerships within the community, as has been the case with The Agency and a class on environmental design at the College of Art & Design. These two classes are assisting the PSA with a regional marketing & public relations campaign as well as a new way of experiencing the Pasadena Symphony and Pasadena POPS – initiatives will be revealed between July-October 2009.

Successes: January 2009 – March 2010

- Newly designed website, PR materials, logo and branding
- Newly created in-house ticketing system for improved customer service and cross promotions of all PSA offerings
- Significantly increased donor, audience and volunteer database using Eventbrite.com to promote PSA offerings
- Doubled volunteer base
- Initiated and successfully receiving on-line donations
- Purchased vs. complimentary tickets ratio increased by more than 25% over 2008-09
- Brought marketing & PR in-house and have increased media coverage by 400%
- Improved Gold Room experience with live music/festive atmosphere – doubled post-concert participation

- Created and successfully secured Symphony season, pre-concert entertainment and repertoire sponsorships representing a 155% increase in Symphony sponsorship revenue
- Created new sponsors/donors: Granite Park, Hear MD/Fresh Face Med Spa, repertoire sponsors, Parsons Foundation, Parsons Corporation, Ayershire Foundation and Federal Government – representing total new revenues of \$382,500.
- Created / improved relations and collaborations with: Kidspace / Pasadena Conservatory of Music / College of Art & Design / Caltech / Huntington Library / Pasadena Chamber of Commerce / Rose Bowl / Gelson's Food Markets / San Gabriel Valley Economic Partnership / Glendale Arts Council / Music Education Partners (SAPPA, VYMA, Saturday Conservatory, Pasadena Suzuki, PYMO, PCYO, PYSO) / LA Philharmonic / LA Chamber Orchestra / Colburn School / Ambassador Auditorium / Pasadena Civic Auditorium / City of Pasadena / Pasadena Convention and Visitors Bureau / Riboli Family Winery / Levitt Pavilions / Association of California Symphony Orchestras / League of American Orchestras
- Significantly Improved / increased media relations with KUSC / KPCC / KECT / LA Times Pasadena Star News / Outlook Magazine / Pasadena Magazine / Pasadena Now / CNN Headline News Local Edition
- More than doubled Trade / In-kind opportunities
- Improved Customer Service with personalized communications and one-on-one approach
- Increased 2009-10 Symphony ticket revenue by 40% over 2008-09 season partially due to rescaling and re-pricing of Pasadena Civic Auditorium
- Improved Consumer Confidence resulting in new and increased donations
- Successfully executing 2010 Leadership Campaign with solicitations of \$25,000-100,000+ per year with a three-year commitment - \$300,000 currently pledged and/or received from January 2010-March 2010.

Opportunities for Improvement: March 2010

- Double ticket sales for all PSA offerings
- Further build relationship marketing for targeted ticket sales
- Increase group ticket sales
- Increase Conductor Circle entry level of giving to a minimum of \$1,500 per season
- Increase volunteer base
- SoundCheck – develop greater awareness of opportunity for students
- Create target marketing to create and maintain diverse constituent base
- Increase visibility – relentless prevalence in entire San Gabriel Valley region
- Continue to improve Customer Service beyond all expectations
- Continue to boost Consumer Confidence for broader donor and audience base
- Pursue store-front box office

III. Administrative Management

Some of the most significant changes since the organizational crisis occurred in October 2008 have been implemented in the Administrative Management department of the Pasadena Symphony Association. After the announcement of financial turmoil, the PSA consulted with Paul Jan Zdunek, a proven leader with change and crisis management experience. Soon after, he was offered the position of Chief Executive Officer to assist the PSA with a complete reorganization. Within five months, Zdunek led a work-out team to produce a Recovery Plan For A Sustainable Future that creates a financially sound organization by September 2010.

Significant Adjustments:

- Since October 2008, the administrative staff has been reduced by over half of its workforce representing a salary savings of 47%.

- In February 2009, the administrative staff was completely restructured, both organizationally and financially, to better serve the Association within a best-practices, fiscally appropriate and sustainable approach.
- In addition to the income items listed above, every expense has been methodically scrutinized and readjusted to produce a balanced 2009-10 fiscal year budget without the need to draw from the Endowment fund. This represents an overall expense savings of 30%.
- Contractual obligations have been renegotiated and have resulted in the top leadership of the Association (Jorge Mester, Rachael Worby and Paul Jan Zdunek) offering a 10% pay cut with the rest of the staff agreeing to a 5% pay cut.
- Initiated in December 2008, the PSA will continue to escrow funds designated for future performances or programs; these primarily include ticket sales, sponsorships and other earmarked funds.
- A financial plan has been designed to keep current with future invoices while providing a schedule to honor past-due accounts. A debt correction plan allows for payments of 5% per month from May 2009-September 2009 increasing to 10% per month from October 2009-September 2010 on all open balances.

Successes: January 2009 – March 2010

- Completed staff reorganization – the right people in the right seats – highly qualified employees producing daily results
- Adjusted salaries to industry standard for product size/budget
- Improved communications –
 - Created Friday Facts - weekly email to all Staff, Board, Musicians, Women's Committee and youth orchestra members/families
 - E-News – increased open rate average from 18% to 23%
 - Internal & External: phone messaging / website renovation / media relations
- Implemented *Return-On-Investment* philosophy/policy – producing interconnected and sustainable initiatives/programs
- Successfully managing payables for two seasons (2008-09 and 2009-10)
- Reduced back-payables/debt by 50%
- Implemented and successfully executing *Recovery Plan For A Sustainable Future* vs. bankruptcy option
- Improved annual scheduling / planning/ execution
- Implemented HR online program through Paychex
- Created new Employee Handbook that is compliant with State and Federal laws
- Adjusted PSA's Federal status - saving 70% in unemployment costs per year
- Significantly improved professional relationship with the City of Pasadena & Mayor
- Implemented financial standardization for legal reporting & compliance
- Successfully implemented new financial software
- Negotiated 55% reduction of current office rent
- Significantly improved past and present vendor relationships
- Significantly improved cash flow and financial forecasting
- Realigned expenses to match product / budget size
- Presenting three sessions at the California State convention of the Association of California Symphony Orchestras in summer 2010 in San Francisco
- Invited to host California State convention of the Association of California Symphony Orchestras in summer 2011

Opportunities for Improvement: March 2010

- Further improve cash flow and financial forecasting
- Improve internal organization communications with artistic staff, musicians and Women's Committee

- Perform analysis of short and long term projects/goals
- Upgrade/purchase hardware/software

IV. Board Governance

During the initial crisis in October 2008, the Board empowered President Diane Rankin to form an ad-hoc Reorganization Committee to provide the Association and its new Chief Executive Officer the ability to act swiftly within the rapidly changing environment. This Recovery Plan For A Sustainable Future requires the Pasadena Symphony Association's Board of Directors to develop an organizational structure within a best-practices model.

Significant Adjustments:

- Along with the Board of Directors and Advisory Board, the Pasadena Symphony Association will govern itself with an Executive Committee, Finance Committee, Investment Committee, Governance Committee, Development Committee, Personnel Committee and a Community Engagement Committee.
- One of the most vital within the Association, the Development Committee is being comprehensively reconfigured to include individual, corporate, foundation, government, endowment, planned giving, special events and friend-raising initiatives. Additionally, a new Governance Committee is being formed which will expand the responsibilities of a nominating committee to identify, support, monitor and counsel all new and returning Board members resulting in extensive engagement of each.
- New Board members will meet the following criteria: Demonstrate a genuine interest in the goals of the Pasadena Symphony Association and the Arts; Represent an area that complements the Pasadena Symphony Association's geographic concentration within the region; Possess a broad and deep network of professional, community and/or personal peers and is willing to engage that network in all the Pasadena Symphony Association offers; Complement a diverse Board of Directors that the Pasadena Symphony Association strives to balance with age, race, gender, ethnic, geographic and socio-economic demographics.
- As part of the holistic success of the Recovery Plan For A Sustainable Future, the Board of Directors voted to recommit to their critical role as stewards, legal guardians and ambassadors of the Pasadena Symphony Association. In doing so, they will work in tandem with the management team to rebuild the Association into an excellent, innovative, accessible, fiscally responsible and sustainable organization – essential to the Arts and Cultural life of this entire community.

Successes: January 2009 - March 2010

- Significantly improved engagement of new and returning Board Directors and Advisors
- Reorganized and redesigned Board committees
- Developed *Board Member Qualifications & Expectations* document for new and returning Directors
- Reengaged the Development Committee with new Vice President for Development
- Appointed new Vice Presidents for Governance and Personnel Committees

Opportunities for Improvement: March 2010

- Increase Board assisted fundraising/friend-raising efforts
- Improve Governance Committee's identification, orientation and oversight of Directors
- Continue to staff and develop current Board committees
- Develop All-Star Board - fill 20+ vacant seats with leaders of significant networks in San Gabriel Valley region