

The Metropolitan Opera (the "Met") is currently negotiating successor collective bargaining agreements with 15 of the 16 unions that represent Met employees, including the American Guild of Musical Artists, the union that represents the Met's chorus; Local 802, which represents the Met's orchestra; and Local 1 of the International Alliance of Theatrical Stage Employees, which represents the Met's stagehands. The current agreements expire on July 31, 2014. As part of the negotiations the Met has initially proposed to the unions with the most highly compensated employees five-year deals seeking an approximately 16-17% reduction in combined wages and benefits. The Met's proposals seek reductions primarily from work rule adjustments rather than from base pay.

The Met's total operating expenses for the fiscal year ending 7/31/13 (the year most recently completed) were \$326.8 million; the Met's operating expenses fund the creation of new productions, the Met's Live in HD theatrical distribution program, and its merchandising, fundraising and media initiatives, and they also cover the Met's day to day running costs. Two-thirds of these operating expenses in FY 2013 went towards pay and benefits for the Met's unionized employees. Earned revenues in FY13 were \$166.2 million and contributions \$157.9 million, leaving a deficit of \$2.8 million. Results for the fiscal year ending 7/31/14 are not yet final, but a deficit significantly larger than that incurred last year is anticipated due to lower contributions.

To maintain the ongoing health of the organization, the Met believes it is essential to reduce its operating costs, particularly in light of its historically substantial and increasing reliance on donations to cover operating costs; accordingly, the Met is seeking to negotiate changes to its collective bargaining agreements which reflect such a large portion of its costs. To achieve a balanced budget in the future, the Met continues to pursue revenue generating possibilities as well as other cost-cutting measures, including reductions in administrative staff costs and cuts in production costs through a variety of means, such as co-productions which enable the costs to be shared with other presenting organizations.

Aligned with the reduction of costs, the Board of the Met has agreed to launch a fundraising campaign to double its endowment over the next five years. The Met expects the combined impact of cost reductions and increased revenues from a larger endowment to provide a substantial positive financial swing.