

RICHARD M. RIESER, JR.  
PO BOX 27  
CHAUTAUQUA, NY 14722

[RICKRIESERCHQ@GMAIL.COM](mailto:RICKRIESERCHQ@GMAIL.COM)

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Dear Fellow Chautauquans and Chautauqua Institution Trustees,

I publish this letter personally and on behalf of many, many like-minded Chautauquans who share all or most of my views. As a long-time, loyal, caring Chautauquan and property owner who is deeply committed to making Chautauqua a better PLACE, I offer the following proposition in response to the serious concerns shared by many Chautauquans:

**THE PROPOSITION: It is time to replace or profoundly rearrange the responsibilities and authority of our CEO Michael Hill and time for our Board at its upcoming officer elections to choose someone other than Candace Maxwell as its Chair.**

They have failed the community. We are now threatened by the consequences of their ill-advised strategies, feeble decisions, and poor implementation executed by a ballooning and wildly expensive herd of unqualified and/or inept executives.

**How did we get into this leadership mess?** Recent history points to three related main contributing factors: 1) Fallout from the new Amp project and lack of Board transparency; 2) The consequential hiring in 2017 of Michael Hill as the Institution's new president; and 3) The adoption in 2019 of the new strategic plan, *150 Forward*.

**The new Amp project; lack of Board transparency.** Meant to be the capstone to his long, distinguished career, former President Tom Becker initiated a \$21 million renovation of the historic Amp, which turned out to be a cost-overrun-plagued \$42 million construction of a replica Amp. Following the Board's long-standing policy of secret deliberations, the failure of the Board to reveal in a timely manner the transition from renovation to replica and the associated cost increases divided our community (a split which has never healed), heightened mistrust, and painted the talented but prickly former president into a corner from which he couldn't escape.

Simply, the Board's lack of transparency, which is highlighted in the Amp debacle but survives unabated today, produces four undesirable consequences: it promotes rumor and gossip, creates mistrust, extinguishes any possibility of helpful input from the community before ill-advised policies are adopted, and suffocates the opportunities for community "buy-in." The Board – adopting "sunshine" law practices, such as closed sessions for discussions of personnel matters and of threatened or pending litigation, etc. – needs to open its meetings, starting now.

**Hiring of President Hill.** As is common, the search for a new president to replace the outgoing president turned, unwittingly, into a search for someone who was stronger in the areas the former president was weak. The former president was consummately local, passionate on issues to a fault, and a dogged doer – faced with a problem, he solved it with hands-on everything, involved in every decision, pals with everybody; and thus he could operate with a skeleton crew of implementors (Merkley, Babcock, Heinz, Campbell, and Baggiano). The new president needed to be a strategic thinker and long-term planner, a team-building organizer, familiar with Western NY but more urbane, at least a generation fresher, someone who could appeal to new and younger audiences, and raise money from new sources. Where the former president crabbed openly about only being able to raise locally the 2s, 3s and 4s (\$ Millions), the new president had to be one who could raise the 10s, 25s and 50s (\$ Millions). And, any candidate had to face interviews where he or she came off as outwardly pleasant, attractive, and articulate ... at least for 60 minutes.

Most of us now recognize what the Board's search committee missed. Michael Hill's immediate prior job experience was in a small organization in D.C. – a tiny, alternative version of A.F.S. (American Field Service). He'd never managed a large organization, but that didn't matter to members of the search committee who failed to imagine a modestly-endowed, local, nine-week summer program, focused on its Four Pillars, and run by a handful of executives potentially morphing into a national, year-round, indulgently staffed (138 full-time equivalents in 2023, compared to 65 in 2017) organization, undertaking underfunded initiatives far beyond those contemplated in the Chautauqua Corporation's founding documents, the Four Pillars. In short, the Board mistakenly hired a small-time guy with unbounded dreams. That brings us to the 2019 new strategic plan.

**The 2019 strategic plan, *150 Forward*.** The 2019 plan, conceived in 2017 and 2018, is an example of asking the right question but coming up with the wrong answer. Mr. Hill presented the financial sustainability problem this way: First, the trajectory of Chautauqua's expenses are projected to rise faster than its revenues. Even if Chautauqua were to sell-out each of its 9-week Summer Assembly season just as it had sold-out the Ken Burns week, it would only produce \$4 million in extra revenue. Second, Chautauqua earns all its operating revenues in one summer quarter. What if something happened during that summer quarter requiring Chautauqua to close? [It did, and Chautauqua more than survived, with a \$19 million Federal bail-out.]

Mr. Hill and Ms. Maxwell's financial sustainability solution at the heart of *150 Forward* is to turn the Institution into a national, year-round organization and to become part of the "national conversation" on two of the biggest issues confronting American society today – namely, diversity and climate change/environment. By becoming part of the "national conversation" on such issues, the thought went, Chautauqua will earn its place in line for funding from national foundations and philanthropies. Overflow funding from such sources can then augment Chautauqua's historic summer operating revenues and local philanthropic sources. Implicitly, the cost of implementing these new outward-facing initiatives suggested a diminution in the centrality of Summer Assembly programming, which has now come to pass.

Mr. Hill and Ms. Maxwell's vision, as expressed in *150 Forward*, sends us in a perilous direction. So far as we know (lack of transparency bars a deeper look), Chautauqua has been awarded

modest support from the Rockefeller Foundation for the 10 “Diversity Fellows” embedded in our professional Orchestra and from the Ford Foundation to “diversify our audience”, and just two days ago Chautauqua announced \$6 million in promised grants from two “national” sources to support “climate change” initiatives. Maybe there’s more to come, but – bottom-line – none of these funds will sustain the historic Four Pillars (Arts, Education, Recreation, and Religion), the core of the Summer Assembly experience. In fact, these new initiatives are a form of “mission creep” which diverts management attention and funding from the traditional programming that makes our community so appealing. And none of these grants, taken singly, rise to the 10s, 25s, and 50s (\$ Millions) dreamt of when Tom Becker was benched and Michael Hill took the helm.

**What is Chautauqua’s real financial picture?** The last two full years of operation were 2022 and 2019 (recalling that the 2020 Summer Assembly was cancelled and the 2021 Summer Assembly was partial). Thus, a comparison of 2022 to 2019 is enlightening:

1. Operating Revenues. Operating Revenues exclude philanthropy and Federal support.

<u>2022</u>	<u>2019</u>	<u>\$ Difference +/-</u>	<u>% Change</u>
\$31,690,307	32,018,065	-327,758	-1.02%

2. Program Services Expenses. Program Services Expenses (PSE) include the Four Pillars; Gate, Parking and Enterprise; General operations; PSE excludes depreciation because it’s non-cash and “Conservation of the Lake” because it’s an unrelated new initiative.

<u>2022</u>	<u>2019</u>	<u>\$ Difference +/-</u>	<u>% Change</u>
\$27,034,132	23,845,697	+3,188,435	+13.37%

3. Lake Conservation Expense. Conservation of the Lake is a new strategic environmental goal set out in *150 Forward* unrelated to the Four Pillars. It was first funded with \$1 Million in 2021 and is believed to be a multi-million-dollar, multi-year Board commitment to the study (but not the repair) of the causes of lake water contamination, harmful algae blooms, etc.

<u>2022</u>	<u>2019</u>	<u>\$ Difference +/-</u>	<u>% Change</u>
\$2,315,891	0	+2,315,891	Not calculated

4. Management and General Supporting Services related to Management. Management and its related support services exclude Fundraisers and related fundraising costs.

<u>2022</u>	<u>2019</u>	<u>\$ Difference +/-</u>	<u>% Change</u>
\$7,929,462	4,388,483	+3,540,079	+80.7%

The biggest and/or most interesting line items within this category are:

In **2022**, salaries and benefits/taxes of \$4.028 mil., professional services of \$670,223, insurance of \$604,123, advertising and promotion of \$429,748; hospitality and travel of \$300,883; and management's pro-rated share of office expense and rental for the DC office of \$315,749.

**Note:** other line items support the conclusion office expense and rental for DC is split among management, fundraising, and enterprise activities, so this is a partial line-item charge. Total office expense and rental adds up to \$458,206.

In **2019**, salaries and benefits/taxes of \$2.302 mil., insurance of \$459,895, advertising and promotion of \$250,509, and hospitality and travel of \$205,506.

5. The Hotel Corporation. The Chautauqua Hotel Corp is unique in that it is a for-profit subsidiary of the Institution, operating the Athenaeum and other restaurant and food/beverage venues on the grounds. It would not be advantageous for it to run profitably; its parent, the Institution, charges it sufficient fees to ensure no more than a breakeven operation. Here is a summary of its operating revenues and operating expenses with depreciation (a non-cash expense) excluded.

	<u>2022</u>	<u>2019</u>	<u>\$ Difference +/-</u>	<u>%Change</u>
Revenue	\$6,799,026	6,562,013	+237,013	+3.61%
Expenses	\$8,266,094	6,398,269	+1,867,825	+29.2%
Profit/(Loss)	\$(1,467,069)	163,744	-1,630,813	-----

In short, the Hotel Corp took a terrible beating in 2022. The losses are attributable to a higher wage scale, to initially hiring fewer workers than needed, to the pressure on those hired leading to excessive turnover, and to ridiculous overtime pay expenses for those who stayed, combined with much higher food costs.

**Financial Summary.** Excluding the paper losses from depreciation, on an overall cash basis Chautauqua Institution lost about \$2.8 million in 2022. Despite the headwinds of pandemic shortages and runaway inflation, Programmatic expenses only grew 13.4% between 2019 and 2022, while Management and related support costs grew a whopping 80.7% over the same period. The Lake Study itself drained \$2.315 million in cash during 2022, compared to nothing in 2019. It's fair to say without top-heavy management costs ballooning \$3.5 million between 2019 and 2022 and the \$2.315 million sunk in 2022 into the Lake Study (the costs of which should be equitably shared, if attended to at all, by all our neighbors and local, state, and federal governments), the Institution in 2022 would have operated at least at break even on a cash basis. What we have reaped here from the compounded poor judgment of Mr. Hill and Ms. Maxwell are losses unrelated to the historic core mission of Chautauqua. And now our story takes a turn for the worse.

**Cuts in our programming, now and in the future.** Instead in reining in the spending spree, the Institution is doubling down. A prime example is Chautauqua's current search for a Chief Financial Officer, salary range around \$150,000 plus, presumably to report to Executive VP Baggiano. (By the way, it's unlikely \$150,000 will attract a top talent.) And how will this and other past "investments" in human capital be paid for? One way is monetizing everything. Just the other day, the Women's Club had to pay \$425 for the privilege of renting the grass in front on their clubhouse for an evening soiree, and the Institution didn't even bother to cut the 5" tall grass first. Another way is to raise prices. Last year seasonal home delivery of the *Chautauquan Daily* cost \$48, this year \$78. But the most invidious way has been to gut programming. Here are some examples:

The Art School has been put on "hiatus" for 2022 and, most likely, if resurrected, will reappear in a diluted and certainly less costly form. The studio spaces are available for rent.

The heralded Chautauqua Theater Company, which only a few years ago regularly scheduled 3 fully-staged plays and 3 staged New Play workshops, now is producing just two fully-staged plays and 3 New Play Workshops, of which 1 will be staged and the other 2 workshopped from music stands. The CTC's esteemed Conservatory Program, which has graduated stars like Jessica Chastain and, recently, Jonathan Majors, has been reduced from the standard 14 Conservatory members to just 8. And the season has been shortened from 9 weeks to about 6.

The Chautauqua Symphony Orchestra, a staple for nearly 100 years, has been downsized from 74 positions to 64; auditions for vacancies arising from retirements, better opportunities, and the pandemic have been "slow-walked"; and 10 professionals among the strings have been "temporarily" replaced with young aspiring musicians known as "Diversity Fellows" funded by philanthropy (a cost savings). With the elimination of Opera, which CSO musicians accompany, the CSO is preparing for more disturbing news.

The Ballet program has been converted from a much-loved resident company, formerly the Charlotte Ballet, to brief visits from a variety of companies. Last year's triumphant visit from the highly respected Washington Ballet has been replaced in 2023 with Houston Ballet 2, the Houston Ballet's young artist development program.

A close look at the remaining various schools for the Arts in 2022, whether dance, music, voice, theater, opera, reflect shortened residencies compared to past full seasons – another cost savings.

And last but not least, the Opera is, for all intents and purposes, a "zombie" to be shuttered by 2025. Norton Hall will be closed for good. The expected savings is \$750,000, even allowing for a skeleton program allegedly aimed at promoting new works, which is to be paid for from already-existing, earmarked Opera funds held in the Chautauqua Foundation endowment. Per reliable sources, this decision was spearheaded by Mr. Hill under a general cost-cutting mandate, not by specific Board directive. Mr. Hill, instead of appearing personally, delegated to his minions the task of delivering the bad news to the Opera Company and its leadership.

In all of these programmatic cuts, Chair Maxwell is implicated by encouraging a hands off the Colonnade policy by her Board, and President Hill is implicated both by failing to understand the

pain he's inflicting on very generous and committed segments of our community and by foolishly prioritizing his favored *150 Forward* "side hustles" over core Four Pillar programs.

**How Mr. Hill and Ms. Maxwell, through poor judgment, have missed the boat by focusing on the "big picture" when the easy route to success is building on what you are and doing what you do well, even better.** It's all about everyday attention to process improvement. Frankly, it's usually about doing the little things a little better.

Let's take an inventory of the current customer experience for Chautauquans. It's far from satisfactory. The Colonnade struggles to implement and execute even the simplest plan. This is another key failure under Mr. Hill's management.

We have gone through three ticketing systems in three years, yet the in-person wait in lines or wait for phones to be answered often extend to an hour or more. I watched a man getting a refund on his gym membership, explaining he was severing all his connections to Chautauqua after being mistreated at an entry gate the day before. I went to lunch with a Chautauquan who complained of his 1:45 minute wait for dinner at the Heirloom restaurant the prior week. I grabbed a quick dinner with friends at the Athenaeum Bar this past week. The food came but no silverware or napkins, despite our requests. The line for drinks at the Athenaeum Bar was so long, it took a half hour to get a drink. The Assembly streaming service is frequently unreliable and calls for technical help aren't answered. As of June 1<sup>st</sup>, there were still 8 undesignated Amp lectures out of 45 dates. How does Chautauqua attract a guest to an undesignated lecture? Why did Chautauqua book Frankie Valli for a Friday night pop event? Even if a smoky haze hadn't drifted from Canada, the likelihood of the 89-year-old performing was probably no better than 60/40. Why is Chautauqua in the mobility scooter rental business, when there was a good, reliable, and cheaper source already servicing the grounds? Yes, "accessibility" is part of the acronym IDEA, but is the rental, training, servicing, and repairs of a fleet of 39 scooters one of Chautauqua's core competencies? Why doesn't Chautauqua arrange for high-speed Internet service for property owners and guests? Why does the *Grapevine*, our on-line community billboard, three or four times a week have posts looking for rides to and from the Buffalo airport? Couldn't Chautauqua, which regularly ferries speakers back and forth to the airport, arrange convenient and reasonably priced transportation for its residents and guests? Need I say more?

Mr. Hill and Ms. Maxwell should have made finding the glitches, the omissions, and the mistakes part of the job description of every Senior VP, VP, and Director. And it shouldn't matter whether that catch is in his/her/their Department or someone else's. In fact, a few days of job rotation between department heads is a good way to identify systems' weaknesses.

As to improving the quality of programming, the first step for Chautauqua is benchmarking against the best competition; for example, Tanglewood in music, Williamstown in theater, or the Aspen Institute in lectures. Then with the information gathered, a comparison can be made and best practices adopted, funding needs identified, and improvements installed.

**When execution failures drive costs up: Community policing.** For years, Chautauqua had its own police, in reality deputized county sheriffs, the most important consequences of which

were our officers had warrantless arrest powers and gained access to the county's 911 system and computer network. Chautauquans got a direct line through 911 to our police. Then, without consulting the new sheriff, the Institution hired his political rival, the ousted old sheriff, as our new police chief. The new sheriff reinterpreted the law and stripped our new chief and our officers of their police powers, and both our police and our community lost direct access to each other thru the 911 system. The Institution's failure to understand local political realities led to this painful result. Had Mr. Hill or Ms. Maxwell been year-round residents of Chautauqua County and involved in local affairs, most likely this damage could have been avoided or repaired. Now if we call 911 for a fire or rescue, we get through to our local fire station; but if we call for police, we're at the mercy of the nearest sheriff or state police car. If none is nearby, we're out of luck.

The story continues...In 2022, our SVP for Community Affairs canned our new police chief. One of our tiny force of armed security quit just before the 2022 season to take a better job with genuine police powers in a nearby municipality. Our SVP became our new chief security officer on a nominal basis, despite her lack of any law enforcement training. The SVP made little or no effort to replace either the chief or his former officer, probably to save some money. The Rushdie incident then occurred.

The rest, most of you know. The Institution hired security consultants at great expense to review our security procedures. Events were locked down and moved to safer spaces. State police and sheriff deputies were everywhere. We were searched to enter events, etc. For 2023, a new head of security was hired who spends his time evaluating risks and making emergency plans, more officers were hired, and many more employees, including gate staff, wear the yellow shirts of community safety and security. If you saw Mr. Hill last week as he moderated 2 p.m. Hall of Philosophy lectures, he had an armed guard at all times within fifteen feet of him. (Of course, the Colonnade has been locked down for several years, distancing senior staff from campus residents and guests.) We now have to carry see-through purses and backpacks to gain admittance to Amp and certain other events. On Friday and Saturday nights, we have to walk through metal detectors, and sheriff K9 units patrol the grounds. Ignoring the inconvenience and absurdity of much of this show of power, the cost is high. Indeed, in a recent webinar Mr. Hill claimed these security measures are a cost of programming and need to be accounted for in the programming budget. So less Four Pillars programs, and more security. The persons who should be paying with their jobs for these costs are those who under-funded and under-resourced security in the first place. Some mistakes don't matter, while others like these have grave consequences. Why hasn't Ms. Maxwell held those responsible accountable?

**Conclusion.** There is no end in sight to the downward spiral of more management and more peripheral, but trendy, initiatives and its flipside...less programming.

No matter how much more administrative bulk or brains are added in the Colonnade or unnecessary DC office, it's highly unlikely our leadership is going to turn Chautauqua into an agenda-setting, national thought leader, operating country-wide, year-round. This is due, in part, to our late start, stiff competition from more established not-for-profits with far greater financial resources, and a dearth of "angel" donors ready to pony up the 10s, 25s, and 50s (\$ Millions) in a world of competing good causes. This pipe-dream needs to be deep-sixed.

We also need to bury Mr. Hill's claim that Chautauqua is an "idea." It is a **PLACE**. Before Chautauqua, there was an American "Lyceum" movement with speakers travelling from town to town, and there were Bible camps and parks with recreation. What Chautauqua patented was a beautiful PLACE where all Four Pillars could flourish.

Chautauquans are not all here to "seek the best in human values" or other high-minded, lofty goals. Some may be. Others may just want summer entertainment, or a safe space, or a cooler climate. But what we certainly don't want is to be told by the Institution what side is the right side of an issue.

What Chautauqua can become is a new, improved version of what it has been for almost 150 years – a **PLACE** where ideas are presented and tested against countervailing ideas; where great music, theater, dance, ballet and opera are presented and the literary arts pursued; where kids are nurtured; where spiritual moments are stimulated; where we can enjoy the outdoors and participate in sports of all kinds; where families feel safe; and where we can share this bounty with others, thus building a community of similarly committed individuals and friends.

I remain true to this **PLACE** as it was conceived, and I'd appreciate it if we could have new leadership who would cooperate in sustaining it.

Sincerely,

A handwritten signature in blue ink that reads "Rick". The letters are stylized and connected, with a prominent loop on the 'R'.