



Statement on San Francisco Symphony Organizational Context

March 25, 2024

In light of the news shared recently regarding Esa-Pekka Salonen's decision to conclude his tenure as Music Director following the culmination of his five-year contract in June 2025, we would like to assure you of our commitment to the artistic vitality of the San Francisco Symphony and communicate additional context around some difficult decisions with the many members of our organization and community who care deeply about this institution and its future.

In recent years, we have strived to be as transparent as possible about the mounting financial pressures that the Symphony is facing due to the cumulative impact of operating deficits stretching back more than a decade. The COVID-19 pandemic exacerbated and accelerated problematic trends in declining fundraising and ticket sales even as organizational expenses have continued to increase. As a result of these financial circumstances, the Symphony is now faced with a series of difficult and painful decisions to pare back or temporarily discontinue certain programs and initiatives that are extremely important to all of us. We take these actions very seriously, and they are done solely to stabilize the organization's finances and secure the future of this institution.

Temporary near-term actions

To this end, we have implemented a series of temporary reductions to some programs to better scale our activities to fit within available resources. Near-term actions include reducing the frequency of SoundBox programs, semi-staged productions, and commissions of new compositions so that these activities can be sustained by existing restricted endowment support and/or dedicated funding. Practically speaking, this means that we will retain two SoundBox programs per season, one semi-staged production every two to three seasons, and approximately four to six new commissions per season. We have also paused future touring activity because we do not have the necessary funding to support it at this time. The Concerts for Kids program continues to be on hiatus due to a lack of dedicated funding while we continue to focus our efforts on other education initiatives, including Adventures in Music (AIM) and Music and Mentors, part of our longstanding partnership with SFUSD; Music for Families; and our tuition-free Youth Orchestra.

It is important to note that the reductions we have made are not intended to be permanent, and do not signify a lack of commitment to these important areas of the Symphony's artistic output. Even in the near term, we remain committed to maximizing our impact in each of these areas to the greatest extent possible within the level of funding currently available. Moreover, we will continue to seek new funding that we hope will enable us to restore these important initiatives in the future.

Background on financial circumstances

For many years, the Symphony's expenses have exceeded its revenue, and in recent years that gap has been growing. In several of the most recent seasons, including 2022–23, the Symphony received extraordinary one-time gifts or pandemic-related federal aid that have helped to reduce, but have been insufficient to consistently close, the gap between revenue and expense. For reference, in 2022–23, the Symphony's operating expenses totaled \$78.6 million, while operating revenues, exclusive of extraordinary one-time contributions, totaled just \$67.4 million. Revenues to support expenditures come predominantly from three areas: earned revenue (primarily ticket sales and performance fees; \$26.9 million in 2022–23), contributed revenue (primarily individual donations, corporate, foundation, and government support, and fundraising events; \$25.3 million in 2022–23), and the endowment draw (\$15.2 million in 2022–23). Factoring out investment gains/losses, which do not provide direct cash to support operations, the Symphony has incurred a cumulative operating deficit of \$116 million over the last 10 years. Those losses have been funded primarily through non-repeatable sources including federal COVID relief and drawing down the Symphony's operating reserves. Without immediate action or extraordinary new funding, we anticipate that our cumulative cash losses could grow by an additional \$80 million over the next five years, far beyond any means of funding such losses. It is in the face of that unsustainable future that we have begun to make some difficult choices, including those outlined above, with the goal of emerging as a stronger, more innovative, and more community-oriented institution than ever before.

The role of the endowment

Many questions have come up about the San Francisco Symphony's endowment and the ways this asset can be leveraged to support the organization financially. The Symphony's endowment is intended to serve as a permanent source of funding from which the Symphony takes an annual distribution. Returns from the endowment—along with earned and contributed revenue—represent one of the three primary sources of funding for the Symphony's activities. The endowment has been established through the generosity of generations of donors who have specifically directed their gifts toward the endowment to support the organization's long-term financial sustainability.

There is a common misconception that endowments can be accessed like a savings account and used to support operating expenses at any time. In reality, our flexibility in spending from the endowment is limited by California law, as well as by legally binding donor applied restrictions. In keeping with legal restrictions and donor wishes, the Symphony is obligated to preserve the strength of the endowment. In addition, many donors also designate their endowment gifts for a specific purpose. Contributions are often given in support of a specific artistic or educational program or initiative and draws from those funds must exclusively support those purposes. Approximately 54% of the Symphony's endowed funds are subject to restrictions for purpose, leaving 46% not restricted for purpose but still subject to draw limitations imposed by California law.

In order to ensure that the organization is fully leveraging the power of the endowment to the maximum extent that is prudent and legally permitted, the Board of Governors has recently approved a change in the endowment draw policy that will raise the endowment draw to 6.45% through the 2024–25 season, with regular review and assessment during and after this period. For comparison, the industry standard for endowment draws is typically between 5%–5.5%, and

our temporary, increased draw has been adopted by our board in direct response to the extreme financial pressures we face.

Davies Symphony Hall entitlement process

Questions have also been asked in recent weeks about the Symphony's proposal to the San Francisco Planning Department to begin the entitlement process for potential future renovations to Davies Symphony Hall. The entitlement process is expected to take two years and will entail working closely with the City's Planning Department prior to any modernization project proceeding with a development proposal. Completing the entitlement process will allow us to make improvements to Davies Symphony Hall at some point in the future; the San Francisco Symphony is still in an early, exploratory stage of this process. The cost of completing the entitlement process was fully funded by private donations that are purpose-restricted to this project, and the allocation of those contributions did not compete with any other fundraising efforts by the Symphony. No further funding is required to complete the entitlement process. Moreover, we want to clarify that our priority is to stabilize the organization financially and support our artistic output before embarking on a campaign to support any future renovation projects.

Commitment to the future of the Symphony

Our board and administrative leadership share our musicians' convictions. Our aspirations for the organization's artistry and its impact on our audiences have not changed. Our board carries a fiduciary responsibility and remains steadfastly committed to maintaining the San Francisco Symphony at the highest possible level, but we must take action to stabilize the organization's finances and secure its future. Many of our donors have communicated to us that to inspire giving at the levels required to fund the Symphony's shared goals, we must live within the parameters of our available financial resources, make structural changes to our operations, and demonstrate an ability to achieve a balanced budget.

The Symphony deeply values our musicians and the commitment and artistry they bring to everything they do. We also deeply value our relationship with our Music Director Esa-Pekka Salonen. We have been inspired and energized by our work with him, and we eagerly welcome many future collaborations together. This organization's artistic profile and the meaningful impact the Orchestra has on our audiences are the reason that we choose to dedicate ourselves to the stewardship of this institution. The work we do every day directly supports the Orchestra's ability to share the power of this artform with our patrons in the exciting and inclusive ways for which this ensemble is known.

We would love nothing more than to be able to immediately restore the number of SoundBox performances, semi-staged productions, and new commissions; to resume touring; and to reinstate Concerts for Kids. The limiting factor prohibiting us from doing so is not a lack of desire, drive, or ambition. It is solely a lack of immediate financial resources. We will persist in our work to support this organization, and especially the people within the organization, with the shared goal of stabilizing our financial position and continuing to build our artistic profile and impact on our city and our audiences through unforgettable musical experiences.

We are extremely heartened by the support from our community for our Orchestra and for Esa-Pekka. Your presence at our concerts and your enthusiasm for this organization are deeply appreciated. The challenges we face are significant, and they can only be overcome if we unite

through constructive collaboration between our dedicated musicians, board, and staff, and with the passionate support of our community and our patrons. Your participation is essential, and those who want to be a part of the solution can demonstrate your support by attending upcoming concerts, becoming a subscriber, or making a gift. Even as we face challenges ahead, we are also filled with optimism. We ask you to join us in that optimism as we build towards the future of the Symphony we all love.