

UTAH SYMPHONY OPERA

Financial Recovery Plan
as revised on 2/21/05

Utah Symphony & Opera Financial Recovery Plan Executive Summary

Our three-year Financial Recovery Plan allows us to reverse our deficit pattern and begin to make strides toward our goal of restoring \$3 million to operating cash, all while upholding the vision of Utah Symphony & Opera.

Our revised FY05 budget responds, through the combined efforts of management, board, and orchestra, to the resolution adapted at the September 2004 board meeting. Management has reduced the expense portion of the September FY05 budget by \$455,628. In addition, management has reduced the DVMF risk through expense cuts of \$131,359 and an equal reduction in fundraising expectations. The board is establishing a personal giving requirement, generating an additional \$350K in FY05 revenue. The plan currently leaves the orchestra unchanged through the 3-year period, recognizing that their participation is subject to negotiation.

In further reviewing the original FY05 revenue projections, performance revenues and contributions have been reduced by a combined total of \$461K. This places the revised FY05 deficit at \$571,233. This action will mitigate the fear of creeping deficits and unmet goals that has plagued us in the past several years. This adjustment will in no way diminish our efforts to exceed this conservative projection.

Our FY06 focus completely reflects the changes made to the original FY05 budget. All expense reductions are carried forward and all line items remain unchanged, regardless of inflation, unless otherwise noted. FY06 revenue growth is also based against the revised FY05 budget, including the revenue reduction of \$461K. To counterbalance the one-time European Tour margin of \$865,369, management has taken an additional \$495,767 in cuts for the FY06 forecast. This figure, when combined with both earned and unearned revenue increases of \$425,720 completes the replacement of the one-time European Tour margin.

Our FY07 forecast begins to restore operating cash with an investment of \$358,227. The FY07 forecast reflects the FY06 expense reductions, with all line items remaining unchanged, regardless of inflation, unless otherwise noted. The FY07 forecast continues the pattern of attainable revenue increases which will achieve and maintain a balanced budget moving forward.

The three-year Financial Recovery Plan carries us from a pre-plan \$1.6 million deficit in FY04 through a steady, attainable ascent of a \$571,233 shortfall in FY05, a \$415,114 shortfall in FY06 to an ability of restoring \$358,227 to operating cash in FY07.

Utah Symphony & Opera Financial Recovery Plan

Introduction

2005

- Reduce the annual deficit pattern from \$1.6 million in 2003/04 to \$571,233.
- Increase the European Tour margin to \$865,369 through \$206,025 in savings and cuts.
- Reduce the DVMF risk through expense cuts of \$131,359 and an equal reduction in fundraising expectations.
- Reduce 2005 original expenses in all departments by a total of \$249,603, while still maintaining the full mission of the organization.
- Establish a personal giving requirement for board members.
- Reduce 2005 original revenue projections by \$461,322 to ensure planned outcome.

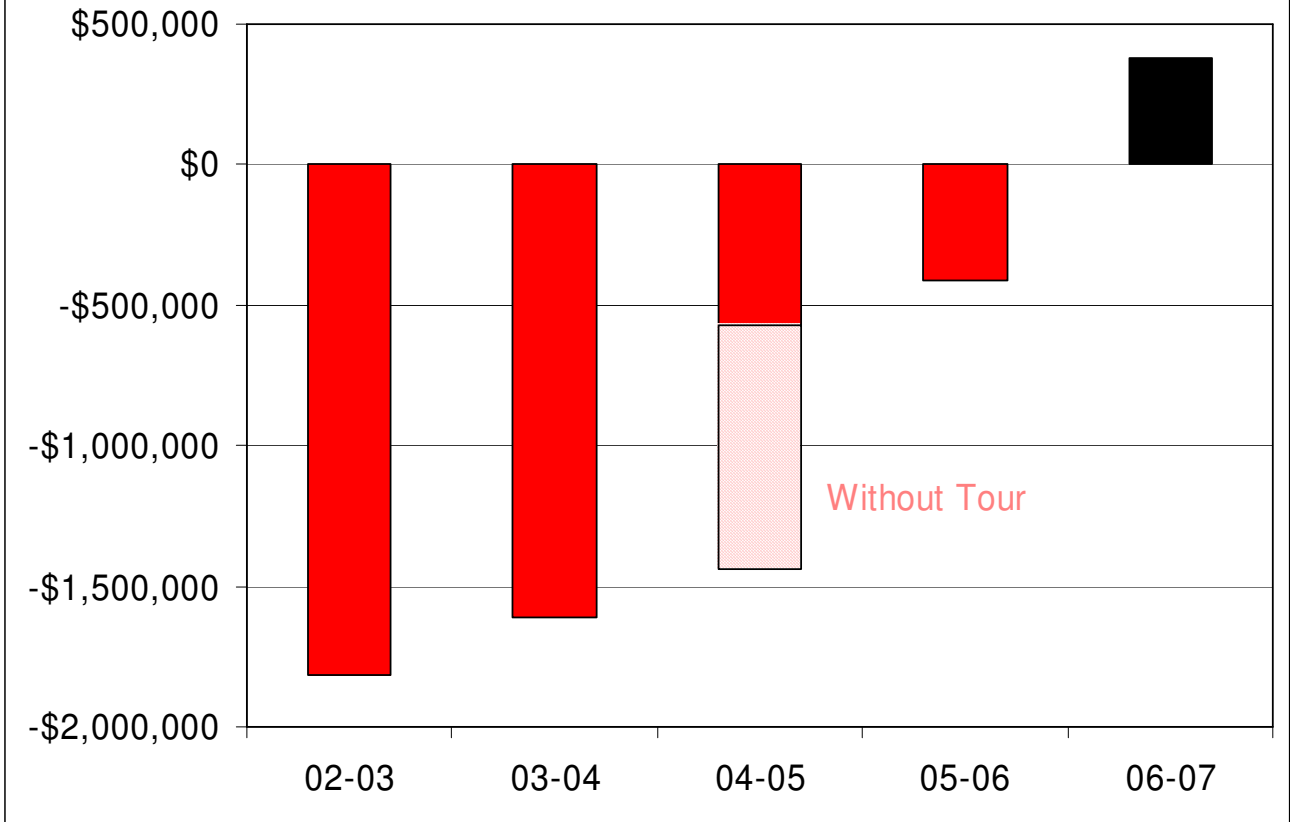
2006

- Recover the European Tour margin of \$865,369 while reducing the annual deficit to \$415,114.
- Maintain all revised FY05 expense reductions while cutting an additional \$495,767 in expenses. Continue to uphold the full mission of the organization.
- Change opera repertoire to save on production costs and to increase sales.
- Increase ticket prices and rescale the house to reflect a 6% increase while remaining accessible.
- Increase the fundraising goal from 2003/04 by 1.5%.

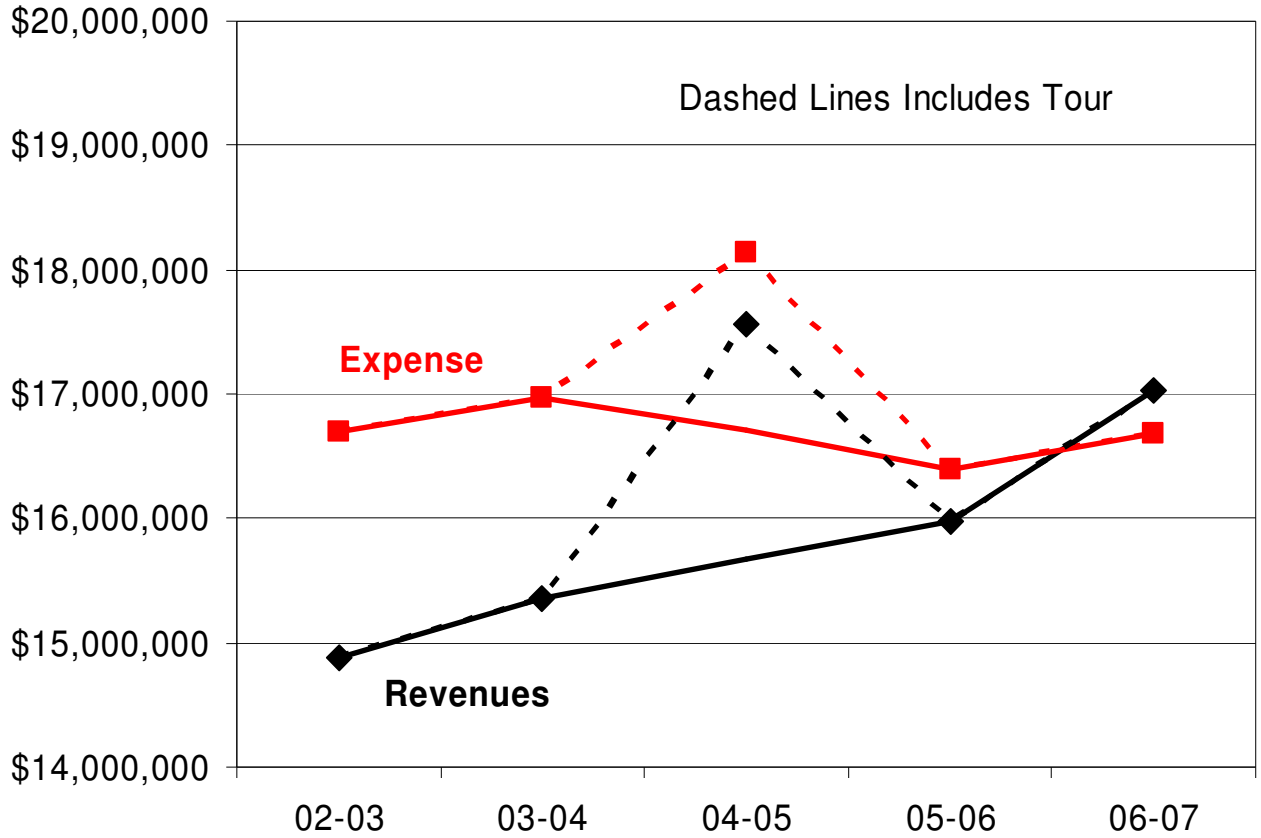
2007

- Restore \$358,227 to operating cash.
- Increase ticket sales to 68% of capacity (50% in 2003/04)
- Increase ticket sales to support 25% of our overall budget (as compared with 20% in 2003/04)
- Improve the marketing expense vs. sales ratio to 34% (49% in 2003/04)
- Improve the fundraising goal from 2003/04 by 7%.
- Establish attainable revenue increases to achieve and maintain a balanced budget.
- Maintain all FY06 expense reductions.

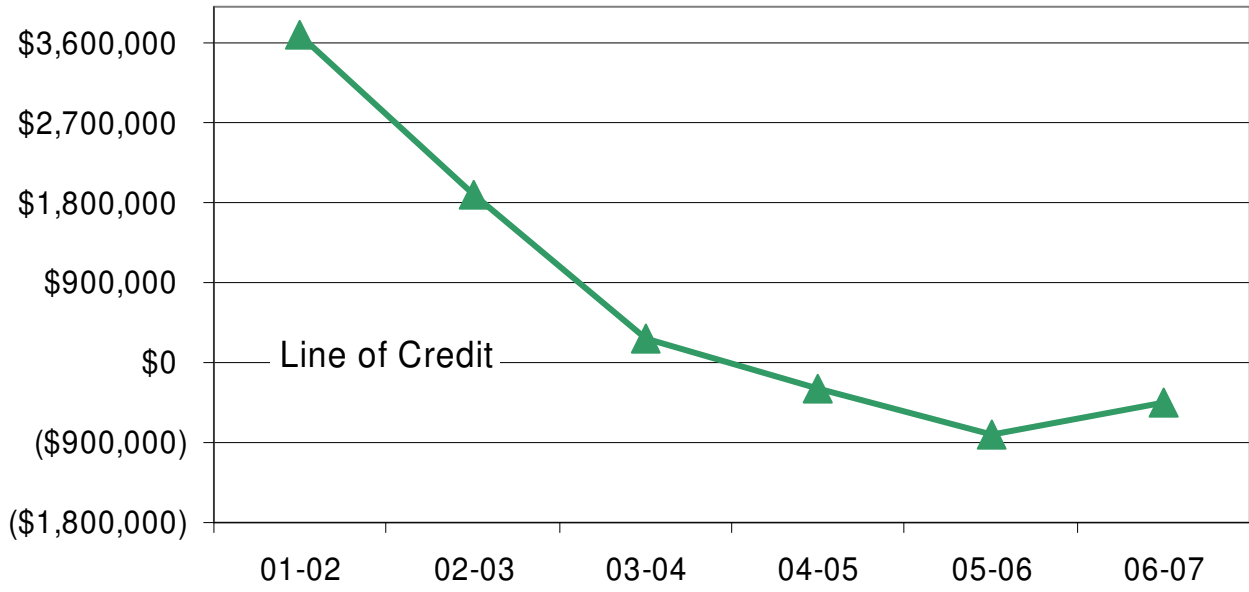
Financial Recovery Plan: Eliminate Deficits



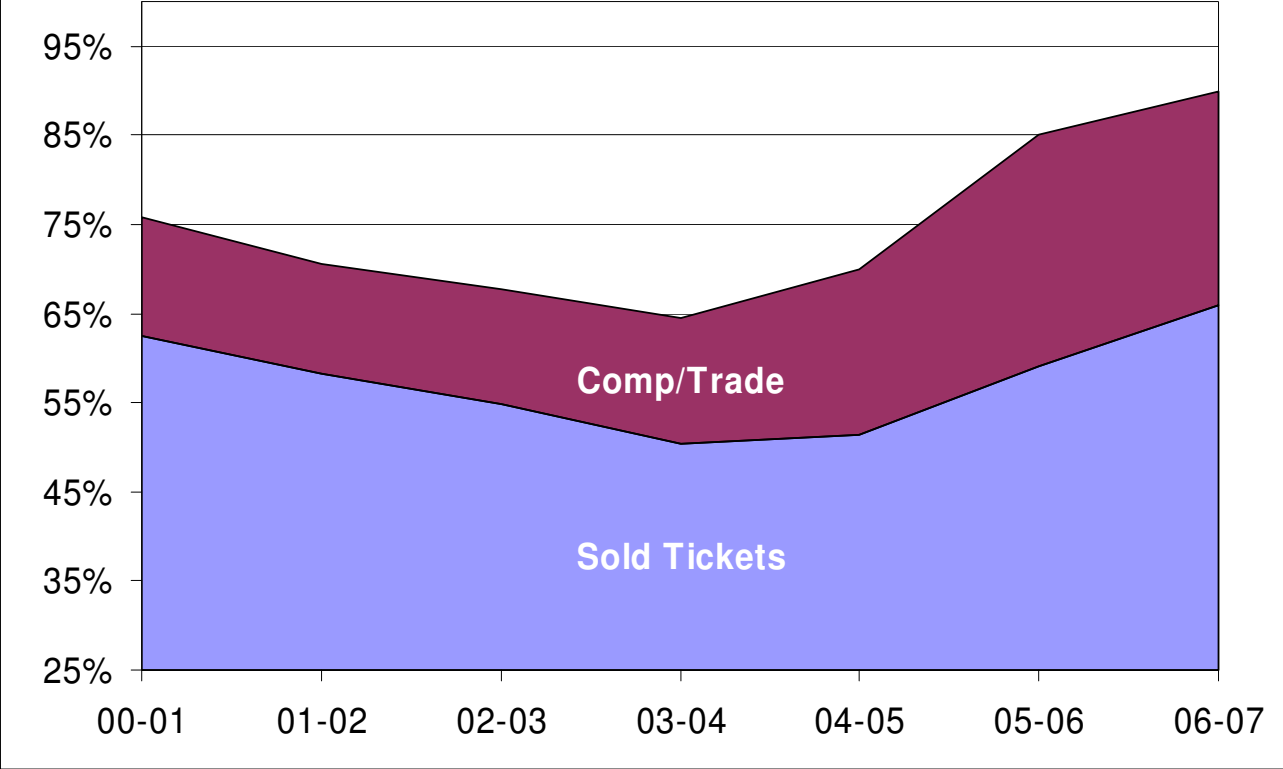
Manage Expenses and Bring Revenues In-line



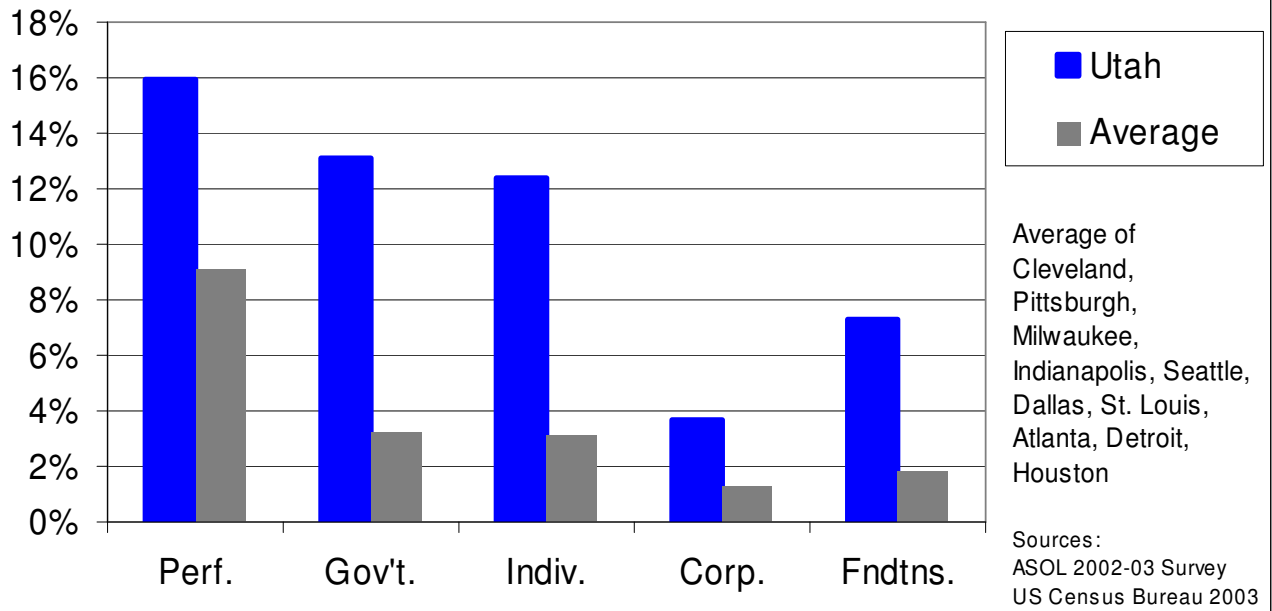
Operating Cash for Financial Recovery



Regular Season Average % of Capacity



2003 Peer Orchestra Revenues as a % of Metro Base Income: HH x Average Inc. (000)



UTAH SYMPHONY & OPERA

FINANCIAL RECOVERY PLAN

	FY04	FY05	FY06	FY07
Revenue & Contributions			Forecast	Forecast
1 Performance Revenues	3,677,801	3,695,118	3,897,105	4,315,666
2 Government Grants	3,803,866	3,879,095	3,935,889	4,016,779
Contributions				
3 Corp. Ind, Fndtns	5,905,726	5,715,008	5,779,990	6,273,389
4 Board Contribution	133,000	483,000	483,000	383,000
5 Total Contributions	6,038,726	6,198,008	6,262,990	6,656,389
6 Investments Income	1,274,537	1,365,703	1,483,640	1,648,989
7 Guild Income (Contribution / Net)	139,550	150,000	154,500	159,135
8 Other Income	426,390	380,480	238,000	238,000
9 European Tour Revenues	0	1,900,000	0	0
10 Total Revenue & Contributions	15,360,870	17,568,404	15,972,124	17,034,958

Expenses				
Program Expenses				
11 Orch Salary/Benefits *	7,920,276	7,893,507	7,893,507	7,893,507
12 Guest Artist Expenses	1,422,554	1,528,850	1,334,203	1,407,549
13 Program Related Staff Salary/benefits	1,430,138	1,432,864	1,419,426	1,420,026
14 Marketing	1,632,761	1,578,021	1,478,021	1,478,021
15 Tours and Run Outs	48,574	148,214	105,950	105,950
16 Concert & Opera Production	1,673,446	1,718,589	1,718,548	1,905,917
17 Box Office	337,690	311,695	296,695	296,695
18 Total Program Expenses	14,465,439	14,611,740	14,246,350	14,507,665
19 Administrative Expenses	1,417,095	1,374,597	1,351,900	1,378,568
20 Fundraising Expenses	645,648	611,748	599,998	599,998
21 Other Expenses	441,085	506,921	188,990	190,500
22 European Tour Expenses	0	1,034,631	0	0
23 Total Expenses	16,969,267	18,139,637	16,387,238	16,676,731
24 Surplus (Deficit) before Non-cash items	(1,608,397)	(571,233)	(415,114)	358,227
25 Capital expenditures (Ticketing Software)			(108,000)	

Action Steps

IMPROVEMENTS TO FY05, FY06, and FY07

	<u>FY05</u> vs. Sept. budget	<u>FY06</u> vs. FY05	<u>FY07</u> vs. FY06	<u>Total 3-year</u> <u>change</u>
Performance Revenues				
<u>Pricing</u>				
Raise ticket prices in high-demand and higher-priced sections for an overall increase: 04 & 05 – 0%, 06 – 3%, 07 – 2%. Lowest priced tickets will remain unchanged to ensure affordability.	\$ -	\$ 92,800	\$ 58,093	\$ 150,893
Adjust boundaries of seating sections so that popular rows are absorbed into the next-highest-priced section (rescaling). This market-driven strategy increases revenues without eroding customer base.				
<u>Ticket Sales</u>				
Replace lost subscribers and sell additional single tickets resulting in increased revenue: 05 – -3%, 06 – 6%, 07 – 10%. These efforts will reverse the previous multi-year downward trend, resulting in sales reflecting 68% of capacity.		185,602	290,468	476,070
Subscriptions:				
Invest more in subscription vs. single sales to increase our subscription base and provide a better return on sales. Develop separate subscription campaigns for renewing, former, and prospective subscribers. Successfully introduced telemarketing in fall 2004 and expanded for 2006 and beyond.				
Single Tickets:				
Sell the experience rather than the program details, and reach audiences where they dine and shop, drawing the connection between these activities and the enjoyment of the music.				
Utilize new customer database to segment, target, and track customers and prospects to increase their revenue potential.				
Increase Internet sales by expanding e-Notes distribution and website functionality.				
Create packages to enhance the “night out” experience, target market segments for specific programs, and create festivals to reach new audiences.				

IMPROVEMENTS TO FY05, FY06, and FY07

	FY05 <u>vs. Sept.</u> <u>budget</u>	FY06 <u>vs. FY05</u>	FY07 <u>vs. FY06</u>	<u>Total 3-year</u> <u>change</u>
Performance Revenues (continued)				
<u>Cultivate Prospects</u>				
Offer discounted and free tickets to select audiences in exchange for prospect contact information. Transform prospects into paying customers.				
<u>Tours/Runouts</u>				
Reduce the risk through alterations in symphony run-out plans for 2005 and 2006. Remove the Ogden opera performance for 2006.	(84,135)	(106,415)		(190,550)
FY06 Palm Desert and FY07 California tours net. Presenter's fees and contributions will more than cover the cost of the tours.		30,000	70,000	100,000
Reduce performance revenue goal in order to reduce risk.	(70,000)			(70,000)
Total performance revenue adjustments	\$ (154,135)	\$ 201,987	\$ 418,561	\$ 466,413
Contributions				
<u>Corporations</u>				
Secure twelve new corporate donors, each in the gift range of \$1,000 – \$5,000. Identify these new donors through trustee contacts and prospect research conducted by the development department.	\$ -	\$ 61,520	\$ 39,899	\$ 101,419
Solicit 15-25 current corporate donors for a \$1,000-\$1,500 gift increase.				
Reduce the DVMF risk through an equal reduction of expenses and fundraising expectations.	(131,359)			(131,359)
Reduce fundraising goal in order to reduce risk.	(46,565)			(46,565)
<u>Individuals</u>				
Target 250-500 subscribers with no individual gift history.		83,396	62,431	145,827
Seek an increased gift from 50-75 current individual donors, each in the range of \$500 - \$1,000.				

IMPROVEMENTS TO FY05, FY06, and FY07

	FY05 <u>vs. Sept.</u> <u>budget</u>	FY06 <u>vs. FY05</u>	FY07 <u>vs. FY06</u>	<u>Total 3-year</u> <u>change</u>
Contributions (continued)				
Secure new memberships at the \$10,000 level for the Deer Valley Music Festival Advisory Council. Identify these individuals through the current members of the Executive and Advisory Councils.				
Solicit \$1 million Founders Trust gifts for individuals to replace completed pledge schedules for DVMF: 2005 – four solicitations to generate \$500k; 2006 – five solicitations to generate \$650k; 2007 – four solicitations to generate \$350k.				
Reduce fundraising goal in order to reduce risk.	(203,435)			(203,435)
<u>Foundations</u>				
Secure six new foundation donors, each in the gift range of \$5,000 – \$10,000. Identify these new donors through trustee contacts, prospect research conducted by the development department, and referrals from current foundation donors.		69,000	71,070	140,070
Solicit 10-20 current foundation donors for an increased level of support from each in the range of \$2,500 - \$5,000.				
<u>Increase board contributions</u>				
Ask each primary board member (40) to personally give \$10,000.	200,000	PIR	PIR	200,000
In addition to the personal giving requirement, require trustees to help fundraise additional monies <u>over and above</u> their own personal gifts.				
Ask each honorary board member (20) to personally give \$5,000.	50,000	PIR	PIR	50,000
Ask each lifetime board member to personally meet a \$10,000 challenge for both FY05 and FY06.	100,000	PIR	(100,000)	-

KEY: PIR = Previous Increase Remains

IMPROVEMENTS TO FY05, FY06, and FY07

	<u>FY05</u> <u>vs. Sept.</u> <u>budget</u>	<u>FY06</u> <u>vs. FY05</u>	<u>FY07</u> <u>vs. FY06</u>	<u>Total 3-year</u> <u>change</u>
Contributions (continued)				
<u>Secure <i>The Grapes of Wrath</i> funding</u>				
Utah Symphony & Opera and The Minnesota Opera will jointly solicit over 60 national corporations and foundations with interest in new works, to underwrite <i>The Grapes of Wrath</i> . As of January 2005, over \$100,000 of the \$320,000 goal has been secured.			320,000	320,000
<u>Other</u>				
Net changes in government grants, special projects, build set underwriting, and Guild income.	(14,867)	(87,640)	85,524	(16,983)
Total contribution adjustments	\$ (46,226)	\$ 126,276	\$ 478,924	\$ 558,974
Investments				
The 5% draw will increase until the Kearns gift has a complete impact on the rolling 12 quarter average: 2005 is weighted 5 quarters, 2006 is weighted 9 quarters, 2007 full 12 quarters.	\$ (5,000)	\$ 117,937	\$ 165,349	\$ 278,286
Other Income				
Sell more ads to bring printed program costs and revenues in line. Reduce set rental income.	\$ (37,320)	\$ (20,480)	\$ -	\$ (57,800)
Total revenue adjustments	\$ (242,681)	\$ 425,720	\$ 1,142,834	\$ 1,325,873
European Tour				
Presenter fees	\$ -	\$ (400,000)	\$ -	\$ (400,000)
Contributions		(1,500,000)		(1,500,000)
Expenses	206,025	1,034,631		1,240,656
Reduce the European Tour budget by eliminating 2 staff members and 5 orchestra members, reducing the cost of cargo and the contingency, and returning to Salt Lake City one day early.				
Total European Tour adjustments	\$ 206,025	\$ (865,369)	\$ -	(659,344)

IMPROVEMENTS TO FY05, FY06, and FY07

	<u>FY05</u> <u>vs. Sept.</u> <u>budget</u>	<u>FY06</u> <u>vs. FY05</u>	<u>FY07</u> <u>vs. FY06</u>	<u>Total 3-year</u> <u>change</u>
Cost Control Methods				
<u>Artistic</u>				
Reduce FY05 DVMF risk through an equal combination of cutting expenses and fundraising expectations.	\$ 56,350	\$ PCR	\$ PCR	\$ 56,350
Reduce Production Costs by eliminating audition trips and Ensemble program guest instructors for the balance of FY05 and reduce these items for FY06 and FY07. Reduce technical staff salaries, technical tools & equipment and seasonal maintenance for FY05, '06, and '07.	49,236	PCR	PCR	49,236
Reduce Operations Costs in areas of cartage, instrumentation expense, staging/lighting, sound, stagehands, transportation and tour lodging.	141,910	(10,374)	(4,635)	126,901
Reduce overall guest artist costs by contracting less expensive artists and relying more on internally produced theme programs and up-and-coming artists.	33,000	158,197	47,332	238,529
Replace 2006 <i>Samson</i> and <i>Alcina</i> with <i>Romeo and Flute</i> and 2007 <i>Il Trovatore</i> with <i>La Traviata</i> to reduce opera expenses and increase revenues due to popularity of revised repertoire.		194,467		194,467
Fund additional costs for the world premiere of <i>The Grapes of Wrath</i> (commission, development, and production) as a special project in its entirety.			(259,404)	(259,404)
Cut M!W!O! program, a segment of opera 5-day residencies for FY05 and reduce materials, supplies and tour related transportation and lodging for FY05, '06, and '07.	62,231	(9,698)	PCR	52,533
Cease annual symphony commission project until company has stabilized.			11,522	11,522
Postpone the Chamber series for FY06 to reformulate and repackage.		56,130	(56,130)	-

PLEASE NOTE: The plan currently leaves the orchestra unchanged though the 3-year period, recognizing that their participation is subject to negotiation.

KEY: PCR = Previous Cuts Remain.

IMPROVEMENTS TO FY05, FY06, and FY07

	FY05 <u>vs. Sept.</u> <u>budget</u>	FY06 <u>vs. FY05</u>	FY07 <u>vs. FY06</u>	<u>Total 3-year</u> <u>change</u>
Cost Control Methods (continued)				
<u>Administration</u>				
Make a permanent cut in marketing expenses and thus improve the marketing expense vs. sales ratio (FY05 \$75,000 total includes \$66,009 in DVMF cuts).	75,000	100,000	PCR	175,000
Reduce CEO's salary retroactively to beginning of FY05 and continue reduction for FY06.	25,000	PCR	(25,000)	-
Music Director is providing his service for the European tour, CD, and the opera without fee.				
One-time purchase of a new ticketing database with Internet sales component system for long-term revenue improvement, better customer service, and to support marketing campaigns.		(100,000)	100,000	-
Change program to play-bill format		58,000	PCR	58,000
Eliminate all national meetings (included in individual department totals) for FY05 and FY06.	15,320	PCR	PCR	15,320
Other increases in salaries, cost of benefits, insurance, rent, etc.	(86,085)	49,045	(3,178)	(40,218)
Utilize surplus to begin restoration of operating cash.				
Total cost control adjustments	\$ 371,962	\$ 495,767	\$ (189,493)	\$ 678,236
Total annual improvements	\$ 335,306	\$ 56,118	\$ 873,341	\$ 1,264,765

KEY: PCR = Previous Cuts Remain.

UTAH SYMPHONY & OPERA

FINANCIAL RECOVERY PLAN

This document is for Internal Planning purposes only. This is not an approved budget document.

	FY04	FY05	FY06	FY07			
Revenue & Contributions			Forecast	Forecast			
Performance Revenues							
1 Symphony Ticket Sales & Fees	2,179,444	-8.9%	1,986,523	11.1%	2,207,584	10.0%	2,428,343
2 Runout/Touring Income	349,679	35.2%	472,915	-22.5%	366,500	0.0%	366,500
3 Out-of-State Tour Income	0	na	0	na	30,000	233.3%	100,000
4 Summer Concert Series Ticket Sales & Fees	341,025	10.0%	433,000	6.0%	458,980	10.0%	504,878
5 Opera Ticket Sales & Fees	766,798	0.8%	772,680	6.0%	819,041	10.0%	900,945
6 Recording/Other Income	40,855	-26.6%	30,000	-50.0%	15,000	0.0%	15,000
7 Total Performance Revenues	3,677,801	0.5%	3,695,118	5.5%	3,897,105	10.7%	4,315,666
Government Grants							
8 Salt Lake County ZAP Tax	2,508,666	1.9%	2,557,495	2.0%	2,608,645	2.0%	2,660,818
9 Legislature-Uniform School Fund	1,004,400	3.5%	1,039,400	0.0%	1,039,400	2.0%	1,060,188
10 Arts Council-State, City Federal	220,800	-3.9%	212,200	2.0%	216,444	2.0%	220,773
11 Summit County	70,000	0.0%	70,000	2.0%	71,400	5.0%	75,000
12 NEA	0	na	0	na	0	na	0
13 Other (Please specify)	0	na	0	na	0	na	0
14 Total Government Grants	3,803,866	2.0%	3,879,095	1.5%	3,935,889	2.1%	4,016,779
Contributions							
15 Corporations	954,611	32.9%	1,268,435	4.9%	1,329,955	3.0%	1,369,853
16 Individuals	2,945,582	-32.2%	1,997,640	4.2%	2,081,035	3.0%	2,143,466
17 Foundations	1,871,338	22.9%	2,300,000	3.0%	2,369,000	3.0%	2,440,070
18 Board Contribution	133,000		483,000	0.0%	483,000	-20.7%	383,000
19 Out-of-State Tour		na	0	na	0	na	0
21 World Premier of Grapes of Wrath						na	320,000
22 Special Projects	134,195	11.0%	148,933	-100.0%	0	na	0
23 Build Set Underwriting	0	na	0	na	0	na	0
24 Total Contributions	6,038,726	2.6%	6,198,008	1.0%	6,262,990	6.3%	6,656,389
Investments Income							
25 Interest, Dividend, and Gains/Losses	(12,641)	-143.3%	5,479	100.8%	11,000	0.0%	11,000
26 Draw from O&M Fund	94,432	9.0%	102,940	-2.2%	100,640	1.5%	102,150
27 5% Draw	1,192,746	5.4%	1,257,284	9.1%	1,372,000	11.9%	1,535,839
28 Total Investments Income	1,274,537	7.2%	1,365,703	8.6%	1,483,640	11.1%	1,648,989
29 Guild Income (Contribution / Net)	139,550	7.5%	150,000	3.0%	154,500	3.0%	159,135
Other Income							
30 Set & Property Rental Income	200,571	-67.8%	64,500	7.0%	69,000	0.0%	69,000
31 Costume & Wig Rental Income	104,862	61.2%	169,000	0.0%	169,000	0.0%	169,000
32 Printed Program Advertising	76,884	58.7%	122,000	-100.0%	0	na	0
33 Other Miscellaneous:							
34 Other (Browning Transfer)	0	na	0	na	0	na	0
35 Other (Miscellaneous Income)	44,073	-43.3%	24,980	-100.0%	0	na	0
36 Total Other Income:	426,390	-10.8%	380,480	-37.4%	238,000	0.0%	238,000
37 European Tour Revenues	0		1,900,000	-100.0%	0	na	0
38 Total Revenue & Contributions	15,360,870	14.4%	17,568,404	-9.1%	15,972,124	6.7%	17,034,958

UTAH SYMPHONY & OPERA

FINANCIAL RECOVERY PLAN

This document is for Internal Planning purposes only. This is not an approved budget document.

	FY04	FY05	FY06	FY07
Expenses			Forecast	Forecast
Program Expenses				
1 Orch Salary/Benefits	7,920,276	-0.3%	7,893,507	0.0%
2 Guest Artist Expenses	1,422,554	7.5%	1,528,850	-12.7%
3 Program Related Staff Salary/benefits	1,430,138	0.2%	1,432,864	-0.9%
4 Marketing	1,370,321	-4.1%	1,314,069	-7.6%
5 Marketing Salaries/Benefits	262,440	0.6%	263,952	0.0%
6 Tours and Run Outs	48,574	205.1%	148,214	-28.5%
7 Concert & Opera Production	1,673,446	2.7%	1,718,589	0.0%
8 Box Office Expenses/Salaries	337,690	-7.7%	311,695	-4.8%
9 Total Program Expenses	14,465,439	1.0%	14,611,740	-2.5%
Administrative Expenses				
10 Administrative Salaries/benefits	804,777	7.9%	868,516	0.0%
11 Other Administrative	612,318	-17.3%	506,081	-4.5%
12 Total Management & General Expenses	1,417,095	-3.0%	1,374,597	-1.7%
Fundraising Expenses				
13 Development Salaries	448,899	-1.1%	443,998	0.0%
14 Bad Debt Expense	0	na	0	na
15 Development/Cultivation	196,749	-14.7%	167,750	-7.0%
16 Total Fundraising Expenses:	645,648	-5.3%	611,748	-1.9%
Other Expenses				
17 Set & Property Rental Expenses	20,750	-88.4%	2,400	0.0%
18 Costume & Wig Rental Expenses	70,273	-52.7%	33,250	8.1%
19 Printed Program Expenses/Salary	228,489	0.7%	230,000	-78.3%
20 Production Studio	94,432	9.0%	102,940	-2.2%
21 Other & Contingency Project Expense	27,141	409.7%	138,331	-100.0%
22 Restore operating cash		na	0	na
23 Total Other Expenses	441,085	14.9%	506,921	-62.7%
24 European Tour Expenses		na	1,034,631	-100.0%
25 Total Expenses	16,969,267	6.9%	18,139,637	-9.7%
26 Surplus (Deficit) before Non-cash items				
[% of Revenues]	(1,608,397)	-3.25%	(571,233)	-2.60%
Capital expenditures (Ticketing Software)				(108,000)