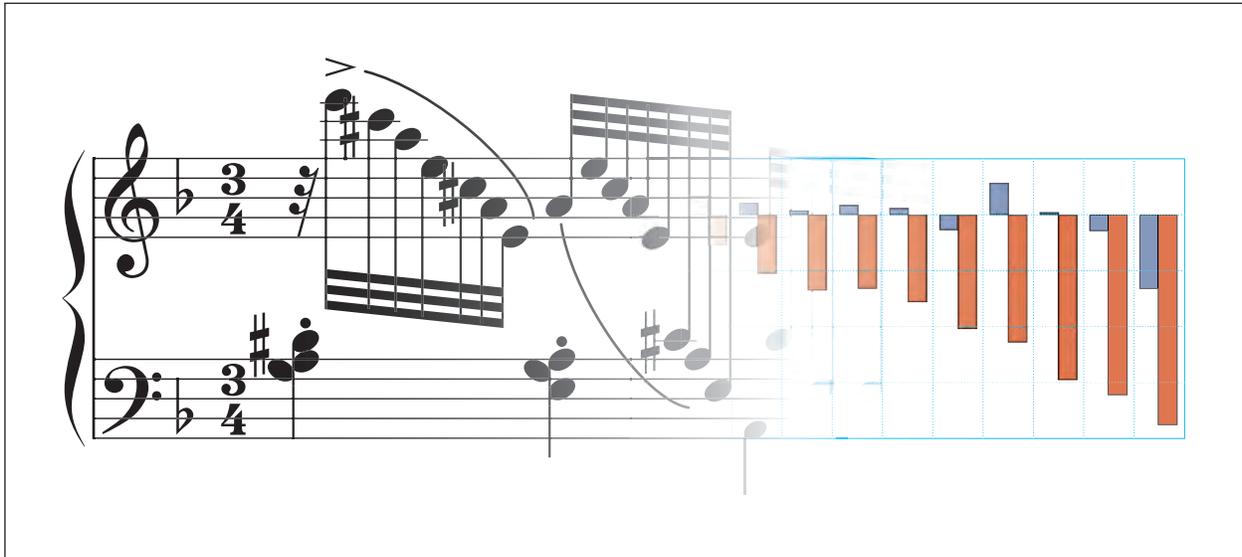


AUTOPSY OF AN ORCHESTRA



AN ANALYSIS OF FACTORS CONTRIBUTING TO THE BANKRUPTCY OF THE OAKLAND SYMPHONY ORCHESTRA ASSOCIATION

M.MELANIE BEENE, PATRICIA A. MITCHELL, AND FENTON JOHNSON, 1988

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**Autopsy of an Orchestra: An Analysis of Factors Contributing to the
Bankruptcy of the Oakland Symphony Orchestra Association**

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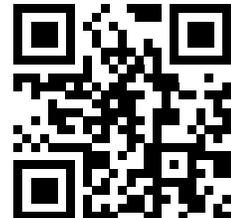
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NEW PREFACE

Picking up the *Autopsy of an Orchestra* again after 25 years I am flooded with memories. First, what a unique and enormous research privilege it was to be in the position to do such a study. And second, how very hard Patricia Mitchell, Fenton Johnson, and I worked to make the study as fair and useful as possible.

When we unlocked the door and entered the abandoned Symphony offices months after the 1986 bankruptcy there was still food in the refrigerator, stacks of unopened mail (some with checks) on the desk, and unretrieved messages on the answering machine, the most poignant of which was: "The Symphony died because Calvin died." (Calvin Simmons, the dynamic young black music director, died in a mysterious boating accident.) There were even press releases left in the typewriter saying everything was okay.

One concern the research team had was that no one would speak to us candidly. The reality was, in fact, completely the opposite. We couldn't get interviewees to stop talking, to the extent that at one point we realized we were doing a form of grief counseling. When a fifty-four-year old institution ceases operation it is a kind of community death that is mourned even by those who didn't actively participate. For others who had been intimately involved with the organization for the better part of their lives as youth orchestra players, chorus members, community volunteers (at one time all the subscriptions were sold by the women's guild), musicians, staff, and board, their daily lives were reordered by the loss. I am happy to say this loss had been healed by the staying power of the successor Oakland East Bay Symphony under the talented leadership of its long-time Music Director, Michael Moore.

Across the time since its initial publication and distribution by the original six funders, *Autopsy of an Orchestra* has continued to be requested and discussed and taught in university courses on arts management. Because of this continued interest and because the study was not available online, I am most appreciative that Grantmakers in the Arts will give it a longer shelf life and wider distribution by making a digital edition available on their website. And my thanks to Tommer Peterson, Steve Cline, and Warren Wilkins for creating something readable out of dead floppy disks!

Melanie Beene
October 2012
San Francisco, California

REFLECTIONS ON AUTOPSY OF AN ORCHESTRA

Sarah Lutman

Being the “experienced” respondent to *Autopsy of an Orchestra* might have made me feel a lot older if were not for the fact that the report reads like something written yesterday. Although the report has a distinctly twentieth-century look and feel in its nondigital, no-hyperlinks format, the compound issues the Oakland Symphony faced in the 1980s resonate clearly for twenty-first-century orchestras. As is the case in so many instances, we have unearthed a historical document only to find that it is about ourselves.

The symphony’s successes mirror the liveliness of today’s music scene: a lauded performance standard appreciated by audiences and critics; the courage to program adventurously and distinctively; a host of creative engagement activities for youth and families; a civic role as community builder and downtown magnet; and deep concern for the working conditions, opportunities, and wages of talented musicians.

Unfortunately the symphony’s looming problems also are all too familiar: a recurring cycle of debt and accumulated deficits; an unaffordable venue; the decision to deplete endowment dollars to meet operating costs; a declining downtown audience whose preferences were rapidly changing; and accelerated expansion built around a high-cost structure with no early promise of new revenue.

The report is clear: the symphony’s bankruptcy had no single cause. Melanie Beene and colleagues scrutinize equally the symphony’s multiple factions from management to board, funders, and musicians. I reread the report while thinking “if only” — but there are far too many “if onlys” identified to suggest any single linchpin. The orchestra was a breeder reactor, a buzzing hive of difficulties whose meltdown no one move could have prevented.

For grantmakers the demise of the Oakland Symphony offers lessons aplenty, starting with the wisdom of granting permission to organizations to spend endowment funds on operating expenses. I understand the inclination of its funders to permit the symphony’s own board to make that call. But sometimes, it is also OK to say no. It just might force leaders to take action, and in a good way. Interventions can work when they are conducted with the long-term interests of the organization at their core, and when they come from a place of support and not punishment. It is surprising how seldom individual grantmakers use intervention as a tool, or join together to do so in order to protect and advance key community assets.

There are many signs of rebirth in the orchestra field; nearly every orchestra is finding new ways to reach and serve community, with success. New musical organizations also are being born with radically different approaches to both performance and engagement. Many of these are being formed by musicians who themselves want a different relationship to community and a different cost structure from what is the norm in symphony orchestras. And yet, the difficulties faced by the Oakland Symphony in the 1980s, though carefully studied by Melanie Beene and Associates in *Autopsy*, are less sufficiently remembered by the cultural sector. We ignore the report’s findings and lessons at our peril.

Sarah Lutman served as president and managing director of the St. Paul Chamber Orchestra from 2008 to 2012. She is principal at Sarah Lutman Consulting.

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FUNDERS' PREFACE

The San Francisco-Oakland Bay Area was not alone in its sadness at the loss of our venerable Oakland Symphony. Never was John Donne's wisdom better exemplified: "Never send to know for whom the bell tolls; it tolls for thee."

Devotees of fine music throughout California and the nation shudder whenever there is news of an orchestra in financial difficulty. Throughout the arts community, and indeed throughout the independent sector, the tragic consequences of the failed nonprofit haunt us all.

Six grantmaking organizations which had enjoyed long-term relationships with the Oakland Symphony believed that there was much that could be learned from a study of the last decade in the life of that organization. We believed – and our beliefs are now confirmed – that an understanding of this institution's last years would help us as grantmakers to be of greater assistance to other arts organizations. We were also certain that we might find in such a study clear direction for self improvement of the role we like to play as silent partners in the advancement of such institutions.

There were not many surprises in this study. Yet, never before, that any of us know, has there been an effort to recount in such detail a story like that of the Oakland Symphony. The consultants have made a serious effort to capture the compelling story of the Oakland Symphony in sufficient detail to enable volunteers and professionals elsewhere to identify operational patterns which recur throughout the nonprofit sector and in their organizations specifically. It is intended that this study be a working document, a management tool, and an instrument of knowledge which can be generalized broadly.

The Oakland Symphony, like other organizations we know, was staffed and supported by people of good intentions and great commitment. Mistake or failure by any specific individual affiliated with the Oakland Symphony is irrelevant to the purpose of this study; mistake or failure of all of us under circumstances which might bear some similarity to those of the Oakland Symphony is the issue.

The six funders of this study represent a diverse cross section: a community foundation (The San Francisco Foundation), a public agency (the California Arts Council), two corporate foundations (Mervyn's and Wells Fargo Bank), and two private foundations (the James Irvine Foundation and the Walter & Elise Haas Fund). This representative sample of the grantmaking community underscores our hope for the general utility of this study.

FOREWORD

Autopsy of an Orchestra: An Analysis of Factors Contributing to the Bankruptcy of the Oakland Symphony Orchestra Association was commissioned by a consortium of six corporate, foundation, and state funding agencies. Following a competitive review process in response to the funders' request for proposals, a contract was awarded to Melanie Beene and Associates in May 1987. The funding consortium consisted of the following agencies: California Arts Council, Walter and Elise Haas Fund, James Irvine Foundation, Mervyn's Stores, The San Francisco Foundation, and Wells Fargo Foundation.

As delineated by the funders, the objective of the study was to provide a detailed analysis of the issues surrounding the dissolution of the Oakland Symphony Orchestra Association that would be informative to the general field of nonprofit organizations. The funders requested a publishable document for public dissemination. The scope of the study was to be retrospective only, focusing on the last ten years of the fifty-three-year-old organization. In some cases, however, relevant factors were traced as far back as twenty years.

The study methodology included in-depth interviews with over seventy individuals (listed in Appendix B); review of all available audits, financial statements, board minutes, annual reports, labor contracts, long-range plans, audience surveys, marketing and fundraising reports and materials, and other internal documents. Due to the incompleteness of available reports much of the Symphony's multi-year comparative data was compiled by the study team. In addition to census data, the Chamber of Commerce, and the Association of Bay Area Governments were consulted to generate information on demographic and economic trends. The American Symphony Orchestra League's comparative statistical data was used to generate comparisons with the national averages for other regional orchestras.

All facts and interpretations presented herein are the sole responsibility of the consulting team and in no way reflect those of the participating funders.

1 INTRODUCTION

In 1983 an Oakland Symphony Orchestra Association board member addressed his colleagues saying, “I think the whole thing [the Association’s financial plight] is an enigma, a dilemma. I keep coming because I’m so fascinated. I really believe there are many things that have no solutions. . . . When you put all the human elements into a situation such as this, and this has got all the classic ones, there probably isn’t any clear solution. So it becomes a matter of degree and how you can stagger your way out of it.”

Many nonprofit organizations have faced and survived the problems experienced by the Oakland Symphony Orchestra Association. As that perceptive board member pointed out, the determining factor in the Oakland Symphony’s case was the matter of their degree. The magnitude of the organization’s problems was large; the Association’s approach to many critical issues begat larger problems, until at last the Association was not able to “stagger its way out.”

The Symphony’s situation as a relatively large arts institution performing in a secondary market was especially difficult, but none of the issues faced by the Oakland Symphony was unique, nor were any of the mistakes it made in dealing with them. The many issues involved in the bankruptcy of a fifty-three-year-old institution are cumulative and interrelated. No single individual, group, event, or issue is responsible for the demise of the Oakland Symphony. A complex combination of factors, both internal and external, affected the evolution of the organization over time. These factors are discussed in detail in the following report. The study begins with a brief history which provides background information. The sections that follow include: Artistic Product, Audience, Facilities, Planning, Marketing, Fundraising, Finance, Labor Relations, Administration, Board, The Final Days, and Study Implications for Nonprofit Organizations and their Funders. The Final Days section offers a summary of the events of the Symphony’s last months that led to the filing for liquidation under Chapter 7 of the Federal Bankruptcy Code. The concluding section summarizes some of the implications of this study and raises issues for consideration by funders and nonprofit institutions. A chronology of events, a listing of persons interviewed, a listing of tables, and a map of the San Francisco/Oakland Bay Area are included as appendices.

Of relevance to issues in this report is the definition of “major orchestra,” as delineated in the American Symphony Orchestra League (ASOL) classification of member orchestras. Under terms approved by the orchestra managers, the ASOL defines its members according to budget size, with designations in descending order: major, regional, metropolitan, urban, and community. The Oakland Symphony was one of the largest organizations in the regional orchestra category

To place the Association’s bankruptcy in context, it must be noted that symphonies around the country are enduring hardships, most particularly those symphonies in Oakland’s budget range. According to the American Arts Alliance, in 1981-82, thirteen of thirty major orchestras posted deficits; in 1985-86, that figure rose to twenty-one. In 1981-82, one-third of regional orchestras reported deficits; in 1985-86, two-thirds of the same institutions were in the red. The study that follows should provide insight into some of the factors affecting this nationwide trend toward financial instability.

2 HISTORY

As the largest performing arts organization in the East Bay, the Oakland Symphony Orchestra Association had a distinguished history of cultural and artistic achievement. Founded in 1933 under the leadership of conductor Orley See, the Symphony presented four concerts in the lobby of the Oakland YMCA as its first season. See conducted until his death in 1957, at which time Piero Bellugi was appointed music director. In 1959 Bellugi was replaced by Gerhard Samuel, who provided artistic leadership until his resignation in 1971.

Under Samuel, the Symphony season expanded from eight to twenty-four concerts, and the organization established a national reputation for innovative programming and community involvement. In Samuel's first year he supervised the formation of the Oakland Symphony Chorus, which grew to 120 voices and performed with other Bay Area orchestras, including the San Francisco Symphony.

In 1964 Samuel oversaw the creation of the Oakland Symphony Youth Orchestra, one of the Oakland Symphony's most successful ventures. Composed of seventy-five teenaged players, it made five commercial recordings and toured internationally, winning the Silver Medal at the Herbert von Karajan Festival in Berlin. It performed in schools and for community organizations, and regularly commissioned and premiered works – projects it financed through volunteer activities. In 1976 it became the first youth orchestra to win an ASCAP (American Society of Composers, Authors, and Publishers) Award for services to contemporary music, an honor the Youth Orchestra later repeated twice.

In 1966 the Ford Foundation undertook a national program of matching grants to selected cultural institutions, with the aim of enabling them to achieve long-term financial stability through the building of a substantial endowment fund. The Oakland Symphony was one of sixty-one American orchestras selected, and received \$1.35 million, the largest grant available to orchestras of its size.

In 1971 Harold Farberman replaced Samuel as music director. Under Farberman the annual subscription series grew from twenty-four to thirty-three concerts. The Symphony introduced its Pops Series and mounted a program of concerts directed at young people, with educational programs in schools. The Symphony also undertook free concerts in public places and campaigns to reach out to diverse ethnic populations. The latter included sponsoring the Minority Orchestral Fellowship Program, that offered young string players from nonwhite backgrounds the opportunity to play one year with a professional orchestra. The Symphony won its first ASCAP Award for Adventurous Programming in 1977.

In 1972 the Association acquired and renovated the 2,998-seat Paramount Theatre in downtown Oakland. An art deco masterpiece later declared a National Historic Landmark, the Paramount acted as a drawing card in itself. Following its opening, the Association sold nearly all its house on subscription, and sold out the majority of its individual concerts.

But even with the house full, the Paramount proved a financial burden. In addition, the Association financed the renovation costs with a \$1 million loan. In 1975, rather than continue absorbing the Paramount's operating losses, the Association transferred the theater to the City of Oakland for \$1, in exchange for forty years free rent. To payoff the remaining renovation loan, the Board converted its Ford Foundation grant funds earmarked for endowment into operating funds. Later it began to invade its Ford matching funds, a step repeated across the next decade until the Symphony endowment was exhausted.

When Farberman resigned at the end of the 1978-79 season, conductor Calvin Simmons was appointed to take his place. Simmons had already served as guest conductor with a number of the world's leading orchestras, and was the first recipient of the Leopold Stokowski Conducting Award. As a black conductor his presence enhanced the Symphony's prestige among Oakland's growing minority population. Simmons also added to the Symphony's reputation

nationally, as his career as guest conductor with other orchestras and opera companies was on a meteoric rise. His presence was surely a significant factor in the institution's increasingly successful pursuit of foundation, state, and national grant monies. Under his baton the Symphony won the second of its ASCAP Awards for Adventurous Programming in 1981.

Simmons's untimely death in 1982 left the organization with a leadership void at an extremely difficult point in its history. Debts were mounting, while attendance figures remained essentially stable. Leonard Slatkin, conductor of the St. Louis Symphony, stepped in as artistic consultant for the year between Simmons's death and the appointment of his replacement Richard Buckley, who assumed leadership in 1983.

Under Buckley the Symphony continued expanding its season offerings. The Symphony received favorable reviews, though its subscription sales stayed flat and single ticket sales were in decline. In 1985-86 the musicians went on strike, leading to the cancellation of the season's October opening. The strike was not resolved until well into November. Its settlement included significant increases in orchestra services and player earnings.

At the same time, the board was undergoing a radical and controversial reorganization that alienated some long-time supporters and left board structure chaotic. In spring 1986, the Symphony announced expansion to its largest season ever, with services added to its existing programs at Moraga's Rheem Theater and Berkeley's Zellerbach Hall. It also announced its decision to shift its main subscription series to its former home, the Oakland Auditorium theater, now known as the Calvin Simmons Theatre.

A month after announcing that expansion, management cut that season almost in half, citing financial crisis. A season cutback of that magnitude required player concessions on the contract signed less than eight months earlier. But management and players were unable to reach a compromise: on August 8, players filed an Unfair Labor Practices complaint with the National Labor Relations Board; on August 21, management filed for reorganization under Chapter 11 of the Federal Bankruptcy Code. On Friday September 12, musicians' representatives and the management/board negotiating team held their only meeting to negotiate the issues. With the musicians unwilling to accept management's position, representatives of the Association board voted to file for liquidation of the Oakland Symphony Orchestra Association under Chapter 7 of the Federal Bankruptcy Code.

Despite the financial and management difficulties of its later years, the Oakland Symphony was for over half a century a significant cultural force in the state and the region. In its earlier years, critics applauded its adventurous programming; the quality of its musicianship received frequent acclaim. Its elementary school outreach/education program reached over 20,000 children annually in Alameda and Contra Costa Counties; many of those children came from minority and/or disadvantaged backgrounds. The Symphony was praised for its minority services, including its Festival of Black Music and its Minority Fellowship Program. The Oakland Symphony Youth Orchestra and the Symphony Chorus drew praise for the quality of their work and for the models they established for other institutions.

Various entities of the Oakland Symphony Orchestra Association survive, including the Youth Orchestra, the Chorus, and its volunteer auxiliary the Oakland Symphony League, now separately incorporated. The musicians have also incorporated, retaining the Oakland Symphony name. They have mounted several benefit concerts, and are trying to revive and restructure an orchestra in Oakland.

3 ARTISTIC PRODUCT

Overview

The role of the artistic product in the demise of the Oakland Symphony involves four issues: quality; quantity of programming; definition of artistic focus and “niche”; and competition with the San Francisco Symphony, most particularly after the 1980 opening of Davies Symphony Hall.

Quality of performance *per se* did not contribute to the orchestra’s demise. Surveys indicate that the Oakland Symphony subscribers were generally pleased with the quality of what they heard. Critics’ reviews, while varying in specifics from concert to concert and from music director to music director, express general approval of the quality of the orchestra’s playing.

While quality of the artistic product did not contribute significantly to the Symphony’s downfall, quantity of product did. The number of concerts increased far beyond the public’s demonstrated ability to absorb them, and the packaging and repackaging of the concerts into a confusing array of series served to cloud the orchestra’s artistic purpose and identity.

The lack of clear institutional identity and purpose which affected the Oakland Symphony as a whole was reflected in the orchestra’s artistic programming. A study of season programs and critical reviews, as well as personal interviews, leads to the conclusion that the Oakland Symphony lost its programming niche and its distinct artistic mission after the departure of Gerhard Samuel in 1971. Under Harold Farberman, the shift away from the contemporary music focus of the Samuel years to a more standard programming of traditional symphonic classics blurred the distinction between the Oakland Symphony and the San Francisco Symphony. The subsequent tenures of Calvin Simmons and Richard Buckley were arguably too short to reestablish a unique artistic niche for the Oakland orchestra, but there were no radical departures from the standard repertoire under either conductor.

Coupled with the shift to more traditional programming, this lack of a clear identity accentuated the difficulty presented by competition with the San Francisco Symphony, a short drive away. For the Oakland Symphony’s loyal audience core, whether at the Paramount Theatre in Oakland or at UC-Berkeley’s Zellerbach Hall, the standard symphonic repertoire was acceptable. These were people who, for whatever reasons of economics, demographics, or community dynamics, preferred staying in Oakland to crossing the Bay Bridge to hear what “the competition” was doing. The Oakland Symphony’s difficulty was that there were not enough of these people to support the amount of programming it was generating. And the potential audience that did exist beyond the Oakland city center (in Alameda and Contra Costa Counties) was not attracted to Oakland in sufficient numbers to support the Association’s additional concerts. That audience beyond the East Bay’s Caldicott Tunnel, already on the freeway, found it easy enough to continue a few minutes farther for a San Francisco Symphony performance. With respect to its long-standing, loyal (and too small) audience, the Oakland Symphony was not in competition with San Francisco; in the eyes of its potential audience, it probably was.

Quality

The issue of quality divides into two separate issues: the quality of the musical leadership of the orchestra, and the quality of the actual performances.

The time frame of this study (1976-86) encompasses the work of three music directors: Harold Farberman, Calvin Simmons, and Richard Buckley. The quality of musical leadership was most at issue during Farberman’s tenure, with both critical and public opinion divided on the question. A February 1977, consultant’s report states to the Oakland Symphony board, “There is no way of eluding the central fact that the Board, audience and community have widely differing views of the work of the music director [Farberman] and the programming of the Oakland Symphony Orchestra.”

Throughout his tenure Farberman had a difficult relationship with the members of the orchestra, as interviews with musicians and critics reveal. When in 1977 his contract was up for renewal, the Players Committee of the orchestra wrote to the board president noting “a profound dissatisfaction” with the conductor’s work, with 66% of the musicians indicating they did not think his contract should be renewed. (The board renewed Farberman’s contract despite the players’ dissatisfaction.)

Open to question is the issue of how much this dissatisfaction was based on purely musical criteria, and how much it derived from Farberman’s lack of diplomacy and tact in dealing with the orchestra. Some players interviewed indicated privately that Farberman was not an inadequate conductor, and he received his share of good reviews over the years. Still, his continued tenure as music director was a major divisive issue among the players, as well as the board. Their displeasure found its way into the press, and the perception of Farberman as a less-than-high-quality conductor grew. Despite this controversy, Farberman’s tenure lasted from 1971 until 1979.

The brief tenure of Calvin Simmons was a positive, optimistic period. Simmons was a conductor of great promise, who was enjoying popularity with other orchestras and opera companies, nationally and internationally. During Simmons’ first season, a *San Francisco Chronicle* review stated “Both Simmons and the orchestra are finding their way into a period of graceful maturity.” And a *San Francisco Examiner* review from the same season noted that “Calvin Simmons demonstrated that the orchestra’s development into an ensemble of some self-assurance is now quite advanced.”

Generally speaking, the Symphony maintained these standards of quality during the three seasons of Richard Buckley’s music directorship. *San Francisco Chronicle* music critic Marilyn Tucker wrote, “The Oakland Symphony is an even more mature instrument now than it was under Simmons’s direction, and the performance that Buckley conducted of *The Linz* (Mozart Symphony No. 36) was indicative of that growth.” In a review of a subsequent concert, Tucker wrote, “In twenty-five years of viewing the ups and downs of the Oakland Symphony, I have seldom heard the orchestra perform with such verve and all around excellence.” *Oakland Tribune* critic Charles Shere wrote of a performance of the Mahler Fifth Symphony under Buckley, “Tuesday night Richard Buckley and the Oakland Symphony took on the Fifth, and the results were often impressive.”

An exception to this generally positive critical stance was Richard Pontziou of the *San Francisco Examiner*, who wrote a review of the May 13, 1986 concert that was extremely critical of Buckley’s leadership of the orchestra. But even in this negative review, the overall quality of the orchestra was not at issue. Pontziou wrote that “the Oakland Symphony has proven on innumerable occasions that it is a fine orchestra. Not every player is as gifted as the next, but taken as a whole, the orchestra is an impressive musical instrument.”

In general, the Symphony’s audiences pronounced themselves satisfied with the work of the orchestra. In an audience survey conducted in 1983, 79% of respondents found the quality of the musicians’ performance to be “Excellent” or “Very Good.” The ambience of the Paramount Theatre was judged to be “Excellent” or “Very Good” by 79%, and the theater’s acoustics (before the installation of the shell) were similarly rated by 69% of those surveyed. When asked what they liked best about the Oakland Symphony, 29% named music performance, 15% programming, and 12% quality of musicians. Thus, 56% of comments were music-related. Thirty-eight per cent of respondents listed comments relating to the location/theater; 5% named price; 7% named “local pride.”

The issues of price and convenience assume greater importance when the Oakland Symphony is viewed in relation to the San Francisco Symphony. When asked what they found to be advantages of the Oakland Symphony over the San Francisco Symphony, convenience and location were mentioned by 74% of respondents, musical reasons were given by 22%, and reasonable cost was important to 19%. When asked to name the disadvantages of the Oakland Symphony versus the San Francisco Symphony, 25% of respondents cited musical reasons, 14% said there were no disadvantages, and 45% made no comment.

It appears, then, that the Oakland Symphony's audience was generally satisfied with the quality of the Symphony's performances. In an October 1983 endowment campaign feasibility study, the Oakland community seconded that vote of confidence. Based on fifty interviews with community leaders and a confidential questionnaire distributed to all board and staff, the report states as a principal finding that "the artistic quality of the Symphony is considered to be high. It receives both local and national recognition as an important regional symphony."

Quantity of Programming

The Oakland Symphony's principal telemarketing consultant remarked in an interview that "there was too much product for the classical concerts audience – too many seats, too many musicians, too many concerts." A review of the Symphony's programs from the first season in the Paramount Theatre (1973-74) through the announced-but-cancelled 1986-87 season shows the expansionist pattern that the organization was pursuing. During that period the orchestra more than doubled its mainstream concert performances (including subscription concerts, pops, galas, and other special, full orchestra concerts during the main season). Thirty-five such performances were offered in 1973-74; seventy-three were projected for the 1986-87 season. A "full series" of classical subscription concerts meant attending nine concerts in 1973; by 1984, a full series consisted of twelve concerts, an increase of 33%. This expansion of supply was going on in the face of no increase in demand in the marketplace. The Oakland Symphony was offering performance opportunities at an ever-increasing rate, greater than could be absorbed by the existing audience.

In addition to increasing the number of basic subscription "sets," the Symphony expanded its program through the addition of special events and new series, and by performing in other venues. In 1976-77, the orchestra presented Lazar Berman in a solo recital. This began a pattern of scheduling one or two special event concerts or recitals, usually billed as "benefit concerts." Major artists, including Marilyn Horne, Leontyne Price, Itzhak Perlman and others were presented in this way. Beginning in 1979, runout concerts (performances away from the immediate vicinity, but not requiring overnight travel) were scheduled regularly in communities such as Hayward, Santa Cruz, Stockton, and Davis. In 1979, a concert for young people called Wee Pals was first scheduled. The series expanded to three Young People's Concerts, in 1983, and in 1984 became Musical Galaxy, billed as "family entertainment."

In 1980, a series called Upbeat was added – a low-priced series of six dress rehearsals of the subscription concerts, accompanied by lectures. A new Favorite Classics Series was begun in 1982.

In 1983, geographical expansion took place as well, with the creation of the Rheem Series at the Rheem Valley Theater in Moraga. This series, which began with three concerts and grew to five in 1985 (and was scheduled to grow to two series of five in 1986-87), attracted near-capacity audiences, though the capacity of the hall was only 942. In 1984, the Symphony undertook a series of "regionalization concerts," with one performance each in Walnut Creek, Pittsburgh, Pleasanton, and Crockett. These concerts were unsuccessful at the box office and were not repeated.

The amount of programming produced by the Oakland Symphony was one of its major problems throughout the ten years leading to its closing. This expansionist pattern required more staff time, effort, money, and audience, than it was possible for the orchestra to generate. Individual new activities were good ideas, but in the aggregate they contributed to the Symphony's undoing.

Artistic Focus and Niche

In *Musical America* (July 1982), critic Paul Hertelendy wrote, "Introducing pieces by Penderecki, Lutoslawski, Berio, Varese, Milhaud, Henze, and Stockhausen to the area, the Oakland Symphony attracted national attention in the 1960s with its adventurous programming under [Gerhard] Samuel. The daring repertoire overshadowed the conservative programming of the nearby (and far bigger) San Francisco Symphony." Writing in *San Francisco Focus* (November 1986), critic Allan Ulrich said, "In the 1960s, the orchestra filled a unique niche in Bay Area cultural life. While the San Francisco Symphony suffered through the lackluster regime of Enrique Jorda in the late 1950s, and then the reconstructive surgery of Josef Krips. . . Gerhard Samuel was igniting the East Bay sky with ruggedly individualistic programming ... The Oakland Symphony was a very special phenomenon."

This view of the regime of Gerhard Samuel as a time of a distinct artistic identity for the Oakland Symphony is one held virtually universally by critics, musicians, board members, and others interviewed in this study. (Opinions differ as to the marketability of Samuel's programming, had it been continued.) That Samuel focused on contemporary music of international stature – and that this focus was blurred in ensuing years – is borne out by a review of concert programs of the period.

In the 1969-70 season the orchestra offered five West Coast premieres and three world premieres, including one commissioned work. In this eight-*concert* season, all but one of the programs contained a premiere. By contrast, during the eight years under the direction of Harold Farberman, the orchestra presented a total of five West Coast premieres and seven world premieres.

During Calvin Simmons's brief tenure, the orchestra offered the West Coast premiere of a Michael Tippett symphony, and a single newly commissioned work in each of the 1980-81, 1981-82, and 1982-83 seasons. During the four seasons under Richard Buckley (including the 1986-87 season which had been announced but did not take place), the repertoire included five West Coast premieres and three world-premieres.

Of course, the number of premieres is only one measure of a symphony's attention to contemporary music. Simmons particularly (and to a lesser extent, Buckley) programmed a number of non-standard, newer works which were not area premieres. Still, it is clear that during the Samuel era the Oakland Symphony had a distinctive identity, and presented a product significantly different from that offered by the San Francisco Symphony. It is equally clear that this distinct identity was lost in later years. As critic Robert Commanday wrote in the *San Francisco Chronicle*, "So it was possible that in the glory days of the Oakland Symphony when it was playing imaginatively programmed concerts under Gerhard Samuel. . . it produced at times more exciting and live music than the symphony playing in the Opera House across the Bay."

Performing as it did in a secondary market, it was even more incumbent upon the Oakland Symphony to distinguish itself in some clear way from its competition. A number of possible options suggest themselves – e.g., a concentration on California composers, or on composers and artists of particular ethnic background, or a chamber orchestra, or a pops orchestra. While a sprinkling of these and other programming alternatives can be found in the final seasons of the Oakland Symphony, music directors after Samuel never concentrated on any single one, that might have provided a new, clear programming niche.

Effect of the San Francisco Symphony

The presence of the San Francisco Symphony, particularly after the opening of Davies Hall, has been cited by many as a major factor in the demise of the Oakland Symphony. Certainly, the full-time major symphony across the Bay was a factor in the life of the Oakland Symphony. The musicians compared themselves in salary and prestige to their San Francisco counterparts, a contrast that served to fuel the Oakland players' contract demands. In evaluating the position and performance of the Oakland orchestra, critics speak of its "glory days" under Gerhard Samuel, when it was most different from the San Francisco Symphony. The shift toward more conservative programming which occurred in the last fifteen years of the orchestra's life undoubtedly put the Oakland Symphony in a position to be more closely compared to the San Francisco Symphony – but it is important to realize that this is because Oakland changed, not because San Francisco did. As a major "unfavorable factor" (for a successful endowment campaign) the endowment feasibility report noted that "the Oakland Symphony tends to be compared unfavorably with the neighboring San Francisco Symphony, even though this comparison is not an appropriate measure for the Symphony's function within its own community." Instead of seeking an artistic identity distinct from its San Francisco counterpart, the Oakland Symphony gradually edged toward similarity (and therefore direct comparison), as it shifted more toward the same standard symphonic repertoire favored by San Francisco. In a research report, Oakland was found wanting. The research conducted as part of the Orchestral Task Force Report for Oakland Mayor Lionel Wilson showed that respondents ranked the Oakland Symphony second best, after the San Francisco Symphony, in quality and professional caliber.

As has been shown, the Oakland Symphony subscribers were motivated in their attendance partly from musical/artistic reasons, but they were also motivated strongly by factors of convenience and price. The larger, potential audiences of the East Bay, particularly those in Contra Costa County, apparently did not find the Paramount Theatre particularly convenient, nor did they concern themselves particularly with price. For this larger East Bay market, the Oakland Symphony was competing with San Francisco and not always winning. In 1985, the San Francisco Symphony drew 21% of its subscribers from Alameda and Contra Costa Counties. In actual numbers, the San Francisco Symphony had more East Bay subscribers to its Davies Hall series than the Oakland Symphony had to its classical series at the Paramount.

One management leader charged that the opening of Davies made it impossible for Oakland to contract “top name stars” as its soloists, because the San Francisco Symphony’s “exclusivity clause” in its guest artist contract prevented these artists from appearing with the Oakland Symphony. In turn he claimed this affected the Oakland Symphony audience and its perception of the quality of the Oakland ensemble.

The facts do not bear out this assertion. A review of concert soloists from 1973 onward reveals no marked decline in luster beginning in 1980. In that season, the Oakland Symphony presented such noted soloists as Jean-Philippe Collard, Leontyne Price, Claudio Arrau, Jessye Norman, and Itzhak Perlman. In subsequent years, soloists included Barry Tuckwell, Andre Watts, Jeffrey Kahane, Janos Starker, Alicia de Larrocha, Richard Stoltzman, Mischa Dicter, Bella Davidovich, Marilyn Horne, Alexis Weissenberg, and Eugene Istomin.

The San Francisco Symphony’s “exclusivity clause” provides that there shall be no engagement or announcement of engagement until ninety days after the artist’s San Francisco Symphony engagement, within a sixty-mile radius of Davies Symphony Hall. This policy has been in effect since before the hall opened. The new hall did not change the availability of leading stars to Oakland. As one San Francisco staff member put it, “There were plenty of times when Oakland got there first.” (It should be noted that virtually all orchestras have exclusivity clauses, as did the Oakland Symphony itself.)

The opening of Davies Symphony Hall did increase the number of symphony concerts San Francisco presented, from eighty to ninety-one. Total audience capacity increased by about 7%, or 18,573 seats, in the new hall. The fact that San Francisco could now open its season in September, rather than late November, did increase the season overlap between the two orchestras, but the seasons had always run concurrently in the November-May period. There is no evidence that Oakland’s audience declined significantly after the 1980 opening of Davies Hall, nor that the opening of Davies suddenly siphoned audience away from the Oakland Symphony.

All this is not to suggest that the presence and growing strength of the San Francisco Symphony was not a powerful factor affecting the Oakland Symphony – it clearly was. As the “second symphony” in a secondary market, it was vital that the Oakland Symphony be perceived as having something to offer that was clearly different from the product offered by its San Francisco neighbor. Oakland needed to contrast, not compare itself to San Francisco. That the Oakland Symphony was not able to meet this challenge in a creative, imaginative way through careful delineation of its own programming identity was more an internal than external problem.

4 AUDIENCE

Overview

The unique product that symphony orchestras offer is the performance of live symphonic music, an experience distinct from listening alone in one's home via electronic recording. This "symphony product" requires an audience almost by definition. A central question raised by this study is whether an audience exists in the East Bay for live symphonic music. What follows is a demographic analysis of East Bay residents as a potential arts audience.

An analysis of the Oakland Symphony's audience indicates that after its peak during the second season at the Paramount Theatre (1974-75), it decreased both in size and in audience "reach," a measure of the percentage of total East Bay residents attending. The geographic distribution of Oakland's audience shifted during that same time. Attendance from neighboring communities (in the East and North Bay) grew, but not in sufficient numbers to compensate for the audience decline closer to home (in Oakland, Piedmont, and Alameda). The Symphony was not successful in reaching its potential audience, i.e., those East Bay residents whose demographic profile matches that of the typical symphony concert attender. That this was in part a failure of marketing and planning is clear. Other factors more difficult to measure contributed to the Symphony's inability to penetrate its potential audience, including non-residents' perception of Oakland as a place to go for entertainment, and the effects of competition from the San Francisco Symphony.

Audience Profile

Whether local or national in scope, whether for a single arts organization or a community, virtually all audience research conducted for the performing arts in this country produces the same basic profile of the audience for the traditional performing arts. The arts attender is older, wealthier, better educated, and more likely to be Caucasian and employed in a white-collar profession than the general population. *Waiting in the Wings*, a 1987 book on audience development for the arts by Bradley G. Morison and Julie Gordon Dagleish, quotes a 1982 report by the Center for Public Policy commissioned by the National Endowment for the Arts (NEA). After reviewing 270 audience studies carried out by performing arts institutions nationwide, the report concluded that "the culture-consuming public is more educated, has higher incomes, and has higher status jobs than the general public. We could find no evidence that audiences were becoming more democratic." After examining other surveys, Morison and Dagleish wrote that "demographically, arts audiences are almost exactly the same as they have always been: far above the national average in education, income, and proportion of professional and managerial occupations."

The 1987 Orchestral Task Force Report prepared for Oakland Mayor Lionel J. Wilson included demographic research profiling Oakland Symphony attenders (both subscribers and single ticket buyers) as follows: 53.7% female; 67.1% fifty years or older; 81.3% college graduates, including 51.6% with post-graduate work; 48.7% with household incomes of \$50,000 or more; racially segmented as 93% Caucasian, 3.2% Asian, and 1.3% black.

This profile is consistent with other audience research, in the Bay Area and nationally. The Bay Area Entertainment Study commissioned by Performing Arts Services in June 1984 shows a similar profile in some respects (though considerably younger, as the sample included movie goers): 76.5% college graduates, including 49% post-graduates; median income 60% above the median income for the Bay Area (1980 census); a racial mix of 92% Caucasian, 4% Asian, 1% Hispanic, and 1% black.

A recent survey of subscriber/donors for a major San Francisco performing arts organization draws a similar profile: average age 53 years; 75% employed in white-collar jobs; 19% retired; 83% college graduates, including 48% post-graduates; median income of \$63,000.

As regrettable as these statistics may be to those in the arts working to broaden the profile of the arts attender, the fact remains that to gauge audience potential, performing arts institutions must look first for their audience base within this upscale demographic segment.

Audience Potential

Was there unrealized audience potential in Oakland's audience orbit? The answer to this key question is yes, if one considers Alameda and Contra Costa Counties as the Symphony's primary market area.

The City of Oakland itself is a difficult arts market with respect to upscale demographic factors. Between 1970 and 1980, the population of the city declined 6.1%, while its nonwhite population increased from 40.9% to 56.0% of the city. In addition, median income declined 7.4% (after adjustment for inflation).

But the City of Oakland's 1980 population of 339,337 represents only 19.2% of the total population of Alameda and Contra Costa Counties. In contrast, the nearby city of Piedmont, with a population of just over 10,000, offers prime potential for the performing arts: 92.7% Caucasian; median family income over \$40,000; 59% with college or graduate degrees; 56.5% employed in professional, managerial, or administrative white collar jobs.

Considered together, Alameda and Contra Costa Counties exhibit good demographic potential as an arts market. From 1970 to 1980, the population increased 8% overall (3% in Alameda, 17.5% in Contra Costa). Median family income increased more than the increase in the Consumer Price Index – by 3.7% more in Alameda County, and 7.4% more in Contra Costa County. The percentage of persons with college or graduate degrees increased in both counties, from 14.6% to 22.3% in Alameda County and from 17.2% to 25.5% in Contra Costa County. Employment in professional/managerial/administrative white-collar categories also increased, from 17.9% to 25.5% in Alameda and from 18.4% to 28.9% in Contra Costa.¹

A 1987 demographic profile of the region prepared by a national marketing firm breaks down the area by the prime “arts market” factors – age, profession, education, and income. The report identifies 143,099 households in the two counties which possess the standard upscale arts audience characteristics – male median age over 40, top 40% in educational and professional achievement, with an “A” wealth rating. These households comprise 24.2% of total Alameda/Contra Costa County households. By comparison, just 16.4% of households in the City of San Francisco are similarly rated.

That a potential arts audience exists in the East Bay – and that the audience potential is growing – is clear. What is equally clear is that the Oakland Symphony was not successful in reaching that potential audience after its first two seasons at the Paramount. Rather than grow as the population grew, the Oakland Symphony's audience declined from its peak in 1974-75, the second season at the Paramount, to 1985-86, its last season.

Audience Reach

In *Waiting in the Wings* Morison and Dagleish define an institution's audience size as its “reach”: “the total number of different people who attend one or more of the organization's programs, performances, exhibitions, or other activities in a twelve-month period.” To determine reach, the authors add the number of subscribers, plus the number of individual single ticket buyers (the number of single tickets sold divided by the average number of times a person buys a single ticket, or “frequency”).

In 1973-74, the Oakland Symphony had 13,840 individual subscribers for its Paramount Theatre and Zellerbach Hall (UC-Berkeley) Series, of whom 93.4%, or 12,927 people, came from Alameda and Contra Costa Counties. The Symphony also sold 7,218 single tickets. Assuming a frequency of three attendances per individual attender,² and the same percentage of single sales from Alameda and Contra Costa County, this means that 15,174 different individuals from Alameda and Contra Costa Counties attended the Oakland Symphony concerts in 1973-74. This figure represents nine-tenths of one percent (.9%) of the 1970 population of the two counties.

¹ Employment and education figures are for persons 25 years and older.

² This figure may be low. The 1983 audience survey found a frequency of 4.3 times for attenders who were not season ticket holders. A frequency of between 2 and 3 is more typical for symphonies. Since no research is available from 1973, the lower and more typical figure has been used. If the figure of 4.3 attendances per single ticket holder had been used, the Symphony's reach percentages would be even lower.

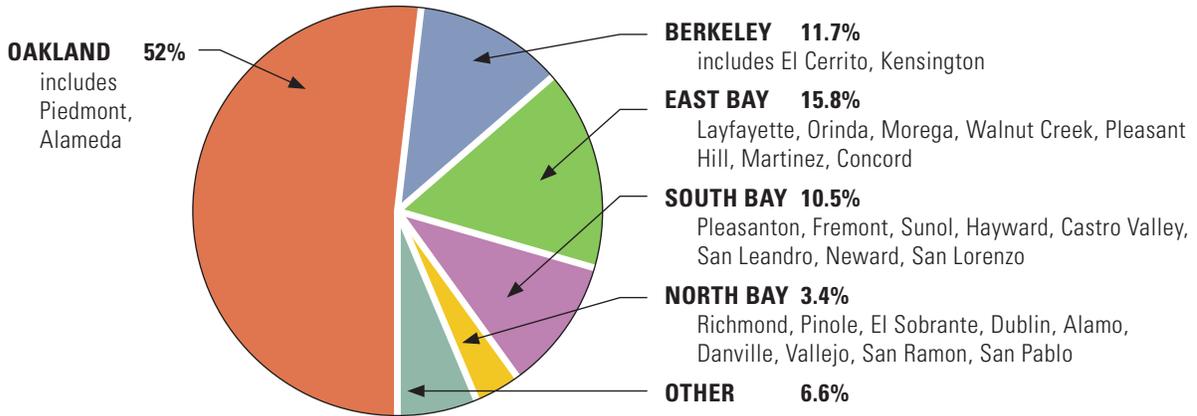
In 1985-86, the Symphony had 10,773 subscribers (to all series in all locations), of whom 8,435 people, or 78.3%, lived in Alameda or Contra Costa Counties. The Symphony sold a total of 8,574 single tickets. Again, assuming a frequency of three attendances per single ticket buyer, and the same geographic spread as that of subscribers, this means that 10,673 people attended concerts in 1985-86. This figure represents six-tenths of one percent (.6%) of the two-county population. Therefore, the Symphony's audience was declining both in actual numbers, and as a percentage of its Alameda/Contra Costa County potential audience. As noted earlier, the number of people matching the demographic profile of a symphony attender was growing.

A "reach" percentage of .6% is far below the average for symphonies or other arts organizations. Morison and Dagleish identify a reach of between one and two percent of the total population as "the norm for larger institutions," citing a number of examples, including the Tucson Symphony (1.6%) and the St. Paul Chamber Orchestra (1%). In 1985-86, the San Francisco Symphony's reach in the City of San Francisco was 1.52%.

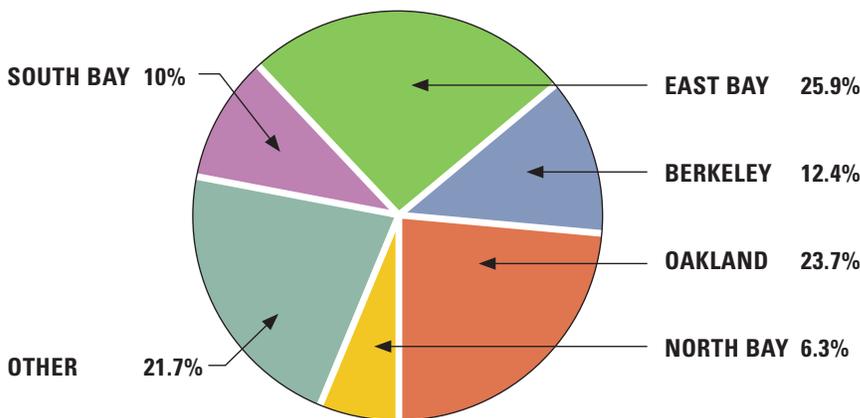
The Oakland Symphony's reach declined as the distance to downtown Oakland increased, but even in their home base, where their audience draw was strongest, the Symphony's penetration was below the norm for similar institutions. In 1985-86, the Symphony sold subscriptions to 7.4% of the demographically top-rated households in Oakland/Piedmont/Emeryville; this constitutes 1.3% of total households. By way of comparison, the San Francisco Symphony

TABLE 4.1 GEOGRAPHICAL DISTRIBUTION OF SALES

1973-74



1985-86



Note: Records compiled by subscriber zip codes. 1985-86 uses same groupings as 1973-74.

in 1985-86 reached 14.4% of top-rated households (2.4% of total households) in its primary target area of the City of San Francisco.

In more distant zip codes, the Oakland Symphony's penetration in 1985-86 was still lower. In Walnut Creek, the Symphony reached 1.3% of top-rated households – .2% of total households. In Concord, the Symphony reached 2.2% of top-rated households – .4% of total households.

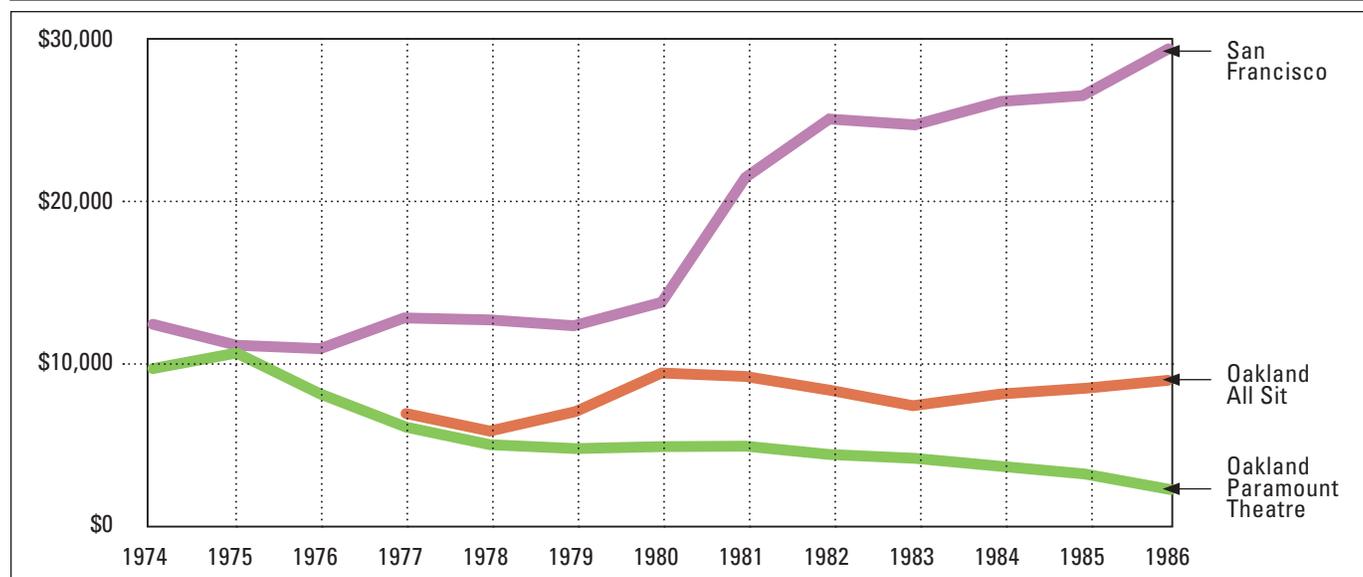
The geographic distribution of Oakland Symphony subscribers shifted significantly from 1973-74 to 1985-86, as illustrated in **Table 4.1: Geographical Distribution of Sales**. In 1973, 52% of the Symphony's subscriber base lived in Oakland, Piedmont, and Alameda. By 1985, this percentage had fallen to 23.7%. (Total subscriptions fell as well, from 2,602 orders, to 1,041 orders, a drop perhaps attributable to the satiation of initial curiosity about the Paramount Theatre.) In the same twelve-year period, Berkeley and South Bay audiences declined slightly in total numbers, but constituted about the same proportion of the total audience. Attendance from the North Bay did grow, both in number of orders and as an overall percentage of the total audience, as was the case even more markedly in the East Bay communities outside Oakland/Piedmont/Alameda.

Coupled with considerable audience potential in Alameda and Contra Costa Counties, this developing shift suggests that the Symphony's regionalization concerts, the opening of a Lafayette box office, the Rheem Theatre series in Moraga, and other attempts to expand into Alameda and Contra Costa Counties were efforts headed in the right geographical direction – but by themselves were insufficient to solve the problem. (Whether these efforts would ever have motivated audiences to come to the Paramount itself is open to question.) In total numbers, the increases in the North and East Bay could not compensate for the drop in audience in other sectors. The audience existed in the more outlying communities, but the Oakland Symphony did not succeed in attracting it to downtown Oakland. The orchestra's first attempts to "go where the audience was" were neither planned nor funded well enough to survive their developmental phase.

Audience Comparison: Oakland and San Francisco Symphonies

One of the reasons given for the bankruptcy of the Oakland Symphony is the opening of Davies Symphony Hall. The San Francisco Symphony did enjoy considerable audience growth from 1979-80, the last year in the Opera House, to 1980-81, the inaugural season in Davies. San Francisco Symphony ticket sales (subscription and single) increased from 83% of capacity to 95% of capacity between those two seasons, and subscriptions increased from 14,464 to 22,403.

TABLE 4.2 COMPARATIVE SUBSCRIPTION SALES 1974-86



However, as **Table 4.2: Comparative Subscription Sales 1974-86** illustrates, it is hard to argue that the new Davies Hall audience came at the expense of Oakland and the Paramount Theatre. The period of greatest decline in subscribers for the Oakland Symphony was from 1974-75 (the second year in the Paramount) to 1978-79, two years before Davies Hall opened. The number of subscribers fell from 11,609 to 5,630 in that period. The San Francisco Symphony was also experiencing a drop – or at least a leveling off – in audience (though much less pronounced) during those years. The data suggest that the biggest falloff in Oakland Symphony subscribers was prior to the opening of Davies Hall.

In fact, when all series at all locations are combined, the number of subscribers to the Oakland Symphony stayed fairly constant throughout the last ten years. The number of subscribers to the classical series at the Paramount declined, but the total subscribers, including classical, Zellerbach, Pops, Wee Pals, Musical Galaxy, Favorite Classics, Dress Rehearsal and Rheem Series, hovered around the 10,000 mark. The audience didn't grow; it just changed seats.

Racial Demographics and the Symphony

The racial makeup of the City of Oakland is frequently mentioned as a factor in the orchestra's lack of success in developing an audience. That the majority of Oakland's population is nonwhite may have made the marketing task within Oakland more difficult, as the traditional audience for symphonic music has been predominantly Caucasian. While the Symphony did not succeed in developing nonwhite audiences, it should also be noted that ticket sales to the typical, largely Caucasian, arts audience in the city were also in decline, and that Oakland residents represented a relatively small portion of the Symphony's total audience.

If having a large percentage of nonwhite citizens in their communities was necessarily fatal to symphony orchestras, orchestras would not exist in Birmingham (56.1% nonwhite population), Cleveland (46.1%), Baltimore (55.9%), St. Louis (46.4%), Detroit (65%), Richmond, Virginia (52.2%), or Atlanta (67.5%). For comparison, San Francisco has 40.8% nonwhite population; Oakland has 56% nonwhite (1980 census).

More difficult to gauge is the effect the demographic composition of the city (and the often-accompanying impressions about safety and desirability) may have had on the potential audience from outside the city limits. The Oakland Symphony commissioned a number of audience surveys over the years, but, like many organizations, did not conduct much in-depth analysis of the non-attending potential audience. It is logical to assume that some potential attenders stayed away because they perceived downtown Oakland as a less-than-safe place to be at night. Interviews with box office personnel substantiate this impression, though it is difficult to demonstrate statistically. Still, it is probable that this perception was a factor in the Symphony's inability to attract suburban audiences.

Considered solely from a demographic perspective, a significant potential audience for symphonic music clearly exists in the Oakland Symphony's range of penetration. Demographics alone cannot be considered the cause of the Symphony's demise. Other factors that prevented the Symphony from reaching its full audience potential – factors at least as significant as the city's demographic makeup – include ineffective marketing, unrealistic ticket sales projections, and competition, or the perception among the growing potential audiences of competition, between the Oakland and San Francisco Symphonies. The "second city" syndrome – the idea that Oakland by the fact of its being the second city was less significant – may well have created a psychological barrier that was a contributing factor in the lack of interest of some potential audience members. But an audience for symphonic music – or at least a potential audience – exists in East Bay communities.

5 FACILITIES

Background

In the early 1970s, faced with declining audiences in its home theater at the Oakland Civic Auditorium, the Oakland Symphony Orchestra Association began to investigate the potential benefits of a new performance space for the orchestra. The Association perceived the 2,002-seat Auditorium theater as unattractive, located in an unsafe neighborhood, and lacking in public amenities (lounges, adequate toilet facilities, restaurant/bar service areas, and parking). After investigating the costs of constructing a new facility, the organization chose to purchase the recently-closed Paramount Theatre, an art deco movie palace built in 1931. The building was purchased in October 1972 with the intention of creating not just a symphony hall, but a facility for all the performing arts.

The Paramount: Financing and Management

The 2,998-seat Paramount Theatre reopened on September 22, 1973, the beginning of the orchestra's Fortieth Anniversary season. The beautifully restored facility was entered on the National Register of Historic Places and in 1981 the Theatre received an award from the National Trust for Historic Preservation in recognition of its restoration accomplishment.

Board and staff had been eager to restore the building quickly because of the pressure of declining sales at the Civic Auditorium theater and the desire to take maximum advantage of the current Oakland city administration's cooperation. While they completed the restoration project under budget in nine months, they did so with a loan from a Bay Area bank, before raising the funds required to finance the project. Following completion of the renovation and the Paramount Theatre's gala opening, they found it very difficult to interest donors in contributing the needed capital funds after the fact.

The original plan had been to raise \$4 million: \$1 million for purchase, \$1 million for restoration, and \$2 million for an operating endowment. The purchase price was supplied before the capital drive began by Edgar Kaiser and Stephen Bechtel (\$250,000 each), and the building owner, National General Corporation (\$500,000). No operating endowment funds were raised. The final total contributed toward the restoration costs was \$705,000 in long-term pledges and current gifts.

In the Symphony's first years at the Paramount, audiences increased 160% over the last year at the Oakland Auditorium theater (1972-73). Revenues from ticket sales increased accordingly, but the combined Paramount and Symphony deficits were mounting. In a letter to the Cowell Foundation written more than fourteen months after the Paramount's opening, the Association requested a grant of \$1 million. That request projected operating deficits for the 1974-75 season of \$312,000 for the Symphony (apparently before fundraising) and \$206,000 for the Paramount Theatre. After enumerating the Paramount's successes the letter states, "The financial picture, however, is not bright. This expansion program was started just prior to the dramatic change in economic conditions which has affected all cultural organizations with rapidly rising costs and declining contributions. Without a major infusion of capital to take up the slack in reduced private contributions, the Paramount project will have to be abandoned." The letter states that only \$107,000 had been raised toward renovation (contradicting an earlier internal report listing current cash gifts of \$332,196) and that the "Association's painstaking fundraising plans have been disrupted by runaway inflation By January 1975, the Association will have no operating capital. Although we have reserves, they are restricted and their principal cannot be used." The board discussed closing both the Symphony and the Paramount at this time. A letter to the Oakland City Council stated that it is "obvious that the Association will not be able to keep the Paramount open under present conditions."

While runaway inflation was no doubt affecting contributions, of more critical significance was its effect on interest rates. Funds to renovate the Paramount (\$1 million) had been borrowed from a bank at the prime rate plus 1/2% on a demand note, which, if not demanded, was due on August 15, 1976.

In May 1975, in an effort to eliminate the operating deficit and the payment of \$50,000 per year in property taxes, the board voted to transfer the ownership of the Paramount to the City of Oakland, which would provide for its administration by contracting with a newly created not-for-profit organization, with the city underwriting the operating deficit. But there was still the \$1 million restoration note and the accumulated deficit. After the Paramount's transfer to the city, the Cowell Foundation grant was awarded, but in the reduced amount of \$200,000. In 1976, at the end of the ten-year Ford Foundation matching endowment program, the Association gained control of the \$1.2 million Ford funds which had been kept in a separate trust until the Association met its match and the ten-year period ended. Rather than placing this \$1.2 million in the endowment, the board placed it in the operating fund. They then used it to payoff the bank note and the existing debt.

After the transfer, when the Symphony Board no longer owned the Paramount, it still appeared unwilling to relinquish the idea of having a performing arts center. In 1976-77 the board commissioned architectural studies on the feasibility of expanding the stage of the Paramount to make it more attractive for larger scale art forms, such as opera and ballet. After considerable expense, the project was dropped.

From the inception of the Paramount restoration project, the Association treated its operation as a separate entity with its own administration and its own books. There were tensions between the two operations from the beginning, but the terms of the transfer agreement set the stage for conflicts between the two organizations that continued throughout their history.

When the transfer agreement was negotiated, the Symphony was hoping to unburden itself of the Paramount Theatre's operating losses, and was not in the strongest of bargaining positions. In retrospect, it appears that the Symphony negotiating team was not fully apprised of all the myriad details that would later crop up to create unforeseen costs.

The contract that the Association negotiated with the city allowed the organization forty years free rent in the Paramount (office and performance space) at its current level of operations in their current configuration (i.e., primarily Tuesday and Thursday evening performances). This term was arrived at by taking the amount of money put into the building by the Symphony (not the building's market value or replacement cost) and amortizing that figure at the then-current rental rates. The term that resulted was forty years. The Symphony negotiated an agreement that made no allowances for its expansion. When the Symphony, in subsequent years, expanded its season, it had to pay for the extra dates, as well as its use of the building for miscellaneous purposes, such as auditions, piano rehearsals, and photography sessions. Because most of the Symphony's equipment was also part of the transfer, when the Symphony went on runout concerts to neighboring communities it had to rent from the Paramount its previously owned music stands, chairs, and risers.

Over the years the Symphony became an uneasy tenant in what had been its own facility. The executive committee minutes of November 4, 1981 state, "Because of increasing conflict between the needs of the Symphony and those of the Paramount Theatre, Mr. Vincent suggested the Association look into the feasibility of buying back the Paramount. New tax laws could make this more appealing than in past years. The Executive Committee agreed that it should be looked into."

One area of conflict was box office operations. The transfer agreement called for the box office to be handled through the Paramount, with the Symphony retaining the right to take back subscriptions sales at its discretion. Although the Symphony chose to use the Paramount box office, it increasingly felt it was losing control over this critical part of its operation. In turn the Paramount staff had its own difficulties in dealing with the Symphony's frequent staff turnover. A less-than-ideal working relationship ensued. This conflict came to the fore in 1985 when the Symphony attempted to book Saturday night performances for the 1986-87 season, only to discover that these dates were reserved for both nonprofit and commercial producers who had ongoing relationships with the Paramount.

Symphony/Paramount relationships had deteriorated to such a degree that the Association chose to resume concerts at the Civic Auditorium theater, now newly renovated and renamed the Calvin Simmons Theatre, and to create its own box office operations. The Simmons Theatre offered the advantages of smaller size for the Symphony's declining audiences and allegedly better acoustics. However, the Symphony's music director claimed the stage was too small, and some staff felt the neighborhood had not significantly improved.

Thus, by 1986 the Symphony had come full circle, with an enormous loss of focus, time, energy, and money spent on the Paramount Theatre. The Symphony went bankrupt, however, before its first subscription concert at Calvin Simmons Theatre.

Throughout the years following the sale of the Paramount, funders were confused by the manner in which the Association treated its forty years' free rent in its audit. This free rent (valued at \$1.6 million) was carried as an asset in unrestricted funds, to be decreased by 1/40th each year. While the auditors approved this, it served to obscure the actual bottom line financial situation to the casual reader who did not peruse the audit's accompanying footnotes

Acoustics

Prior to purchase of the building, the Symphony held a rehearsal in the Paramount to test its acoustics, and prior to renovation numerous acoustical studies were conducted by a nationally known acoustical engineer. Because the board did not want to alter the original appearance of the stage (to ensure an authentic restoration), it bypassed traditional acoustical solutions in favor of an electronic "canopy" which in subsequent years proved a less-than-successful resolution of the problem.

From the Paramount's opening, music directors and musicians complained of difficulty in hearing each other, although the audience did not appear to have a problem hearing the music. As early as 1975, grant requests were sent out to solicit funds to address the problem. In 1979 music director Calvin Simmons reportedly ranked it as his number one priority.

Board minutes indicate that an enormous amount of time and money was spent on this issue. Many different approaches were entertained, while the projected costs of solving the problem continued to escalate. Ten years after opening the Paramount, the Association installed a shell at a cost of \$471,479, underwritten in part by grants from the Cowell, Irvine, and Bank of America Foundations. At the time of bankruptcy the Association still owed \$181,416 to the Wenger Corporation, the shell manufacturer.

On the agenda at the Oakland City Council meeting following the bankruptcy was a proposal to have the city purchase the shell back from the Symphony. This was a strategy for debt elimination that the Symphony had put in process earlier, in June 1986. The rationale of the request was that the Symphony had made a capital improvement to the building that benefited other users. It is not clear why the Association did not negotiate with the city – the Paramount's owner – prior to the shell's purchase. Also, the new shell did not fit into the Calvin Simmons Theatre, which the Association now intended to become its primary facility.

Outside observers commented that the acoustical problem was a red herring that served to distract the organization from its more critical financial crisis. This observation is supported by a 1983 audience survey. While 84% of the audience surveyed rated "Theatre Acoustics" as "Very Important," 90% of that audience rated the Paramount's acoustics as good to excellent (excellent 32%, very good 37%, good 21%). The executive committee minutes of May 2, 1984 indicate that two board members pushed for "putting the shell on hold ... No action was taken."

Summary

Since the Association envisioned the Paramount Theatre as not only a symphony hall but an all-purpose performing arts facility, the building needed from the outset to have been under the aegis of a separate not-for-profit entity. With a longer lead time and more careful planning, it is not inconceivable that better strategies could have been worked

out for city ownership and maintenance, as is the case in the majority of arts facilities. With better long-range planning, the Association could have negotiated occupancy terms that would have been more suitable to the orchestra's long-term needs. More importantly, the Association not only could have raised more funds, but could also have created a real sense of community ownership. And of critical significance, it could have kept the \$1.2 million Ford Foundation grant in the Symphony's permanent endowment.

6 PLANNING

Overview

An organization unable to meet its annual operating budgets often encounters parallel deficiencies in its long-range planning. During its history the Oakland Symphony engaged in a number of long-range planning processes, beginning with a ten-year plan submitted as a part of the 1966 Ford Foundation grant application. Subsequent long-range plans were produced in 1978, 1980, 1984, 1985, and 1986. Three, if not more, of these plans were produced in response to funding requests that required long-range plans.

As an effective management tool, a long-range plan is a realistic balance between vision and reality. It stretches an organization toward what it wishes to become, but posits realistic steps for achieving these goals. The Oakland Symphony's plans were often idealized visions rather than delineations of carefully constructed, achievable objectives. As a result the long-range plans served to reinforce board and management's inability to perceive the difficulties of the Symphony's situation. In each of these plans, the narrative stresses the *what* – management and board's ideal vision of what it wanted to achieve – with little attention to *why* these goals were appropriate or *how* they were to be achieved.

Ideally, a long-range plan gives an organization a roadmap for future growth, to which it returns for self-evaluation. If on re-examination an organization discovers it is not meeting its expectations, the plan should point the way to new strategies for achieving its goals. This did not happen at the Oakland Symphony. To give one example: long-range plans consistently overstate projected increases from earned income, disregarding the Symphony's declining ticket sales and history of shortfalls in ticket sales projections. Yet, as the Symphony's financial crisis worsened through time, ticket sales projections grew more, not less, ambitious.

Good planning and accurate financial projections are the underpinnings of a well-run organization. For the Oakland Symphony to run consecutive years of unbudgeted deficits suggests planning that was inadequate. The goals that the Symphony established were seldom achieved and never addressed the Symphony's central operational issue – its mounting deficits. Instead, long-range plans called for increasing expansion.

There was little evidence that plans were reviewed annually and revised in light of actual performance. This planning deficiency may have resulted from management's inability or unwillingness to confront the realities that its recent and long-term history suggested. The last administration claimed its mandate from the board dictated "growth of the orchestra," indicating that the board was not giving adequate attention to the limitations suggested by its own financial history.

Mission Statement

A major stumbling block for the Oakland Symphony was its inability to define its mission clearly. As early as 1974 music director Harold Faberman submitted a paper, *Oakland Symphony Orchestra – A Look at the Musical Future*, that stated the aim of the orchestra was "to achieve major orchestra classification ... adding yet another factor to Oakland's growth and giving the City a solid cultural image." The rationale for wanting major orchestra status Farberman presents is that the organization will be able to receive higher grant amounts from the National Endowment for the Arts, a conclusion he arrived at after meeting with NEA staff. He continues, "We can qualify by lengthening our basic symphony season, adding other seasons, and thus achieve a higher overall base pay for our players over a longer period of time."

Documentation is not available to indicate whether or not the Symphony board endorsed or adopted Farberman's aspirations. These aspirations are, however, reiterated in the 1980-84 Long Range Plan, produced under Harold Lawrence and covering the Calvin Simmons years. After describing the distinction between a major and a regional orchestra as defined by the American Symphony Orchestra League (i.e., budget size), the plan embraces the goal of becoming a "major orchestra": "The goal of the Oakland Symphony is to achieve weekly contract status for its musicians

and a total operating budget of \$2 million by 1983-84, consistent with the objective of maintaining financial solvency. Achievement of the goal of placing its musicians on weekly contracts may be a key factor behind the Orchestra's ability to retain and attract the best available musicians."

This plan and management/board actions over the following years indicate that the goal of becoming a "major" orchestra for the sake of the designation alone overrode other considerations. In pursuit of that goal, the Symphony raised its budget to \$2 million-plus by the second year of the 1980-84 plan (three years ahead of schedule). But it never achieved that plan's second and third provisions: financial solvency, or payment of its musicians on a weekly contract. Then, like the gods with Tantalus, the ASOL moved the budget definition higher, so that the Oakland Symphony never attained major orchestra status despite its increased budget.

The 1980-84 Plan does not present the board/management rationale for becoming a major orchestra or consider the feasibility of that goal in light of the presence of another major orchestra twenty minutes drive away. Nor does the plan make clear how achievement of major orchestra status furthers the Symphony's mission statement. The only indication that the authors considered these factors lies in the statement that "weekly contract status may be a key factor in attracting the best available musicians." Perhaps behind this statement was the expressed concern that the opening of Davies Hall (1980) and the expansion of the San Francisco Symphony, Opera, and Ballet seasons would create a raid on Oakland's musicians. But as the Oakland Symphony's 1980 Annual Report points out, this did not happen.

It is unclear how the goal of major orchestra status found its way into the final plan. Executive Committee minutes of February 13, 1980, indicate that the committee on reviewing the draft plan voted unanimously to "remove all references to a weekly contract status for the musicians from the Long Range Plan." We have no information on why this directive was not carried out prior to final approval of the plan. As late as 1985, however, two board members wrote letters to the NEA Challenge Grant Program supporting the Association's grant application and continuing to promulgate the idea of the Oakland Symphony becoming a major orchestra. In a letter to the NEA, the chairman of the board states that the Challenge Grant "will be the linchpin around which we can build the Oakland Symphony into one of the nation's major orchestras ... What it will take to become one of the country's major symphony orchestras will be a much larger endowment and the development of strong new regional markets [R]egional programs ... will ultimately sustain a full-time orchestra." In his letter to the NEA, the Oakland city manager (an Oakland Symphony board member) states, "As we view the world, Oakland is part of the 9-county Bay area; a metropolitan region in competition in the world with cities like Tokyo, London and New York. As we look at that competition we recognize that those markets sustain 5 to 7 major orchestras. Clearly our region has need for several major orchestras. We know and have confidence in the fact that the Oakland Symphony will become one of the great symphonies of our region." While it is unclear whether the organization understood the financial implications of striving for major orchestra status, that goal was part of its institutional rhetoric. While the rhetoric of "major orchestra status" was not consistent throughout the years (nor did the symphony ever formulate a realistic plan to achieve it), desire for growth and expansion was routine. These aspirations appear to have been equally driven, at various times, by board, management, and music directors. According to one player, the musicians were often surprised on reading the long-range plans: "We were all in the music library when they handed out these bound long-range plans. I looked through it and thought, 'Gee, this is a bigger operation than I thought. They really want to make something out of this orchestra.'"

Following are more detailed reviews of selected Symphony long-range plans. Not every plan is included; many overlap, but all present essentially the same approach to the Symphony's long-range goals and its problems.

1978 Plan

In 1978 the Symphony produced a brief five-year plan as part of an NEA Challenge Grant application, which was funded in 1979. This plan coincided with the appointment of Calvin Simmons as music director and anticipates box office income growing during his tenure. It is the only plan that defines a programmatic niche for the orchestra: "The Oakland Symphony will maintain a profile that is distinct from other orchestras in the area. . . The orchestra repertoire will explore neglected works of the masters and work by contemporary composers, particularly American composers,

balanced judiciously with traditional compositions taking into account both musicians and box office considerations. In addition, the orchestra plans to commission works beginning with the 1980-81 season.”

This plan’s objectives included: increasing the number of guest artists and the number of performances in the Pops Series; developing runout concerts; a California tour (FY82); a Northwest tour (FY83); the employment of minority musicians; and the continuation of the ticket sponsorship program, which gave free tickets to students, seniors, and the handicapped. The marketing plan anticipated increasing attendance to 90% capacity by 1982-83.

Financial projections were not available for this plan. The Symphony did not achieve its audience goals, nor did it conduct a California tour or a Northwest tour.

1980-1984 Long-Range Plan

This typeset plan was developed with the assistance of a thirteen-member board and lay planning committee, and incorporates the Calvin Simmons years. According to this plan, the mission of the organization is “to furnish the citizens of the Greater Bay Area and beyond with performances of the highest artistic quality, to serve expanded audiences through a vigorous outreach program, to offer education-related programs to young people at all school levels, to provide inspiration to young musicians who aspire to a musical career, and to devise programs that will involve the area’s diverse ethnic communities in the activities of the Orchestra.”

This mission statement could as easily describe a presenter of events as a symphony orchestra. If the Symphony had used its planning process to define more clearly what it was about – running an orchestra – it might have focused more directly on the organization’s limitations in supporting a full-time orchestra.

YEAR	EXPENSES		INCOME		SURPLUS (LOSS)	
	PLAN	ACTUAL	PLAN	ACTUAL	PLAN	ACTUAL
1979-80	\$1,620,900	\$1,650,686	\$1,597,400	\$1,703,952	(\$23,500)	\$53,266
1980-81	\$1,776,800	\$2,170,891	\$1,864,100	\$1,941,537	\$87,300	(\$229,354)
1981-82	\$1,820,600	\$2,479,776	\$1,930,800	\$1,965,112	\$110,200	(\$514,664)
1982-83	\$1,980,300	\$2,486,350	\$2,125,800	\$2,266,294	\$145,500	(\$220,056)
1983-84	\$2,365,000	\$2,557,096	\$2,360,800	\$1,869,283	(\$4,200)	(\$687,813)

Before transfers from endowment. Excludes capital costs.

Table 6.1: 1980-84 Long-Range Plan-Expense/Income compares the 1980-84 plan’s projections of income and expense against what actually occurred. In every year of the plan, the Symphony exceeded its expense projections. Income also exceeded projections in three of the five years, but not by a degree that would compensate for the higher expenses. The net result was greatly increased deficits.

Increased ticket sales are a key element in the expansion of the Symphony as envisioned by this plan. According to the plan, “Ticket sales will rise for a number of reasons. First, the increasing popularity of the Symphony should attract more subscribers and single ticket buyers. Second, the Symphony is increasing the number of series. . . . Overall, ticket sales will rise at a 9% average annual rate.”

But the Symphony was not increasing in popularity. Subscription sales had generally plateaued; individual ticket sales had been falling (see the Marketing Section). In interviews, both management and marketing staff acknowledge that ticket sales showed only occasional and isolated upturns, and that the general trend was towards stability (in number of subscriptions) or decline (in single ticket sales and in percent of capacity sold on subscription).

The plan calls for an average annual increase of 10% in ticket prices. With no increase in audience size this alone should generate a 10% increase in ticket revenue; but the plan budgets only a 9% average annual increase in ticket sales income. At the same time, the plan predicts expanded offerings and increased attendance. After the 1979-80 season (Simmons’s first year) ticket sales never provided the percentage of the budget that was projected in this plan.

Other objectives included in 1980-84 plan are a 1983 regional tour; a 1984 national tour; yearly endowment of orchestra chairs; and a \$300,000 improvement to the Paramount Theatre facility. The Symphony met none of these objectives during the period of the plan. Many of the assumptions necessary for meeting these objectives were not met either: ticket revenue did not cover its projected share of expense, nor did the Symphony achieve a 6% increase per year in its endowment funds. The plan lists as its highest priority the construction of an acoustical shell for the Paramount, but does not discuss why the Symphony should be responsible for a capital improvement to the city-owned theater.

The 1980-84 plan also states: “The financial objectives described in the following sections are intended to be practical goals based on a historical review of the Oakland Symphony’s performance.” A careful review of the Association’s ticket sales history would have required less optimistic projections. **Table 6.2: Ticket Sales as a Percentage of Expense** compares projected ticket sales income with what actually occurred throughout the years of the plan. The historical data on which the plan is based reveals that ticket sales provided an average of 35.5% of expenses over the five-year period. The plan’s next five years project ticket sales to provide an average of 43.4% of the budget (a 22% increase). In actuality, ticket sales for those five years covered 37.9% of the budget (a 6.7% increase).

TABLE 6.2 TICKET SALES AS A PERCENTAGE OF EXPENSE 1980-84 LONG RANGE PLAN

PROJECTED

YEAR	TOTAL EXPENSE	TICKET SALES	% OF EXP.	5 YEAR AVERAGE
Data for 1974-78 not available				
1979-80	\$1,620,900	\$630,800	39%	
1980-81	\$1,776,800	\$728,600	41%	
1981-82	\$1,820,600	\$824,100	45%	
1982-83	\$1,980,300	\$921,200	47%	
1983-84	\$2,365,000	\$1,067,800	45%	43%

ACTUAL

YEAR	TOTAL EXPENSE	TICKET SALES	% OF EXP.	5 YEAR AVERAGE	10 YEAR AVERAGE
1974-75	\$887,900 *	\$342,700	39%		
1975-76	\$1,058,697	\$439,224	41 %		
1976-77	\$1,301,053	\$375,300	29%		
1977-78	\$1,434,976	\$498,646	35%		
1978-79	\$1,468,289	\$500,042	34%	36%	
1979-80	\$1,590,089	\$652,305	41%		
1980-81	\$2,111,002	\$853,637	40%		
1981-82	\$2,414,105	\$852,758	35%		
1982-83	\$2,393,000	\$923,628	39%		
1983-84	\$2,454,126	\$849,124	35%	38%	37%

*Does not include Paramount expense

This inconsistency between historical data and plan projections is not unusual. Elsewhere the plan notes that as of FY78 the Oakland Symphony ranked third in budget size among the thirty-one regional orchestras. At the same time its earned income as a percentage of total expenditures was the lowest of the thirty-one regional orchestras. Given the fact that in the orchestra field, performance income as a percentage of aggregate income comes to only 41 percent,¹ the 43.7% projection presented in this plan seems overly ambitious.

1985-1989 Long-Range Plan

The plans of music director Richard Buckley are embodied in *A Plan of Artistic and Management Objectives for the Future*, dated January 31, 1985. The mission statement is nearly identical to that presented in the 1980-84 plan, although "symphonic performances" have been added to the statement of what the organization is providing East Bay residents.

Among this period's objectives are the development of a Regionalization Program, under which the Symphony would establish a presence in outlying East Bay communities; the reorganization of the board of directors; a \$5 million endowment campaign; touring and recording; and an increase in audiences as a result of an increased number of performances. Referring to this as a "plan for controlled growth," the plan projects a 42% increase in concerts by FY88, representing a 43% total audience increase; a northern California tour in FY87; a western states tour in FY88; the organization's first recording; and eighteen regionalization runout concerts in Moraga, Concord, Crockett/Martinez, Walnut Creek, Livermore, and Pleasanton.

For an organization in such serious financial straits these objectives are plainly unrealistic. The tours and recordings did not happen. The Symphony did undertake board reorganization and the regionalization program, but interviews and audience response indicate that both were ineffective, if not damaging. The plan also proposed changing the Symphony's name to reflect its more regional role, a move that had been discussed for years but that never occurred.

The rationale behind regionalization was to develop new audiences (and thereby increased ticket revenues) by taking the Symphony to them if they would not come to the Symphony. The plan also anticipated that these new audiences would become new donors, thus increasing the donor base. This logic did not prove true. The concerts at the 942-seat Rheem Theater in Moraga continued to sell out: but the other concerts were unsuccessful at the box office. The donor base did not show any substantial increase from the runout communities.

Throughout this plan the Symphony seems unwilling to face the reality of its financial crisis. The financial assumptions accompanying this plan anticipate the endowment increasing from \$304,567 (July 1984) to \$5.3 million (July 1989) with income from endowment averaging 10% per year. But the Symphony's endowment feasibility study completed in October 1983 had concluded that the Symphony could reach only \$2-2.5 million in endowment gifts. The plan predicts that the operating budget will also increase to more than \$5 million by FY89: "This projection will eliminate deficits after the 1985-86 fiscal year and contribute an increasingly larger sum for operational reserves in future years. . . . The financial plan is a realistic projection of expenditures for the coming five years." A year after the plan's publication, the Symphony was bankrupt.

1986-1990 Long-Range Plan

As the Symphony's financial plight worsened, its long-range plans became more unrealistic. By December 1985 the Symphony management revised the 1985-89 plan described in the previous section, for inclusion with an NEA Challenge Grant proposal requesting \$450,000: \$200,000 for a major artistic initiative; \$200,000 for endowment; and \$50,000 for debt reduction.

In presenting the Symphony's situation, the application notes a record number of subscribers; a successful regionalization plan; and a board restructuring resulting in a more effective governing body, with a twenty-two member board of trustees, a seventy-member board of directors, and "a city council that has affirmed their commitment to the organization in the years ahead. . . . Board, management and artists now have what is probably the clearest understand-

¹ *Symphony Magazine* (August/September 1987, p. 49)

ing of mutual goals and objectives in the history of the organization. The labor dispute has proven cathartic...and all involved parties have expressed a renewed and cooperative commitment to the future stability of the institution”

The revised, 1986-1990 plan projects a \$5.2 million budget by FY90 (up from \$2,7 million in FY85), and operating in the black by FY88. It includes a Pacific Coast tour; the development of a summer series at Lake Tahoe (to take place outside the projected thirty-week contract period) and the creation of a series for broadcast on PBS. The \$5 million endowment campaign predicted in the plan’s earlier version is now reduced to \$2 million.

Several times in this grant request, there is reference to the trustees’ “staggering deficit reduction of 63% in one year, from \$633,000 in FY84 to \$235,000 in FY86.” A reading of the financial statements enclosed, however, indicates this “deficit reduction” was achieved not by increased trustee giving or development activity (as the plan implies), but by the board’s allocation of \$1 million of the endowment to cover operating expenses. The decrease in the subsequent year’s deficit did not result from management decisions but from windfall savings of \$141,000, the result of concerts cancelled by the labor strike.

This plan again calls for elimination of all deficits, in this case by FY89. The plan notes that “the board is insistent upon the tightening of fiscal controls for the organization’s long-term health ... deficit-free operation will become a way of life for the institution as part of our commitment to controlled growth and artistic quality.” The plan projects the FY86 deficit at \$27,000. Six months later it turned out to be \$748,556.

January 1986 Plan

A month after the submission of the NEA Challenge Grant, a third revision of the long-range plan was produced. There are additions to the goals included in the earlier version: services are to increase from 120 (FY86) to 280 (FY90); the traditional Tuesday/Thursday series is to be changed to Thursday/Saturday; the home theater is to be changed from the Paramount to Calvin Simmons Theatre by 1988; the Symphony will institute a mid-winter Music Festival by 1988; and the Symphony will create its own box office, rather than continuing to use that of the Paramount.

This plan states that “the ratio of earned revenue to total budget is planned to improve from 39% (FY86) to 57% (FY90).” By way of comparison, the 1978 plan had projected an earned income figure of 57% by FY80. The plan also states that “By 1989-90 the Symphony will more than double the number of concerts presented annually. This increased activity will enable the Symphony to reach an audience of over 250,000 people, a 60% increase above the current level.” Again the plan assumes that increased activity will increase audience size, even though the Symphony’s history had proven otherwise.

Eight months after the production of this plan the Association was out of business. The disparity between reality and the organization’s long range plans raises questions about how seriously they regarded their planning process.

7 MARKETING

Overview

Over the years marketing as an administrative function of the Oakland Symphony was characterized by errors in judgement and planning, by ineffective campaigns, and by serious staffing difficulties. There was insufficient analysis of the organization's potential market and a lack of understanding of the unique problems presented by that market, as well as inconsistent strategies for pricing and packaging the product.

More important, and more damaging than these serious operational deficiencies, were the problems of unrealistic box office income goals and unclear institutional identity. Year after year, board and management (without or against the advice of the marketing staff) increased the amount of product (performances), despite the absence of increased audience demand. Board and management also increased sales goals despite an ongoing history of declining sales. Finally, the Association made its marketing task all the more difficult, by never identifying a clear artistic identity. The Oakland Symphony had no distinctive place in the crowded Bay Area musical scene. As a result, approaches to marketing varied radically from one year to the next, confusing patrons and further contributing to the institution's ongoing identity crisis.

Subscription/Single Ticket Sales Analysis

From the Oakland Symphony's first season in the Paramount Theatre (1973-74) to its final, cancelled season (1986-87), the Symphony experienced a growth of more than 100% in mainstream concert performance activity. In other words, the marketing staff had 100% more tickets to sell in 1986 than in 1973. This increase in supply, however, was not driven by any increase in demand from the market. The increased concerts were deemed necessary to satisfy union contracts, and to produce income necessary to meet the budget as approved by board and management; but historical precedent gave no indication that East Bay audiences intended to double their attendance at Oakland Symphony activities.

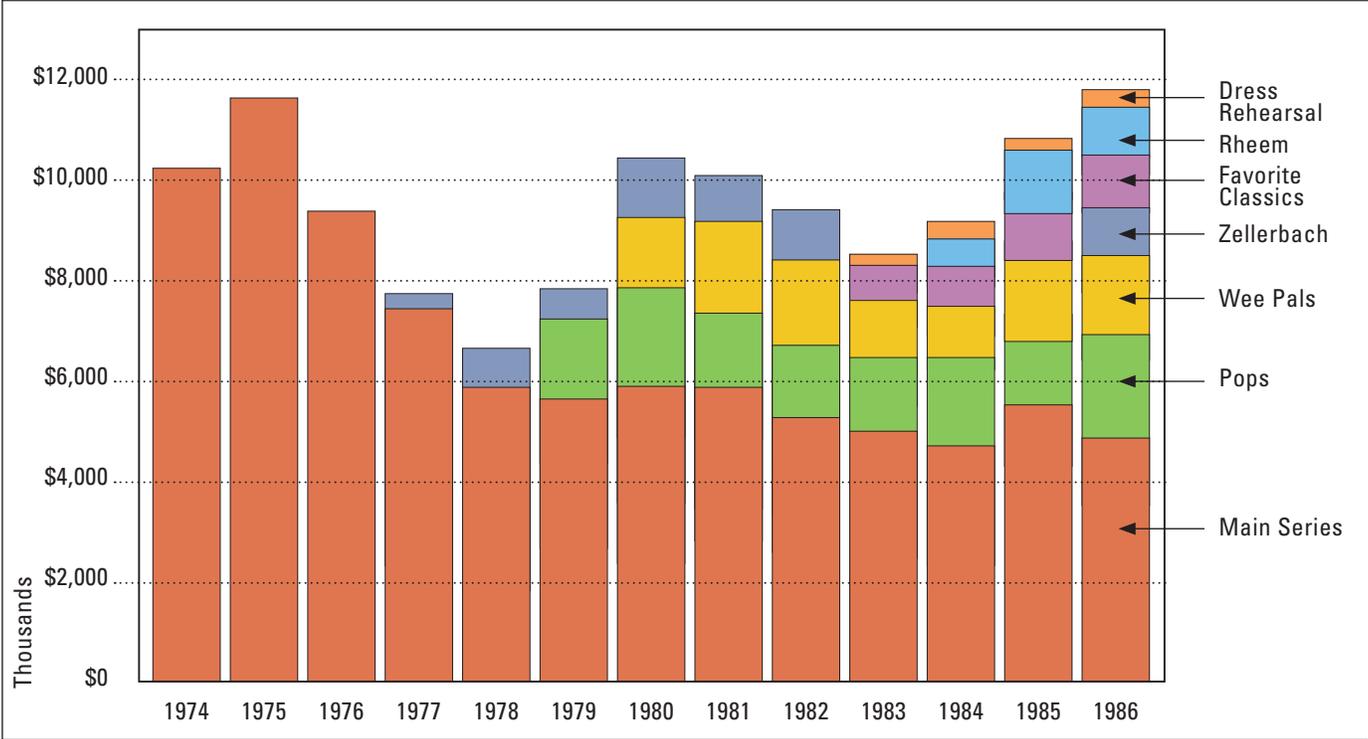
The Oakland Symphony audience was stable for years. As **Table 7.1: Subscription Sales Trends 1972-1986** illustrates, the 1973 opening of the Paramount Theatre, with its attendant major marketing campaign, brought about an upsurge of new subscriptions, but the Association was unable to maintain this high level of attendance. Indeed subscribers to the classical series declined steadily across the next twelve years (with the exception of a very slight upturn in 1979, Calvin Simmons's first season). Counting all series together, the subscriber base remained constant, hovering around 10,000 throughout the ten-year period. **Table 7.2: Cumulative Ticket Sales [Paramount Only] 1981-85** illustrates single ticket sales, which totaled 7,218 in 1973-74. These sales peaked at 22,558 in 1981-82, then declined steadily to 8,574 single tickets sold in 1985-86. Across that same period, the total number of concerts more than doubled. To quote one marketing staffer:

In the 1960s, with a capacity of 2,000, the Symphony gave each concert twice, with six or eight presentations per season ... Then [the Symphony] moved to the Paramount, with a capacity of 3,000, and [was] giving each concert three times. So their total of seats to sell went from 4,000 to 9,000 per concert ... While the community might have grown, it hadn't grown that much.

One key measure of audience demand is the subscriber renewal rate. From 1974-1986, an average of 65% of Oakland subscribers renewed their seats each year. (This compares with an average renewal rate for the same period of 77.5% for the San Francisco Symphony. Since the 1980 opening of Davies Hall, San Francisco's renewal rate has averaged 81.5%.)

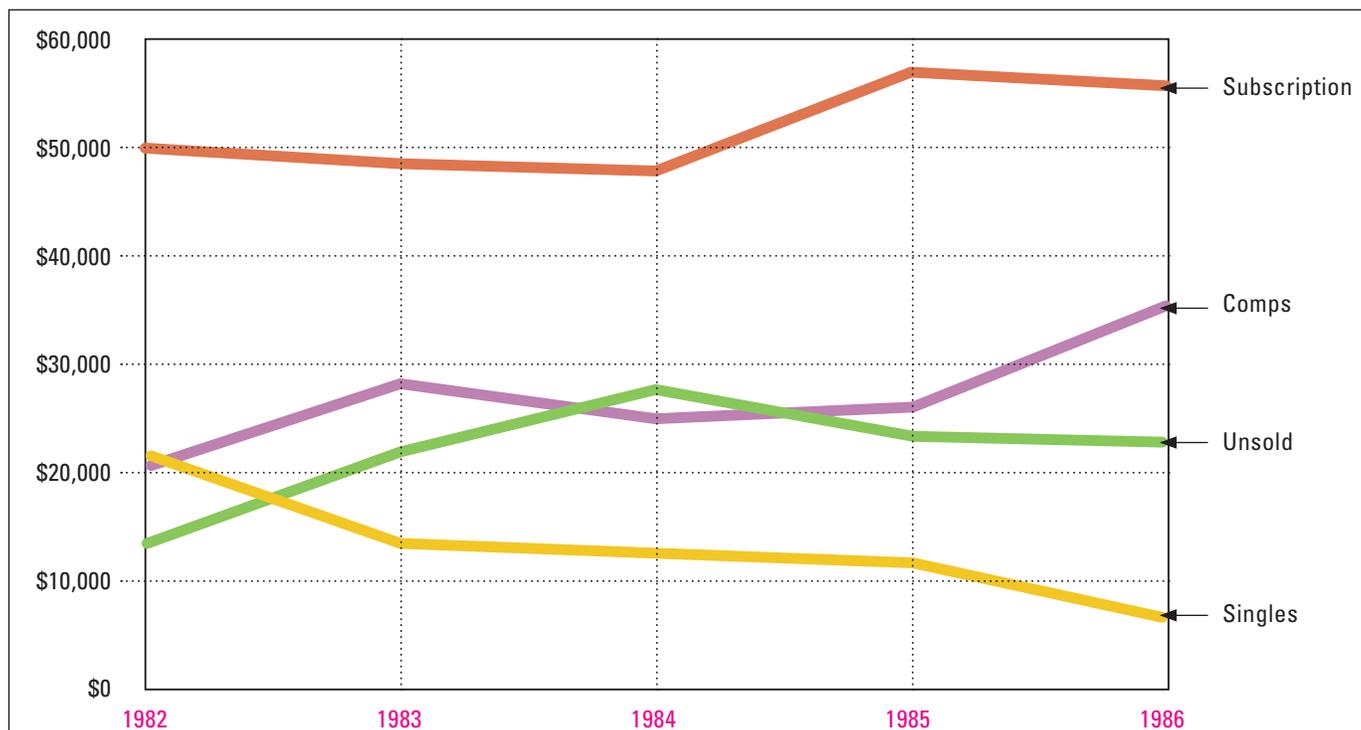
In an institution's early years, a 65% renewal rate is quite respectable. When a large percentage of subscribers are new (as was the case in the early years of the Symphony's move to the Paramount Theatre), it is logical, even inevitable, that a considerable number of "new" subscribers will not renew. They will have tried the product, and decided not to return. However, as an organization continues, and its subscriber base "ages," the renewal rate

TABLE 7.1 SUBSCRIPTION SALES TRENDS 1973-86



YEAR ENDING	MAIN SERIES	POPS	WEE PALS	ZELLERBACH	FAVORITE CLASSICS	RHEEM	DRESS REHEARSAL	TOTAL
1973	3,780							
1974	10,232							10,232
1975	11,609							11,609
1976	9,349							9,349
1977	7,439			284				7,439
1978	5,880			747				5,880
1979	5,630	1,591		608				7,221
1980	5,899	1,929	1,424	1,125				9,252
1981	5,874	1,463	1,814	938				9,151
1982	5,264	1,446	1,730	920				8,440
1983	5,010	1,477	1,110	N/A	679		221	8,497
1984	4,716	1,741	998	N/A	826	545	299	9,125
1985	5,499	1,828	1,448	N/A	996	853	207	10,831
1986	4,865	2,077	1,556	976	1,016	920	339	11,749

TABLE
7.2 CUMULATIVE TICKET SALES (PARAMOUNT ONLY) 1982-86



should increase – indicating the establishment of consumer loyalty and a core of “repeat” subscribers. To an extent, this happened in Oakland, but the core was too small to support the symphony’s level of programming. As Table 7.1 shows, with the capacity increasing, a more or less constant renewal percentage translates into a declining audience. Every year, the renewing 65% were composed of a smaller total number of subscribers.

Also of significance: subscribers accounted for less and less of total capacity over the years. The number of subscribers was not increasing, while the number of concerts constantly was. **Table 7.3: Renewal Percentage and Percentage of Capacity Sold**, shows both the renewal percentage across those years, and the percentage of total capacity sold on subscription. In 1974-75, when 60% of the previous year’s subscribers renewed, 89% of total seats were filled by subscribers. By 1985-86, when 62% of previous subscribers renewed, subscribers filled only 37% of total seats. Again, this illustrates the point that the Association’s decision to increase performances was not in response to audience demand. (By comparison, the San Francisco Symphony has sold an average of 69.4% of capacity on subscription since 1973, and 78.2% since the opening of Davies Hall.) Oakland’s total sales as a percentage of capacity likewise declined. In 1973-74, the Symphony sold 95% of capacity (subscription and single tickets) for its Paramount concerts. In 1977-78, that figure was 62%; by 1985-86, it had dropped to 44% of total capacity.

Packaging The Product

The Association compounded the problem of oversupply by devising marketing strategies that confused patrons and box office representatives. Through the way it packaged its product, the Association increased the difficulty of its sales task. Constant changes in the names of series, in the times and locations of performances, and in the number of concerts in a given series made “automatic renewals” – the basis of a good subscription campaign – difficult to achieve. As one box office staff member said, “They were expanding when they should have been shortening. When I started there were ten Tuesday night performances, ten Thursday night performances, and a Pops Series. Then they added Wee Pals and Favorite Classics and divided their series into half-series and quarter-series and pick-your-own-date series. That weakens and cheapens the product and causes confusion.”

TABLE 7.3 RENEWAL RATE AND PERCENTAGE CAPACITY SOLD 1974-86

YEAR ENDING	RENEWAL RATE	% CAPACITY (SUBSCRIPTION)	% CAPACITY (SINGLE+SUB.)
1974		85%	95%
1975	60%	89%	89%
1976	N/A	70%	78%
1977	61%	56%	62%
1978	53%	53%	62%
1979	57%	50%	62%
1980	71%	55%	N/A
1981	71%	56%	N/A
1982	67%	48%	69%
1983	79%	46%	60%
1984	66%	43%	55%
1985	68%	45%	55%
1986	62%	37%	44%
AVERAGE	65%	56%	66%

Change may often be called for, and is not negative when there is reason for it. But change for the sake of change, without plan, research, or reason undermined the marketing efforts of the Oakland Symphony.

An analysis of the subscription brochures from several seasons illustrates this point. In 1973-74, the first season in the Paramount, the Oakland Symphony offered nine subscription concerts, in five different series. These series were identified by number (Series 1, Series 2, etc.) and by name (Premiere Series, Special Sampler Series, University of California Series [at Zellerbach], Piano-Violin Series, and a Shoppers Series of four Saturday morning matinee performances). In addition, there was a pops concert (performed twice), a Christmas concert (performed twice), and the Connoisseur Series, consisting of four chamber music concerts.

In 1975-76, there are six series, instead of five; there are no concerts at Zellerbach; there is a full series of nine concerts on Thursday, as well as Tuesday; the Pops is now a series of three concerts, repeated twice; the Connoisseur Series has disappeared, and in its place are two chamber operas by Donald Pippin presented in the lobby of the Paramount. The Christmas concert is still offered in two performances. The subscription series are now identified only by number, not by name.

In 1976-77, there are eight subscription series, instead of six, but one is at the Concord Pavilion, and another is offered at Zellerbach. There are two Pops Series of three concerts (one at the Paramount and one at Concord Pavilion). The subscription series are still identified by numbers, as they were the previous year. And the Christmas Concert (now Handel's Messiah) is repeated twice.

In 1978-79, there are six series instead of eight, the Concord Pavilion series is dropped, and there are no Wednesday evening performances at the Paramount. Now the series are identified by letter rather than number. The Pops Series (one, rather than two) is now five concerts on Friday evenings at the Paramount, and is called "TGIF" (a one-year moniker).

One further illustration underscores the point that the Association confused its audience through its packaging. Begun in 1973 as the Shoppers Series, the Saturday matinee series offered four performances in the Paramount at 11 a.m. In 1980, about the time an "automatic renewal" audience might have formed, the series is changed from 11 a.m. to 2 p.m., and the series is increased to five performances. In 1982, the series changes again, to Saturday evenings; there

are no matinee concerts. The very next season, the matinees are back, on five Saturday afternoons at 2 p.m.; the Saturday evening concerts are eliminated. In 1984, the series is cut from five to four concerts.

At least two new programming packages apparently worked at cross purposes with the Association's marketing goals. In 1980, the Association added Upbeat, a low-priced series of six dress rehearsals of the subscription concerts, accompanied by lectures. This series may have undercut regular full-price subscription sales. The second new programming device (and arguably an unwise marketing strategy) was the creation in 1982 of the Favorite Classics series. This series, consisting initially of three concerts (scheduled to increase to six in 1986-87), was billed as "everybody's favorite classics." From the marketing brochures one could easily infer that the "music everybody loves to hear" was now being performed *only* in the Favorite Classics Series, not in the regular (twelve concert) classical series. While not accurate, the inference may have been widespread; main series sales continued to decline. Table 7.1 demonstrates that the loyal body of Oakland attenders gradually fragmented itself among the Association's many offerings.

Ticket Sponsorship Program/Complimentary Ticket Policy

Under the guidance of the board's Audience Development Committee, the Association introduced its Ticket Sponsorship Program, designed for audience development and community service. According to the program guidelines, it provided free tickets to students, seniors, handicapped persons, and minorities "who could not otherwise attend these events." In the program's first years, the Association sought state, corporate, and individual contributions to underwrite the lost revenue represented by those tickets.

Funders and community leaders praised this program as a valuable community service, but it is highly questionable that it resulted in audience development. Michael W. House, former vice president of marketing for the Brooklyn Academy of Music, notes that efforts to increase audience by such methods have not, in the main, been successful. "We have since found out," he writes, "that those people who weren't utilizing the arts prior to subsidized tickets, weren't utilizing them after – no matter how much audience development was sponsored."

The program certainly ran counter to the Symphony's sales efforts. The Association already offered discounted seats to seniors and students, as well as selling tickets at "rush" prices for the half-hour before curtain. In the Program's later years, corporate and individual underwriting dropped to almost zero. Education program staff decided that the Ticket Sponsorship program was too valuable to drop, and so continued it despite the budget cutbacks. The result was that the Association's well-intentioned audience development idea resulted instead in large-scale ticket giveaways, with unfortunate effects. "They just couldn't face those empty seats," remarked a box office observer. Table 7.2 demonstrates how in later years, the Association's distribution of complimentary tickets climbed, until it greatly exceeded single ticket sales.

It is impossible to quantify the psychological impact on musicians and audiences of a half-full house in which many of those attending have been admitted free. But the cumulative numbers of complimentary tickets, and interviews with a variety of observers, support what one Paramount staffer called "a widespread understanding" that no one need pay full price to attend a performance.

Staffing

The problem with inconsistent programming and packaging was greatly exacerbated by instability among marketing department staff. Between 1976 and 1982, the position of marketing director or manager was often vacant, with other staffers and even board members assuming its responsibilities on an informal basis. Outside consultants were occasionally hired; none stayed longer than eight months. Despite a consultant's conclusion in 1977 that depressed earned income was the Symphony's greatest problem, board minutes offer little evidence that the Symphony made a concerted effort to find a qualified and experienced marketing director in any of these years (whereas the frequent searches for development directors were much discussed). This lack of concern gives some evidence as to management and board's underestimation of marketing's significance and the difficulty of the Association's marketing task.

When marketing staff was in place, interviews indicate that management often made programming decisions, packag-

ing decisions, and goal-setting decisions without input from the marketing department. For example, the marketing staff was lukewarm about the 1986 decision to return the main subscription series to the Oakland Auditorium's Calvin Simmons Theatre, and openly opposed opening an in-house box office. Both moves were implemented.

Management's July 1986 announcement of season cutbacks so adversely affected ticket sales that it is impossible to speculate on the outcome of the Symphony's return to Simmons. But already existing contracts between the Oakland Auditorium and a syndicated ticket seller had created enormous box office problems, requiring the Symphony to tack on a substantial processing fee to tickets and subscriptions ordered through the Oakland Auditorium box office.

One particularly unfortunate experience with *pro bono* advertising assistance illustrates the bad planning which frequently characterized the Symphony's marketing efforts. Under the auspices of a board member, the Symphony secured the services of a major advertising and public relations firm for the Symphony's Fiftieth Anniversary season (1983-84). The firm's staff designed a lavish brochure that was a wonderful public relations tool but a marketing failure – lacking, at its most basic level, a ticket order form. A graduate student thesis on the Symphony noted that the brochure “consisted of a calendar of events and a columnar listing of the series. This proved difficult for subscribers to read ... the brochure was not originally designed with an order form and an insert had to be designed for enclosure. Again no simple listing of the series, their concert dates and musical programs was presented for easy selection by subscribers.” The brochure was so expensive to produce that the Symphony exceeded its marketing budget before the season opened, forcing cutbacks in the rest of the sales campaign. The thesis identifies the brochure as a major factor in the Fiftieth Anniversary year's decline in subscriptions, to 92% of the previous year's total – this, in the midst of a major Golden Anniversary campaign.

The 1983-84 brochure is not the only case of poor design and conception of sales pieces. Constant staff turnover, and in some cases lack of marketing expertise, sometimes resulted in poorly planned and executed campaigns.

Understanding the Oakland Symphony audience is made more difficult by the lack of complete marketing records. In examining the files from 1976-86, there was no evidence of consistent tracking of the success or failure of various sales campaigns. The statistics accompanying this report were constructed from box office records contained in the Paramount Theatre files. Historical information is critical to analyzing audience trends, forecasting revenues from ticket sales, and plotting marketing strategies. Campaigns were comprised of the standard elements – heavy direct mail, print advertising, radio advertising (when the budget allowed), and in later years telemarketing – but the Association's staffing history in marketing made it difficult to structure and plan campaigns on the basis of complete historical information. Had such long-term records been kept and utilized, perhaps they would have led to more realistic box office income goals.

Marketing Expenses Versus Results

The Oakland Symphony was not far off the national norm in the amount of its budget earned from performance income as a percentage of total expenses. From 1976-77 to 1984-85, Oakland earned an average of 34% of its expenses from performance income; other regional orchestras in the same period averaged 36% of expenses earned from performance income (ticket sales, contract fees, and service-required grants). (See **Table 7.4: Performance Income as a Percentage of Total Expenses.**)

Oakland's larger problem was its marketing cost in accomplishing those ticket sales. Here the Symphony was far above the national average. It regularly spent twice as much or more of its budget on advertising and promotion as the average of such expenses for other regional orchestras (See **Table 7.5: Advertising and Promotion Expense**). In one year, Oakland spent forty-seven cents of every dollar of ticket income on promotion and advertising. Such a high expenditure per dollar of income can be justified if it attracts new subscribers who then are renewed year after year at much lower costs. But this did not happen in Oakland. Marketing costs stayed high, but the renewal rate did not. To some degree, these higher costs are the result of Oakland's place as a secondary market in an expensive region. To cover its market area effectively, the Symphony had to place print advertising in a number of East Bay papers, as well as the San Francisco papers.

TABLE 7.4 PERFORMANCE INCOME AS A PERCENTAGE OF TOTAL EXPENSES

YEAR ENDING	OAKLAND			REGIONAL AVERAGE		
	PERFORMANCE INCOME	TOTAL EXPENSES	PERF. INC/ TOTAL EXP.	PERFORMANCE INCOME	TOTAL EXPENSES	PERF. INC/ TOTAL EXP.
1977	\$349,900	\$1,330,000	26%	\$266,700	\$757,300	35%
1978	\$479,100	\$1,472,900	33%	\$301,000	\$866,000	35%
1979	\$473,800	\$1,537,800	31%	\$334,300	\$989,600	34%
1980	\$618,900	\$1,650,700	37%	\$407,400	\$1,149,200	35%
1981	\$807,400	\$2,170,900	37%	\$480,700	\$1,311,400	37%
1982	\$820,300	\$2,478,100	33%	\$476,400	1,344,300	35%
1983	\$918,200	\$2,440,200	38%	\$584,300	1,565,200	37%
1984	\$803,000	\$2,598,100	31%	\$692,100	1,799,600	38%
1985	\$1,001,300	\$2,913,800	34%	\$744,200	\$2,071,200	36%
9 YEAR AVE.	\$696,878	\$2,065,833	34%	\$476,344	\$1,317,089	36%

SOURCE: ASOL. "Year Ending" refers to fiscal year

TABLE 7.5 ADVERTISING AND PROMOTION EXPENSE

YEAR ENDING	OAKLAND				REGIONAL AVERAGE			
	ADVERTISING EXPENSE	PERFORMANCE INCOME	PERCENT PERF. INC.	PERCENT TOTAL EXP.	ADVERTISING EXPENSE	PERFORMANCE INCOME	PERCENT PERF. INC.	PERCENT TOTAL EXP.
1977	\$161,700	\$349,900	46%	12%	\$31,700	\$109,900	29%	4%
1978	\$205,000	\$479,100	43%	14%	\$42,700	\$304,400	14%	5%
1979	\$147,100	\$473,800	31%	10%	\$45,100	\$356,900	13%	4%
1980	\$190,800	\$618,900	31%	12%	\$68,900	\$407,400	17%	6%
1981	\$262,500	\$807,400	33%	12%	\$80,600	\$480,700	17%	6%
1982	\$399,100	\$852,500	47%	16%	\$92,400	\$480,500	19%	7%
1983	\$323,100	\$923,200	35%	13%	\$123,400	\$587,900	21%	7%
1984	\$354,700	\$803,000	44%	14%	\$143,800	\$695,300	21%	8%
1985	\$325,900	\$1,001,300	33%	11%	\$177,500	\$752,100	24%	9%
9 YEAR AVE.	\$263,322	\$701,011	38%	13%	\$89,567	\$463,900	19%	6%

SOURCE: ASOL. "Year Ending" refers to fiscal year

Other East Bay organizations share this problem. According to the Oakland Ballet's most recent long-range plan, the Ballet spends about thirty-three cents of every dollar of ticket income on advertising and promotion, because of its need to be represented in multiple publications. (Ballet companies in less competitive markets spend in the vicinity of fifteen cents per dollar.)

In a sense, marketing represents the intersection of vision and reality – the measure both of the public's interest in an organization's artistic vision and product, and of management's effectiveness in placing that vision before the public eye. Devising and sustaining a successful program to market that vision requires a clear sense of what the product is and who is likely to buy it.

Even though the Association was spending relatively large sums of money on the task, the audience for Symphony performances remained static over time. “We never cracked that nut,” said one Association administrator, in speaking of marketing. In a very real sense, the Association’s marketing efforts were hindered by the institution’s lack of identity – who it was, who it wanted to be, and whom it wanted to serve. This lack of focus, coupled with high staff turnover and the consistently unrealistic marketing goals which board and management set, guaranteed that those programs could never succeed.

8 FUNDRAISING

Overview

Both private sector and government support to the Oakland Symphony were below the national average for regional orchestras. Lower-than-capacity board giving and erratic solicitation of individual gifts hampered private sector fundraising efforts, as did staff turnover. The board never became an effective fundraising group. Support from the Oakland Symphony League was less than the average level given by women's auxiliaries at other regional orchestras. While the board devoted considerable effort to discussing its need to replenish the Symphony's endowment, it did not succeed in reaching its endowment goals.

Corporate and foundation giving was higher than the national average for comparable orchestras, especially during the Calvin Simmons years. Government funding was also at its height during Simmons's era. Nonetheless, across the last decade tax-based support was below that of peer orchestras. Within contributed income, government contributions were even further behind the regional orchestra average than were private contributions. Among the various sources of tax-based income, state contributions were farthest below the average for peer orchestras.

In the sections that follow the reader should bear in mind in comparing Oakland's statistical results to the national average for other regional orchestras (based on data generated by the American Symphony Orchestra League) that the Oakland Symphony was one of the largest of the thirty-three regional orchestras surveyed.

Development Operation

From 1976-86 the Oakland Symphony employed eight different development directors. In addition to the high degree of turnover, there were periods when the development department was without a director. Interviews indicate that staff turnover in the early 1980s resulted from an inability to work with the executive director and, in later years, increasing uncertainty about the viability of the organization.

For the most part, development directors felt they were given adequate resources (staff and budget) to accomplish their tasks, and had input into the budgeting process. Fundraising costs at the Oakland Symphony were one percent higher (as a percentage of total expense) than the average for other regional orchestras. Over the years of this study fundraising costs at the Oakland Symphony ranged from 7% to 13% of total contributions. The average at other regional orchestras was 7% of total contributions (from FY81- FY85). The files reviewed indicated adequate development planning and materials. Development reporting, however, showed a number of inconsistencies. Multi-year comparative reports were not kept beyond two years. Development reports were given at board meetings, but were not attached to the minutes. The development office generally fell short of its fundraising goals (with the exception of the Simmons years), though to a much lesser extent than the marketing department fell short of its ticket sales projections. Development staff considered themselves underpaid, though this did not appear to be a factor in any staff person's departure. The 1983 endowment feasibility study stated, "The compensation level of staff, coupled with high expectations of performance and production, has created morale problems." Given its high turnover rate and the organization's reputation as a difficult workplace, the Association found it increasingly hard to attract quality staff. The Association also employed four different outside development consultants during these ten years, but board and management did not always follow their advice.

Development staff consistently felt that a weakness in the organization was lack of board understanding of the board's role in fundraising and lack of board participation in the fundraising effort. According to one development director, "There was wealth on the board, but it was uncommitted. They were not giving to capacity." As a consequence, staff tended to focus its attention more on foundation and business support, which was easier to obtain.

Some development directors stated they were not aware of the organization's deficits when hired; some declared that they never knew of the magnitude of the financial problem. The development director during 1980 stated, "I'm sure the development committee had no idea there was a deficit. We were meeting our goals and considered the organiza-

tion financially stable.” The development director during 1985-86 reported that in initial interviews the board painted an optimistic picture of the organization. Months after taking the job he was made aware of the actual financial situation, i.e., the extent of the debt and the history of drawing on the endowment. “The organization didn’t look at the past history until the strike. I don’t know why they weren’t dealing with the problem before. I can remember slumping in my chair and saying, ‘Oh my God, what’s been going on here.’”

This lack of candor created an attitude of institutional self-deception that throughout the years served to confuse not only insiders but outside funding sources as well. Many longtime donors claimed surprise at learning of the Oakland Symphony’s bankruptcy.

What follows is a detailed analysis of contributed income by source: board, individual, business, foundation, and tax-based support.¹ Tax-based sources include federal, state, county, and city funders.

Board Giving

The consensus of opinion from interviews and the data that follows is that the Oakland Symphony Board was giving below its capacity. Historically the Symphony had a very large board, but not all board members gave. A 1978 development consultant’s analysis indicated “substantial room for improvement” in board giving: “Many members of the Symphony board have the ability to make pace-setting gifts to the Symphony if fully motivated. There is little question about the ability to give. Many of the board members have been on a plateau in giving, contributing the same dollar amount each year even though the Symphony, like all organizations, is caught with expansion, inflation and hence the need for increased funds.” A 1984 endowment feasibility study stated that, “the Symphony is still lacking a visible commitment from the new Board of Trustees of keeping the Symphony alive and flourishing and a willingness to invest their own financial and leadership resources in that effort, as well as to solicit other potential donors for support.”

1 While development office recordkeeping was on the whole adequate, there are gaps and inconsistencies in the data. Figures in ASOL data vary from the audit, from the development department reports (where available), from board minutes, from annual reports (where available), and from other internal documents. This conclusion has been reconciled by ascertaining that trends are consistent among sources even though actual numbers do not correspond.

TABLE 8.1 OAKLAND SYMPHONY BOARD GIVING					
YEAR	TOTAL CONTRIBUTIONS	BOARD CONTRIBUTIONS	BOARD SIZE	NUMBER GIFTS	BOARD % TOTAL
1969-70	\$185,762	\$50,025	66	66	26.93%
1970-71	\$194,506	\$64,419	76	65	33.12%
1973-74	\$281,579	\$76,487	88	83	27.16%
1975-76	\$537,232	\$74,370	96	80	13.84%
1976-77	\$356,794	\$84,750	86	50	23.75%
1977-78	\$392,969	\$112,221	82	51	28.56%
1978-79	\$584,638	\$103,496	82	58	17.70%
1979-80	\$857,205	\$101,163	80	66	11.80%
1980-81	\$968,261	\$118,698	82	70	12.26%
1981-82	\$1,010,752	\$84,801	89	61	8.39%
1982-83	\$954,759	\$80,822	82	60	8.07%
1984-85	\$1,319,625	\$137,491	*14/92	51	10.42%
1985-86	\$911,829	\$113,326	*21/64	38	12.43%
Excludes special event income * Trustees/Regional Directors					

As **Table 8.1: Oakland Symphony Board Giving** indicates, board giving was low – in total amount, in annual growth (indeed, in many years total board gifts decreased), and in percentage of the board that was making a donation. As a result, board giving supported a decreasing percentage of the organization’s annual operating budget. The review of the source materials shows board gifts ranging from a low of \$25 to a single high gift of \$30,000. With the exception of one board gift of \$20,000-\$30,000 per year for a number of years, only a handful of gifts exceeded \$2,000. The conclusion from the history presented here is that the trustees did not provide or solicit the financial support needed to meet the operating budgets that they themselves were approving. Ironically, the Association posted its highest level of contributions during FY85, a time when for more than half the year it operated with an acting board president and without an executive director. Reviews of development files indicate that board members were often solicited and thanked by staff, indicating again insufficient board involvement in the key area of board fundraising.

Many outside interviewees seemed to be under the impression that Edgar F. Kaiser (1908-1981), former board chairman and a longtime supporter of the Symphony, had for many years underwritten the organization’s debt. As one development director expressed it, “Mr. Kaiser could materialize money.” In fact, Kaiser’s personal gifts from 1975-81 ranged from \$5,000- \$10,000, with a one-time gift of \$20,000 in 1977-78.

In earlier years, however, Kaiser had been instrumental, along with Stephen Bechtel, in the acquisition of the Paramount Theatre, each donating \$250,000. Kaiser later gave an additional \$50,000 toward the renovation effort. Equally significant was Kaiser’s influence in securing gifts from the Kaiser companies. In the aggregate these ranged from \$15,000 to \$30,000 per year (1973-77). The Kaiser Family Foundation gave \$100,000 in both 1977 and 1978 as a challenge grant to be matched one-to-one by contributions from the board. The board did not appear to meet this match in either year, although the Foundation still released the funds. The Kaiser Family Foundation continued to give generously, allocating \$50,000 each year in FY82, FY83, and FY84. In FY85 their gift was listed at \$5,500. Kaiser was also influential in soliciting his friends and colleagues to support and lead the organization. Many board presidents were either Kaiser employees or served at Kaiser’s personal request.

It is difficult to evaluate whether Kaiser’s largesse constituted an overreliance by the organization on one donor, particularly in the last ten years that are the focus of this study. It is perhaps more accurate to assert that Kaiser’s not inconsiderable clout and resources had, in the earlier years of the organization, contributed to the creation of an assumption on the part of the board that someone would always be there to help the Symphony out of the financial crisis of the moment. The Ford Foundation’s ten-year grant program and the NEA’s Challenge Grant likewise contributed to creating a historical buffer that postponed the necessity of finding immediate, structural remedies to the financial shortfalls.

Individual Giving

The history of divisiveness within the board (discussed under the Board Section) hampered its fundraising efforts. A 1977 consultant’s report comments on the dissension: “Unluckily this internecine struggle is perceived not only internally, but widely outside the Board and, regretfully, by some important sources of contributed income.” In discussing whether Oakland could raise the money needed to have an orchestra in the city, the report stated, “The potential has not yet been fully enough explored to provide a definitive answer to what the realistic contribution limit may be... considerably more is possible if the house is in order.”

Another consultant’s 1978 analysis of individual giving “makes it immediately clear that the Symphony has not realized its potential, nor has it been particularly ambitious in the major gifts area. . . . Very little has been done in the past by the Oakland Symphony Association to attract annual gifts and every effort should be made now to establish an annual gifts program. . . . At the present time we have over 7,000 people who attend the Symphony. Most of these are people who have never been asked to give additional support.”

The 1979 development report states that “the biggest obstacle [to the campaign] was lack of committed board support.” In interviews, development directors reiterated this observation, taking care to credit a few key individuals for their outstanding efforts. In commenting on board leadership, the October 1983 endowment feasibility study states,

“The staff has become increasingly responsible for fundraising activities to the point where they and not the board are expected to provide almost all of the leadership in this area.”

Individual gifts were solicited personally by board members, and by staff, through direct mail and by telephone. Recordkeeping in this area was confusing and inconsistent, with as many as four different amounts for a given category within one year. In these cases, the amounts reported were averaged to generate **Table 8.2: Individual Giving**.

As this table illustrates, individual giving fluctuated in the last years. The board’s wavering commitment was no doubt a factor in the level of individual giving from the community as a whole. A 1985-86 program lists only 161 donors of more than \$250, with only 20 gifts greater than \$5,000, including board gifts. No figure for the total number of donors was available.

Internal memos and correspondence indicate that in the Symphony’s final year staff and board found it increasingly difficult to make the fundraising case to its individual donors. By January 1986, the annual fund drive had \$79,000 in unrenewed gifts for the first half of that fiscal year. Board and endowment donors indicated an unwillingness to give “until a satisfactory budget has been approved.” A consultant hired to conduct an end-of-the-year wrap-up campaign stated there was surprisingly little interest in giving to the Symphony.

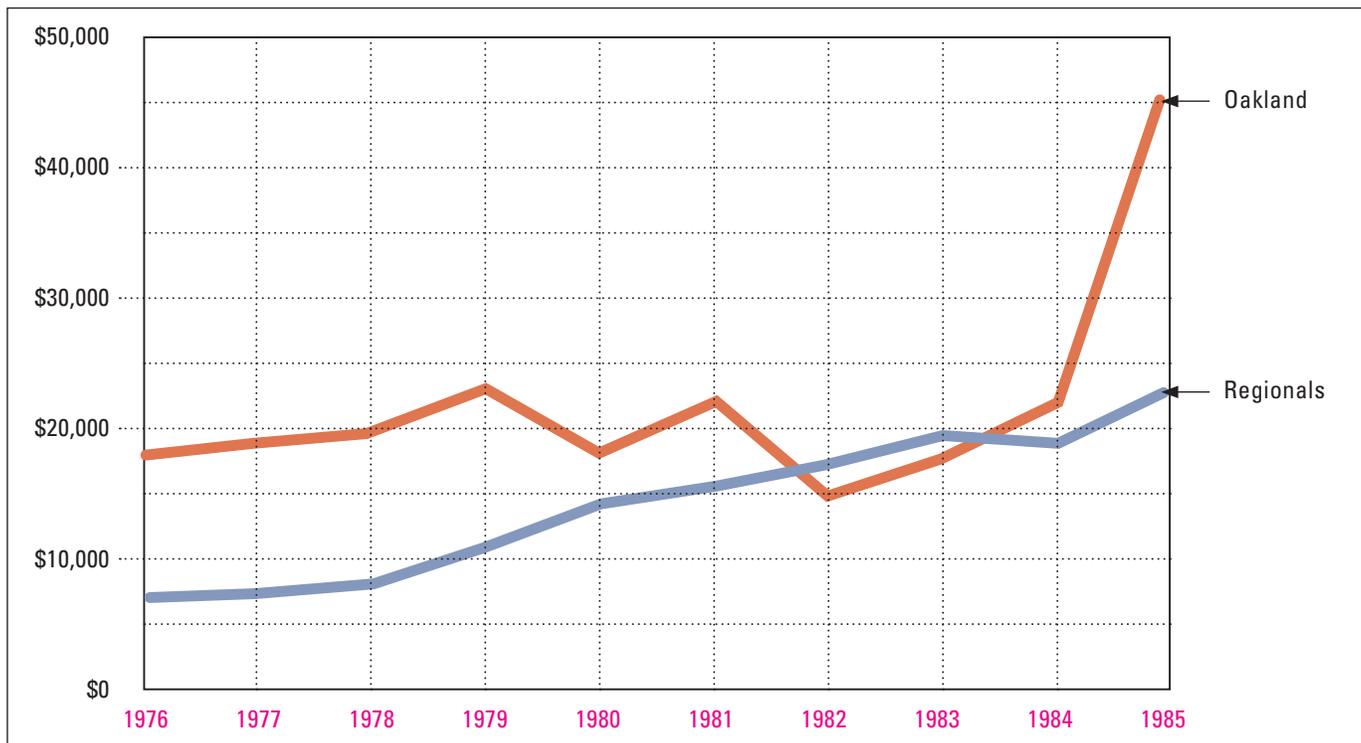
Many of the individuals interviewed made the comment that fundraising from individual donors is difficult in the East Bay. While no one contests the region’s considerable wealth, many felt its wealthy individuals have not developed the habit of giving. One OSOA staffer commented that donors preferred to give in San Francisco where “their money bought more glamour and more perks.” Smaller givers appeared to share a similar reluctance to give to the Oakland Symphony. A 1985 telefundraising report by an outside consultant states as part of the reason for the lackluster campaign results, “Oakland just isn’t San Francisco.” (The first strategy listed for the next year’s campaign is “pray.”)

Despite the East Bay’s putative lack of a philanthropic tradition in the arts, the Oakland Symphony was its leading arts organization, with fifty-three years to develop a giving tradition through example. And the board did not set that example correctly and consistently enough to meet the goals the organization set for itself.

TABLE 8.2 INDIVIDUAL GIVING				
YEAR	TOTAL CONTRIBUTIONS	INDIVIDUALS AMOUNT	NUMBER	PERCENTAGE OF TOTAL
1969-70	\$185,762			
1970-71	\$194,506			
1973-74	\$281,579	\$117,029	342	41.56%
1975-76	\$537,232		314	
1976-77	\$356,794	\$104,270	348	29.22%
1977-78	\$392,969	\$85,058	116	21.64%
1978-79	\$584,638	\$70,000		11.97%
1979-80	\$857,205	\$96,313		11.24%
1980-81	\$968,261			
1981-82	\$1,010,752			
1982-83	\$954,759			
1983-84	\$989,168	\$142,510		14.41%
1984-85	\$1,319,625	\$216,806		16.43%
1985-86	\$911,829	\$143,984		15.79%

Excludes special event income

TABLE 8.3 COMPARATIVE GIVING FROM INDIVIDUALS



YEAR	1977	1978	1979	1980	1981	1982	1983	1984	1985
OAKLAND	\$187,100	\$192,800	\$230,600	\$183,000	\$215,200	\$150,700	\$175,400	\$213,500	\$451,000
REGIONALS	\$71,500	\$74,900	\$107,500	\$142,200	\$152,400	\$169,400	\$189,500	\$189,400	\$222,900

Source: ASOL

ASOL data for individual giving includes board gifts. As **Table 8.3: Comparative Giving from Individuals** indicates, Oakland surpassed the regional orchestra average for total individual gifts from 1976-81. The Association then fell below that average, to exceed it again in 1985. (As Oakland was one of the largest of the regional orchestras in budget size, it could reasonably have been expected always to exceed the regional orchestra average in the dollar amount of individual gifts.)

When individual giving is examined as a percentage of total income from all sources, it provided 11% of all income to the Oakland Symphony – the same percentage as the regional orchestra average. Because the Symphony was running annual deficits, however, the more relevant method of analysis would be to view the comparative figures as a percentage of expense rather than income. ASOL data base summaries do not break out the separate categories of giving as a percentage of total expenditures. The ASOL data does include this information in the aggregate for total private support from all sources. Since total private sector support as a percentage of total gross expenditures equaled 32% for the Oakland Symphony and 36% for other regional orchestras, the Symphony was behind its peers in obtaining private support.

Planned Gifts

A planned giving (deferred gifts) program was started before 1975 but it was inactive by 1978. In 1980 the development director tried to revitalize the program but it was not actively maintained. Apparently the board did not understand the importance of maximizing current supporters' interest by insuring its continuation into the future. When a longtime board president was asked if he ever approached Edgar Kaiser to ask him to remember the Symphony in his will, he responded, "I would never have done that. After all he had given to the Symphony over the years!"

Special Events and League Fundraising

Special event fundraising is carried separately on internal records only for the last four years. During these years it netted \$17,429 (FY89); \$53,706 (FY84); \$44,228 (FY85); and \$137,241 (FY86). The largest and most successful event was the April 1986 Ice Classics, although its \$137,241 net was considerably less than its projected net of \$223,140. In addition, the event created consternation among development staff by diverting ongoing board and corporate support into underwriting for the event. The Ice Classics generated community goodwill for the Symphony, but at a real cost in time, energy, and money. As one development director said, "We would have done better to keep the gifts in the annual fund and not do the event."

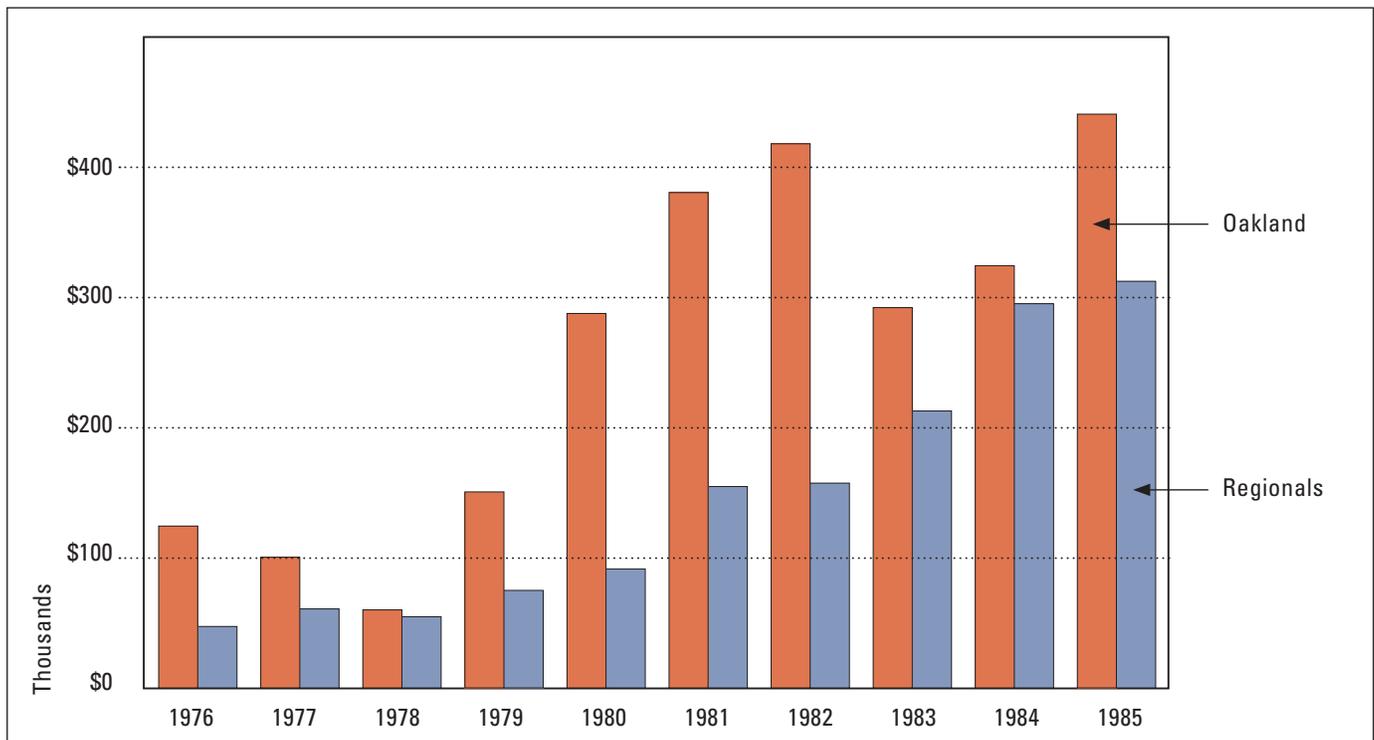
Income from League activities is not always broken out on internal records. Data reported to ASOL, however, indicates that the Oakland Symphony League's support fell behind the national average for regional orchestras in each of the last five years. The League's support of the Oakland Symphony equalled two percent of total income from all sources; the average for other regional orchestras was four percent.

TABLE 8.4 COMPARATIVE INCOME FROM WOMEN'S ASSOCIATIONS

YEAR	1980-81	1981-82	1982-83	1983-84	1984-85
OAKLAND	\$43,500	\$52,600	\$28,600	\$68,900	\$12,500
AVERAGE	\$51,100	\$57,800	\$63,500	\$78,500	\$87,500

Source: ASOL

TABLE 8.5 COMPARATIVE BUSINESS AND FOUNDATION SUPPORT



YEAR	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Oakland	122.1	98.7	59.2	149.7	281.4	373.5	410.3	287	319.8	431.7
Regionals	47	59.7	53.2	72.7	88.7	150.4	154.7	209.5	289.3	306.6

Business Giving

Under ASOL reporting, business and foundation support are calculated together. As **Table 8.5: Comparative Business and Foundation Support** indicates, support from these sources exceeded the regional orchestra average for each of the past ten years. This was particularly true during the Calvin Simmons years (1980-82).

Business and foundation support to the OSOA provided ten percent of total income from all sources (on average from FY81-FY85); the comparable average figure for other regional orchestras was six percent.

Generated from internal documents, **Table 8.6: Business Giving to the Oakland Symphony** breaks out business gifts alone. Again, where different reports listed varying amounts, the figures have been averaged.

A 1978 consultant's report indicated that the new low in corporate support for 1977-78 was due to the closing of the development office and major changes in administrative leadership and key volunteer personnel. Corporate support improved in subsequent years and the Symphony appears to have been quite successful in obtaining corporate sponsors for individual concert series: Merrill Lynch funded the Favorite Classics and Rheem concerts; McKesson funded the Saturday Matinees; and Mervyn's funded the Musical Galaxy Series. It does not appear that funding from business sources was dramatically affected by corporate mergers in the Bay Area, with the exception of the decline in the Kaiser Industries gifts mentioned earlier.

Only a few solicitation materials for the business campaign were found on file, but in several of the last years it appeared that staff approached corporate donors directly. A board member or a business community leader would have made a more effective campaign approach. Nonetheless, business support of the Oakland Symphony was healthy.

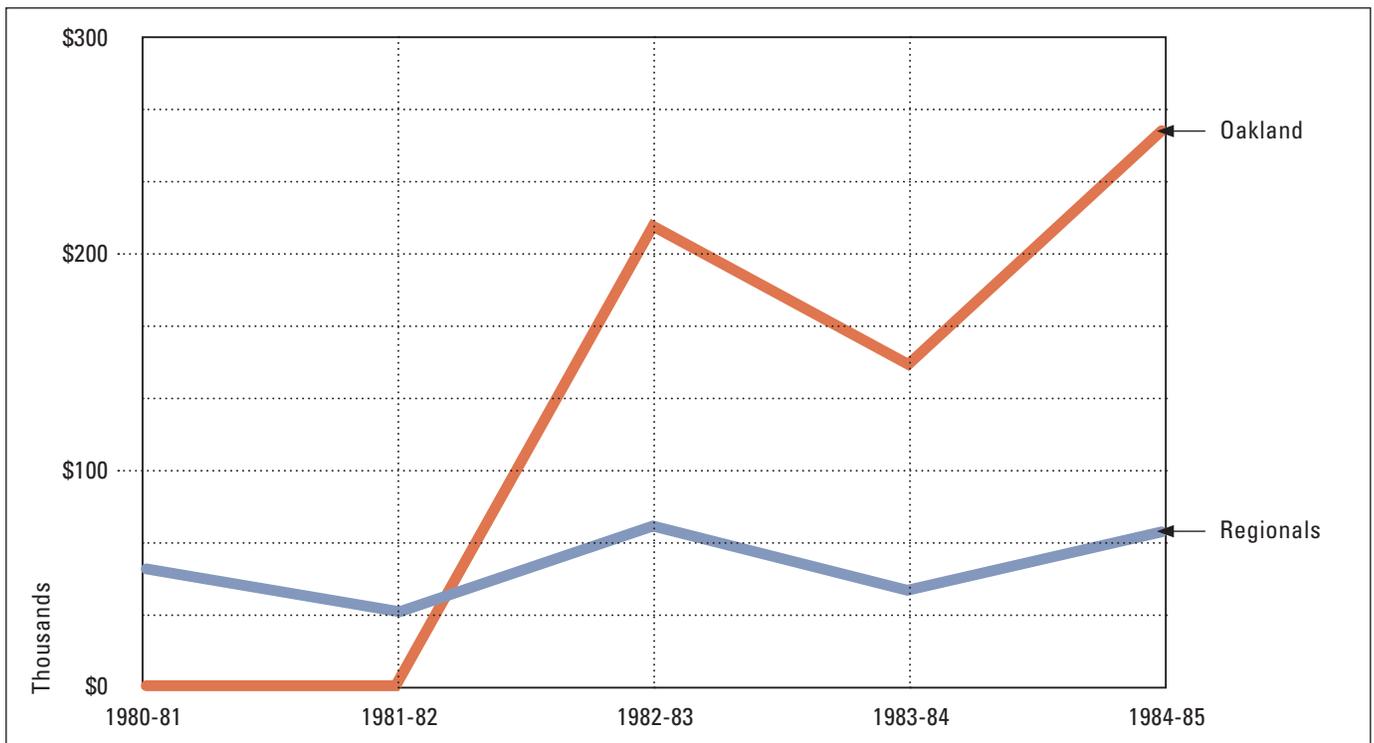
Table 8.7: Foundation Giving to the Oakland Symphony is incomplete, but indicates a steady rise in foundation support to the Oakland Symphony. Interviews with development directors indicate they did not find it difficult to obtain support from foundations, particularly in the Calvin Simmons years.

TABLE 8.6 BUSINESS GIVING TO THE OAKLAND SYMPHONY				
YEAR	TOTAL CONTRIBUTIONS	CORPORATIONS AMOUNT	NUMBER	PERCENTAGE OF TOTAL
1969-70	\$185,762	N/A	N/A	N/A
1970-71	\$194,506	N/A	N/A	N/A
1973-74	\$281,579	\$88,063	122	31.27%
1975-76	\$537,232	\$91,642	111	17.06%
1976-77	\$356,794	\$76,973	73	21.57%
1977-78	\$392,969	\$60,000		15.27%
1978-79	\$584,638	\$106,139	99	18.15%
1979-80	\$857,205	\$118,758	78	13.85%
1980-81	\$968,261	N/A	N/A	N/A
1981-82	\$1,010,752	\$168,486	N/A	16.67%
1982-83	\$954,759	\$219,955	N/A	23.04%
1983-84	\$989,168	\$289,577	55	29.27%
1984-85	\$1,319,625	\$317,787	63	24.08%
1985-86	\$911,829	\$222,417	N/A	24.39%

TABLE 8.7 FOUNDATION GIVING TO THE OAKLAND SYMPHONY

YEAR	TOTAL CONTRIBUTIONS	FOUNDATIONS AMOUNT	NUMBER	PERCENTAGE OF TOTAL
1969-70	\$185,762			
1970-71	\$194,506			
1973-74	\$281,579			
1975-76	\$537,232			
1976-77	\$356,794			
1977-78	\$392,969	\$120,000		30.54%
1978-79	\$584,638	\$171,630		29.36%
1979-80	\$857,205	\$185,271		21.61%
1980-81	\$968,261			
1981-82	\$1,010,752			
1982-83	\$954,759	\$231,688		24.27%
1983-84	\$989,168	\$258,313	15	26.11%
1984-85	\$1,319,625	\$274,033	14	20.77%
1985-86	\$911,829	\$272,163		29.85%

TABLE 8.8 COMPARATIVE SUPPORT FROM INDIVIDUALS AND FAMILY FOUNDATIONS



YEARS	1980-81	1981-82	1982-83	1983-84	1984-85
OAKLAND			\$212,400	\$145,600	\$249,800
REGIONALS	\$53,600	\$31,200	\$70,800	\$43,600	\$70,600

Source: ASOL

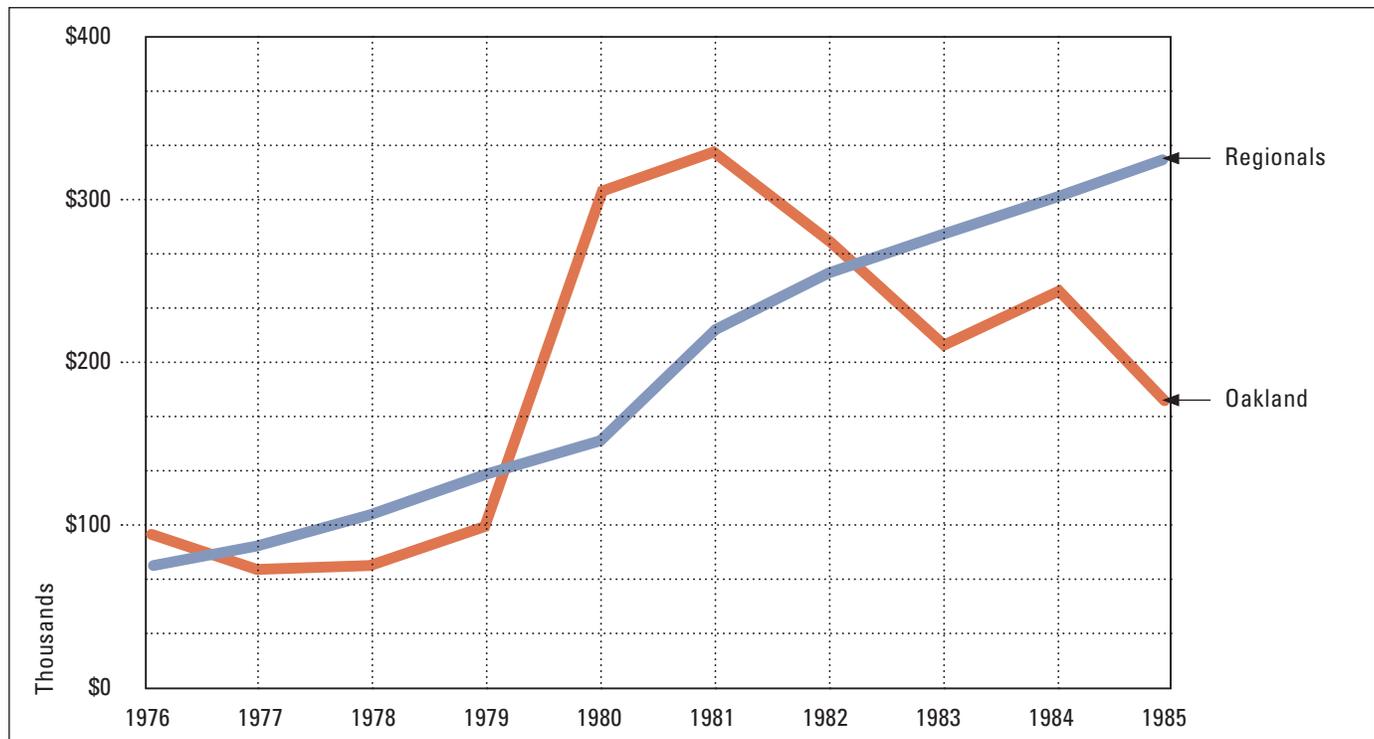
ASOL breaks foundation giving into business/foundation support (Table 8.6) and giving from individual and family foundations. As **Table 8.8: Comparative Support from Individual and Family Foundations** illustrates, giving to the Oakland Symphony from this category exceeded the regional orchestra average in the later years of the organization. Of particular note during this time were two large grants from the Kaiser Family Foundation and a 1985-86 grant of \$300,000 from the Hewlett Foundation, part of which was designated for endowment. The San Francisco Foundation was also a significant ongoing funder of the orchestra.

Tax-based Support

As **Table 8.9: Comparative Tax-Based Support** indicates, government support fluctuated considerably over the years, with the largest increase in FY80 and FY81, the Calvin Simmons years. In the years that followed, tax-based support never equaled the height of 1980-81. ASOL data indicates that the Oakland Symphony was receiving 10% of its budget from tax-based support, while its peer orchestras received 15% of their budgets from government sources (FY81-FY85).

At the time of a 1978 consultant’s report, the Symphony was receiving no support from the State of California. The report states, “We are not receiving the large grants from city and county that are given to other symphonies in other parts of the state, or nationally.” What follows is a more detailed history and analysis of tax-based support by source. **Table 8.10: Sources of Tax-Based Support** illustrates the impact of black conductor Calvin Simmons’s arrival in 1980.

TABLE 8.9 COMPARATIVE TAX-BASED SUPPORT



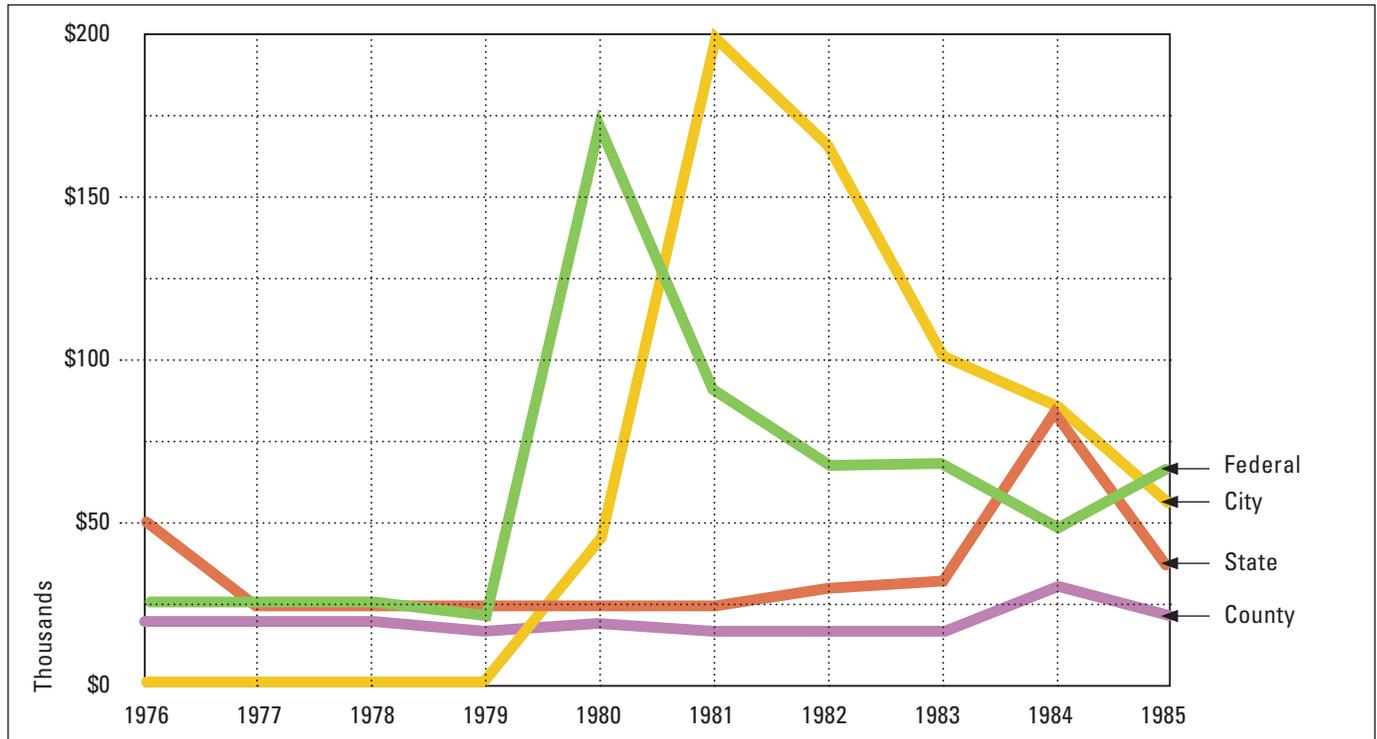
Source: ASOL

City funding was flat until FY84 when it increased 184%. The following year funding decreased, but on average the Symphony received approximately 2% of its total income from local support, roughly the same percentage of income as other regional orchestras. The more relevant figure – percentage of total expense – is not available, but given the Symphony’s deficits that percentage would be lower than the 2% of total income. In contrast, major institutions in San Francisco receive an unusually high average of 4.3% of their budgets from the city’s Grants for the Arts Fund, a growing source of support.

Some Oakland interviewees felt that the city should have done more, particularly in light of its bailouts of the Oakland Raiders and the Hyatt Regency. The City of Oakland, however, is facing its own problems in balancing its budget, with cutbacks in the schools and in city services. Even the Chamber of Commerce is in debt. In recent years, however, the city had invested nearly a million dollars in renovating the Alice Arts Center, which has a substantially lower audience draw than the Paramount Theatre or the Symphony. The Symphony did approach the city in its last months to discuss the possibility of a bailout. City officials predicated financial assistance upon settlement of a new labor agreement. But musicians and management never reached a new agreement and the symphony’s proposal never formally came before the City Council.

Alameda County funding was exceptionally flat from 1976-1986, ranging from \$16,000-\$25,000. This amounted to one percent of all income to both the Oakland Symphony and to other regional orchestras.

TABLE 8.10 SOURCES OF TAX-BASED SUPPORT



YEAR	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
CITY	50	25	25	25	25	25	27.5	29.4	83	55
COUNTY	20	20	20	16	20	16	16	16	27.5	20
STATE	0	0	0	0	45.1	199.5	163.9	100	82.3	33.8
FEDERAL	25	25	25	20	173.6	88.9	66	66.8	48.6	64

Source: ASOL

After its first 1980 grant to the Oakland Symphony, state funding increased enormously in the following year. In subsequent years state funding never again reached those heights. Sources interviewed indicated the large 1981 grant was partly a reward in recognition of the choice of Calvin Simmons, a black conductor, as the new music director.

Ideally, government support to major institutions should be a stable, dependable source of revenue. Fluctuations of the degree illustrated here do not support institutional stability. While the California Arts Council grant to the OSOA was the organization's largest tax-based grant (and in one year the largest grant for the institution's budget size given in the state), state funding was farther below the national average for regional orchestras than any other government funding source. State support provided 6% of the Oakland Symphony's total income; other regional orchestras report an average of 9% of their income from state support.

Federal funding fluctuated as well, as a result of a National Endowment for the Arts Challenge Grant of \$150,000 awarded in FY80. Subsequent NEA Challenge Grant requests in 1984 and 1985 were not funded. Federal funding to the Oakland Symphony was 3% of the Symphony's total income; on the average, federal support to regional orchestras comprised 4% of their total income.

Special Campaigns

The ten-year Ford Foundation Grant required the Symphony to match the \$1 million grant one-to-one, with both the Ford grant and its match designated for endowment. Nearing the end of this campaign in 1976, the Symphony was approximately \$200,000 short of the goal. This was supplied by an anonymous donor.

The Paramount Theatre Capital Campaign had a goal of \$4 million. One million dollars of that – the purchase price of the building – was supplied before the drive began. Renovation cost an additional \$1 million, of which \$705,491 was raised in gifts and long-term pledges from 238 donors. Gifts to the Paramount Drive ranged from \$25 to \$150,000. None of the remaining \$2 million (to be an operating endowment for the building) was raised. The drive was led by a campaign committee of sixteen; an additional Theatre Advisory Committee included ninety-two individuals, a number of whom were San Franciscans. Despite this show of community involvement, the campaign did not reach its goal.

The 1980 NEA Challenge Grant of \$150,000 was matched three-to-one from new and increased sources of funds raised between December 1978 and June 1982. In the last years of the Symphony the board frequently discussed an endowment drive with an initial goal of \$5 million. A feasibility study concluded that the Symphony was likely to raise only \$2 to \$2.5 million. In the last three years of the Symphony, donors contributed less than \$200,000 towards endowment.

In fundraising, as in other areas of its operations, the Oakland Symphony did not readjust its goals when it failed to meet them, but continued to bet its future on unrealistic expectations of contributions from its community.

9 FINANCE

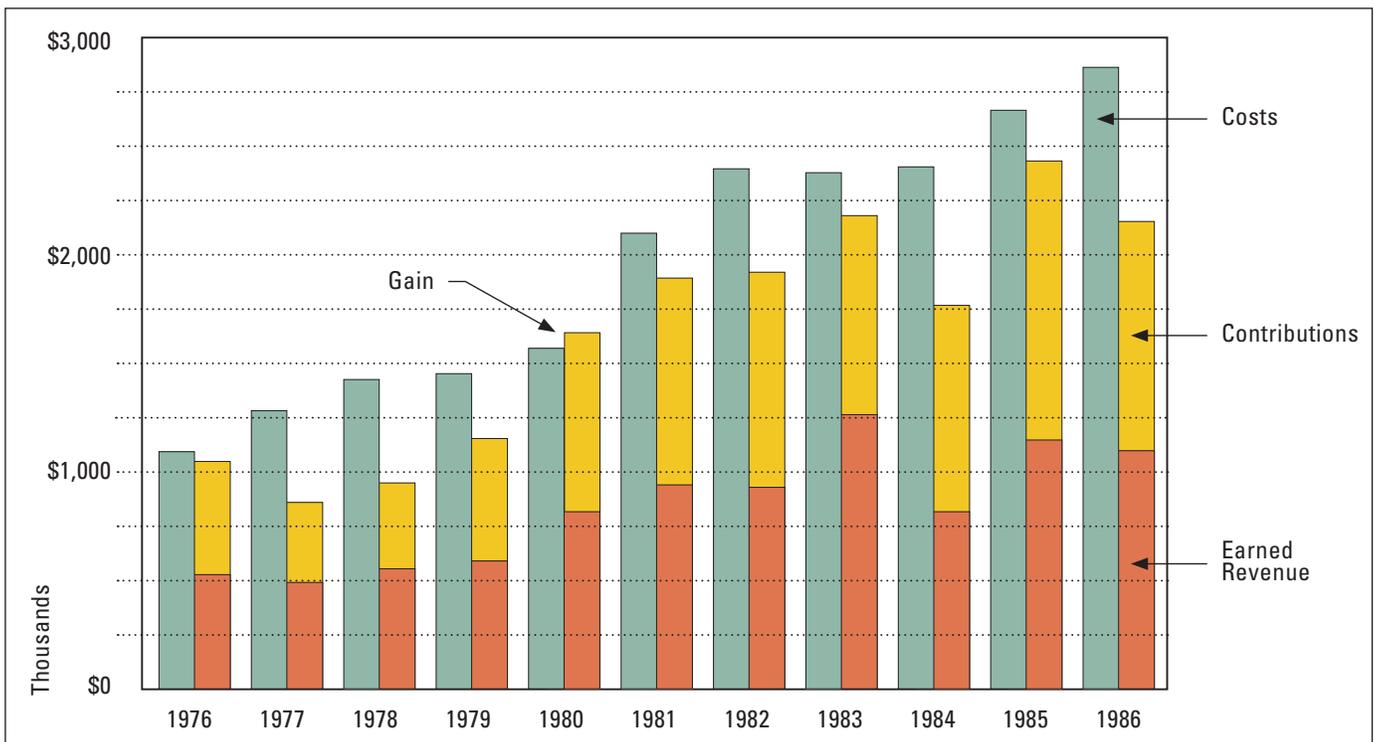
Overview

The Oakland Symphony Orchestra Association's inability to take decisive action is nowhere more evident than in its financial management. As early as a March 1977 Executive Committee meeting, a board member stated that he "hated to keep repeating it, but we have to face the fact that we are up against a crisis if we don't sell the tickets and raise the money this year. It goes without saying what will happen. There will be no symphony." At that same meeting the treasurer commented that he "would like to see the board at some time take action that would limit the pattern we have started of accepting deficits with the idea of building for the future. That we not under any circumstances use the one million dollars we raised for the matching funds for the Ford Grant for operating use." When the music director queried the treasurer on what he planned to do with the million dollars when he terminated the symphony, the treasurer responded that he "wouldn't terminate the symphony but would restructure the symphony within the capacity of the community to support it." The Executive Committee took no action. At no time from 1976-86 was any fundamental change made in the structure or operations of the increasingly troubled orchestra. Instead the Association continued its pattern of accepting deficits, and in the face of those deficits continued to expand.

From 1976-86 the Symphony budget grew at an annual rate of 12.1%, fueled in part by a growth rate of 12.58% in musicians' costs. While its overall growth rate was slower than that of other regional orchestras, at Oakland neither earned nor contributed income kept pace with the growth in expenses. The consequence was a series of deficits that the Association financed primarily by use of the endowment principal. The board made decisions to use endowment principal in contradiction to its own earlier characterization of the endowment as permanent and inviolable.

Financial management was inadequate until the last two years prior to bankruptcy, when for the first time the organization hired a controller with long-term nonprofit financial management experience. Budgeting had for many years

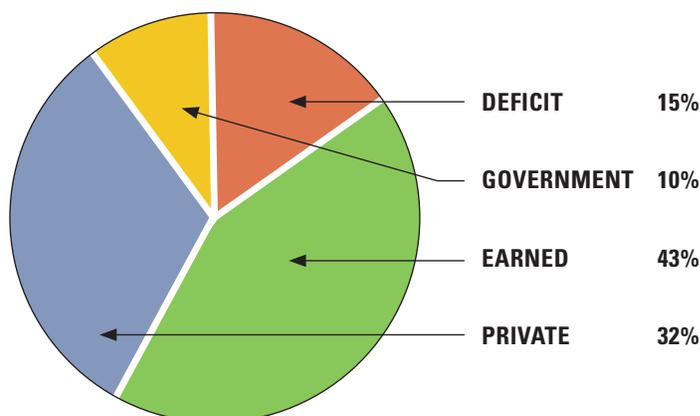
TABLE 9.1 TEN YEAR OPERATING RESULTS



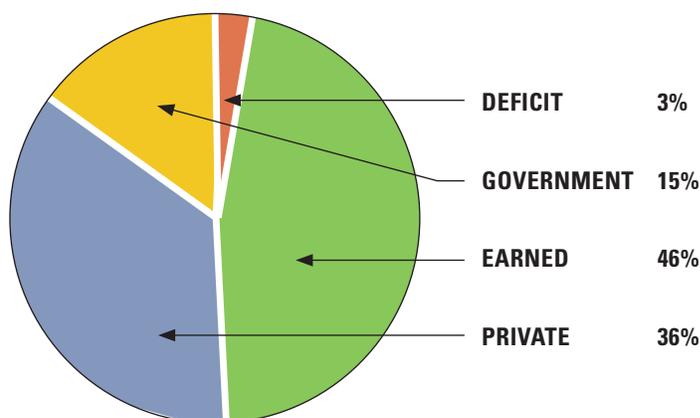
Source: Audits
 *1976 contributions inflated by the Ford Foundation Grant.
 1980 was the only year that posted a gain.

TABLE
9.2 SOURCES OF INCOME AS A PERCENTAGE OF EXPENSE

OAKLAND 1980-1985



AVERAGE OF 32 REGIONAL ORCHESTRAS 1980-85



been accomplished by the use of 'plugged numbers' to achieve the balanced budget that the board approved. At the same time, the Association's return on endowment was erratic, suggesting less than careful or consistent oversight. In addition, the audit did not readily reveal the true financial situation of the organization, and obscured the fact that the Association was insolvent more than a year before bankruptcy.

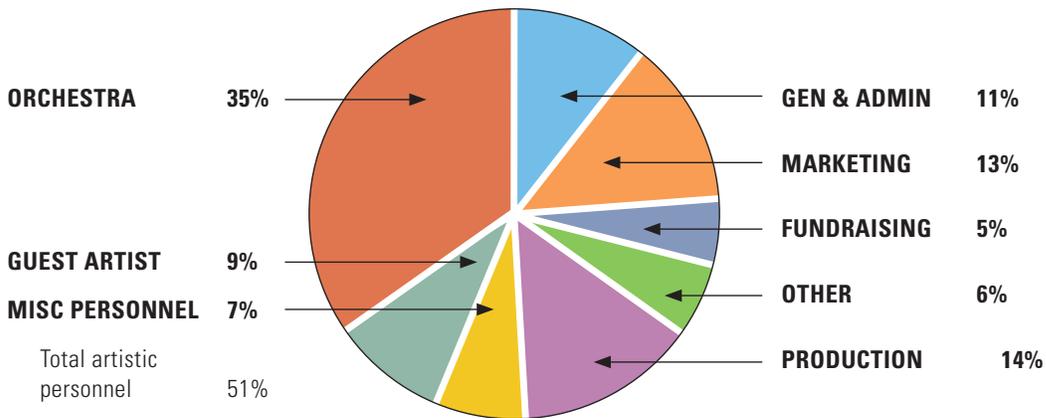
Financial Analysis

The ten years leading to the bankruptcy of the Oakland Symphony can be summarized as a series of deficits totaling \$3.7 million. From 1976 on, the Association finished in the black only once – in 1980, the first season of music director Calvin Simmons. That year the Symphony posted a surplus of \$50,000 on a \$1.6 million budget. All other years studied posted operating deficits ranging from a low of \$22,441 (1976) to a high of \$748,556 (1986).

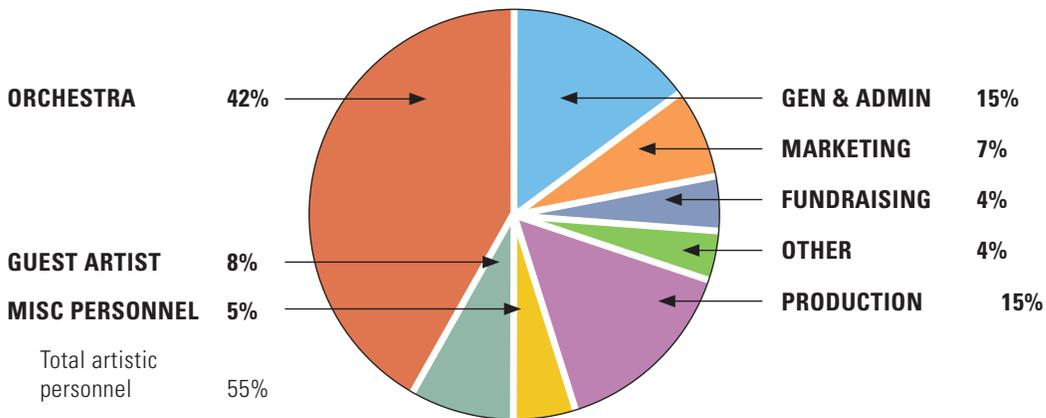
While the growth rate of the operating budget fluctuated over the period studied (from 33% to -.9%), the average annual growth in expenses was 12.1%, compared to the regional orchestra average of 14.5%. But the Oakland Symphony's income sources did not keep pace with its growth in expenses: contributions increased at an average annual rate of 11.5%, ticket revenues increased at an average rate of 9.7% (7.6% in the last five years). **Table 9.1: Ten Year Operating Results** illustrates these ten-year trends.

TABLE 9.3 EXPENSE BREAKDOWN 1981-1985

OAKLAND 1981-1985



AVERAGE OF 32 REGIONAL ORCHESTRAS 1981-85



A review of the Association’s last five audited years of operation reveals that income, category by category, was not substantially below the national average for regional orchestras. But when all the shortfalls are considered together, they constitute a critical difference. As **Table 9.2: Sources of Income as a Percentage of Expense** illustrates, earned revenue was 3% behind the national average; private support lagged by 4%; and government support was 5% below the national average. Regional orchestras across the country incurred an average deficit of 3% of expenses FY81 – FY85. The OSOA’s deficit during the same period was 15% of expenses.

Table 9.3: Expense Breakdown indicates that the OSOA was 4% behind its peers in spending for artistic personnel; 1% behind in production costs; and 4% behind in general administrative expenses. The Association was outspending its peers by 1% in fundraising, by 6% in marketing, and by 2% in the category of “other.”

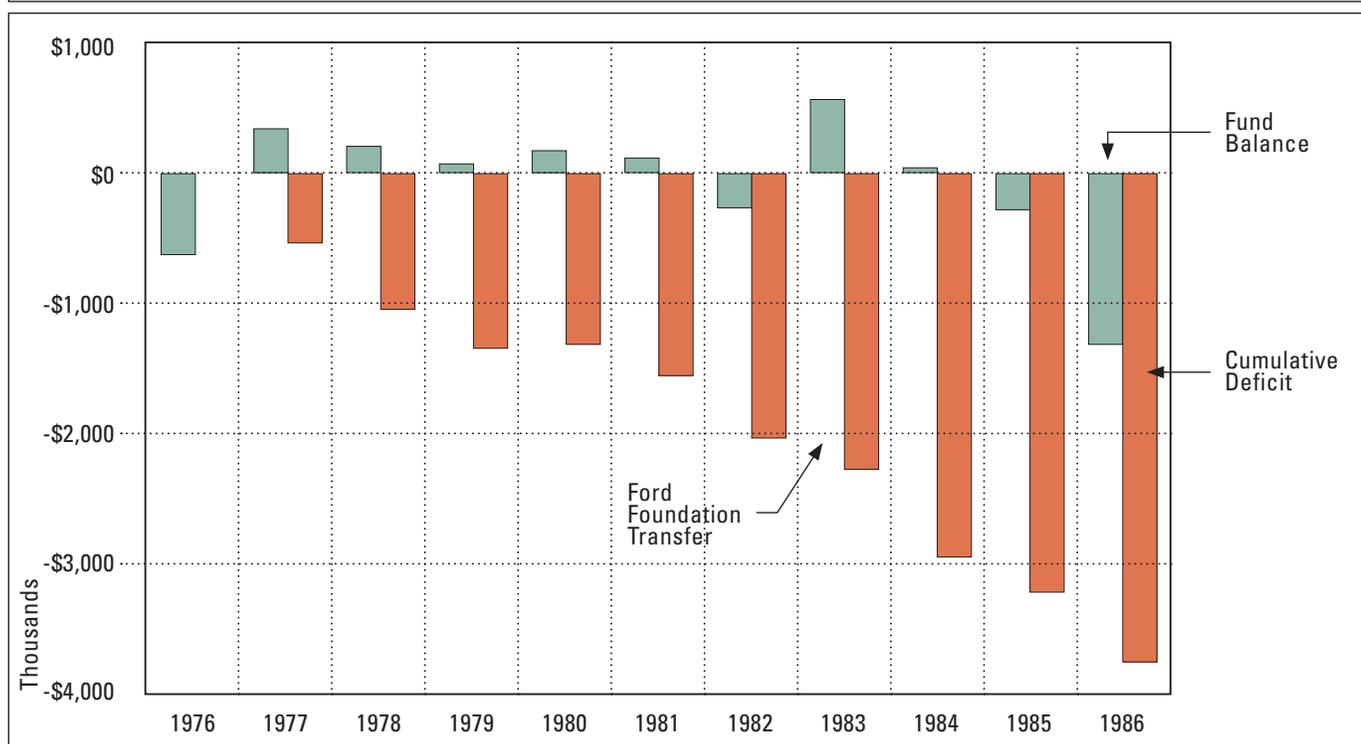
Considered jointly, Table 9.2 and Table 9.3 make the point that the OSOA was spending more to get less than its peer orchestras. Fundraising and marketing costs were high, while the results of these efforts were below par.

The labor cost structure is often mentioned as a major factor contributing to the demise of the Oakland Symphony. As **Table 9.4: Changes in Guaranteed Payroll** indicates, the average yearly increase in musicians’ salaries was 12.58%, slightly higher than the 12.1% annual rate of total budget growth. Since artistic personnel costs account for

TABLE
9.4 CHANGES IN GUARANTEED PAYROLL

Year to Year Increase (decrease)										
YEAR	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Change	10.07%	27.8%	none	13.4%	28.8%	11.6%	18.4%	12.7%	18.7%	-15.85%
Average yearly increase 76-8612.58%										
Average proposed increase 86-88.....34.30%										
(The reduction in payroll expenses in 1986 is due to services lost during a seven-week strike.)										

TABLE
9.5 CUMULATIVE DEFICIT AND CURRENT FUND BALANCE



more than half an orchestra's budget, even this slight increase implies that artistic personnel costs were a factor in aggravating the deficit. The last labor agreement called for even greater increases (34.3%), despite the serious financial situation of the organization. The executive director who negotiated this labor agreement stated at the November 25, 1985 board meeting that the "settlement is satisfactory to the Association," and the board approved it.

The sale of a symphony's product never pays the full cost of its production. The difference must be made up by private donors (individuals, foundations, corporations), by government support, and increasingly by endowment income. These exist in delicate balance. Ideally, each source maintains its percentage of support of the ever-growing operating budget. But in the 1980s, government funding, particularly on the federal level, has tended to remain constant (and in Oakland's case it declined). If budget growth is to continue, the difference must be picked up by increasing the percentage of support from private sources, earned income, and increased endowment earnings. As Table 9.2 illustrated, government support to the Oakland Symphony was lower than average, but so were private support and earned income. To cover this difference the Association financed its deficits primarily through the use of endowment principal. As the principal decreased, so did income from endowment earnings. Then with its endowment running out, the board voted to use advance subscription funds designated for the following years' concerts. This continued until there was no money left.

Table 9.5: Cumulative Deficit and Current Fund Balance summarizes the trends discussed above by comparing the cumulative deficits with the current fund balance. This chart does not include the endowment principal or plant funds in the fund balance, but does show where 1977 and 1983 transfers from endowment into the operating fund momentarily improved the current fund balance.

Financial Management

As the cost factors illustrated above indicate, symphonic music is very labor intensive. Once the expense budget has been set for any given year and contracts are signed, it is very difficult to bring in a season significantly below budget. But failure to meet one's budget consistently over a long period of time suggests a financial management problem. In light of all the information available, Symphony management failed to address the continuing crisis in any fundamental way. In fact, the organization continued to expand services and increase musician costs.

In 1974, twelve years prior to bankruptcy, a ten-year financial forecast and analysis of the Oakland Symphony and the Paramount Theatre operations was prepared by an outside consultant. It projected the Symphony's deficit to increase 600% in ten years, and made the following conclusions:

1. Management has limited ability to cut costs.
2. Just to maintain the present financial position, patrons will have to increase their support substantially in the future.
3. Survival of both the Paramount and the Symphony will depend on local private donations.
4. Because of the high ratio of production costs to income generated, any policy decisions as to the level of growth of the Symphony will affect the size of the income deficit generated.
5. Wages are increasing faster than income, creating a widening income gap.

This report predicted a total income gap of \$2.5 million by the end of FY80. In addition to recommending that the Symphony deed the Paramount to the City of Oakland, it recommended cutting programming from nine to six sets (of three concerts), and remaining at six sets "until such time as patron support or endowment income indicates that the increased scope can be paid for." But the Association did not cut back or hold the line. In its final season the number of sets had risen to twelve triples.

Three people held the job of controller over the last decade, but the first two were essentially bookkeepers rather than financial managers. The third was hired in July 1984 and came to the OSOA with twenty years experience in nonprofit accounting. She describes the state of affairs on her arrival as a "disaster financially." She first set about preparing for the first audit only to uncover a \$600,000 deficit "which came as a total shock to everybody." At the Executive Committee meeting two months earlier the deficit had been projected at between \$230,000 – \$240,000. While the budgets appear to have been tracked and reported on periodically (although written reports were not attached to minutes), the variances in deficit projections from month to month suggest less than tight financial control.

The last controller's impression was that in the years prior to her arrival reporting was inadequate and that the board was not always getting accurate information. There was no record, however, of the board requesting staff to supply more accurate information. After the last controller's arrival, the board received computerized monthly statements of budget projections against actual performance, and cash flow projections.

The Association had an easier time staying on its expense budget than it had in meeting its earned and contributed income projections. This appears to be primarily a failure to budget correctly. Rather than building the budget from scratch based on realistically achievable (and historically justifiable) increases program by program, the Association budgets were nearly always balanced by numbers-plugging. The usual pattern was for the Finance Committee to develop in April a budget which showed a deficit. By June the deficit was plugged (usually by increasing ticket sales income projections) and the board approved a balanced budget.

Ticket sales income fell so consistently short of projections for many years prior to bankruptcy that one might have

expected the board to lower its sights in following years. But accepting reduced earned income would have required either approving a budget deficit – which the board was not willing to do – or raising income projections in fundraising – which the board was generally not willing to do. Consequently, the routine statement at budget time was, “We can’t raise any more from contributions so we’ll have to balance the budget from ticket sales.”

The board’s habit of balancing the budget by raising projections for ticket sales income further fueled the impetus to oversupply the product. Since the Association continued to believe the fallacy that the way to increase its audience was to increase the number of concerts, the Symphony schedule ballooned. As the Executive Committee minutes of January 12, 1978 report, “Harold Lawrence stated his belief that supply creates demand; provided of course that the product was of high quality.”

The Finance Committee generally met quarterly. While the treasurer was often the most realistic individual in the organization, the committee took no decisive action. As late as December 15, 1985, Finance Committee minutes report, “It is the Finance Committee’s opinion that in the *long run* the outlook looks promising.” Meanwhile, the controller was predicting “the situation [financial insolvency] loudly and often to anybody who would listen.”

This situation demonstrates the force of inertia in an unhealthy organization: In light of all factual evidence to the contrary, with consultants’ reports predicting financial catastrophe and offering alternatives, the Association continued to conduct business as usual.

Several factors working together over the past twenty years combined to create a buffer to the institutional need to embrace the consequences of its financial operation. One significant factor was the award in 1966 of the Ford Foundation grant of \$1.35 million, which created undue reliance on one source of revenue.

The Association’s Ford Foundation grant was the largest of those grants available to orchestras of the Association’s size. In addition to the \$1 million endowment match and its interest, Ford funded the Association with \$50,000 per year for five years in general operating support, and contributed another \$100,000 in development funds. The Association’s annual operating budget at that time was \$375,000. Calculating from the ten-year long range plan submitted with the Ford proposal, during the first year under the grant program Ford funds supported 26% of the Association’s annual budget. This declined to 15% after five years and to 5% of budget after ten years. The Ford Foundation funds effectively inflated the organization’s budget only then to be withdrawn. The Association was not able to replace the missing Ford income.

Another buffer was the habit of reliance on Edgar Kaiser and perhaps other anonymous donors. The Executive Committee minutes of February 2, 1972 report, “June 30, 1971 was the deadline for the Association to raise one million dollars in endowment funds, thereby qualifying for the million dollar matching fund grant from the Ford Foundation. With the deadline approaching, only \$800,000 had been raised; and the loss of the entire Ford Grant seemed inevitable. However, in this critical hour, certain board members, who wish to remain anonymous, came to the rescue of the Association and made up the balance.”

This habit of reliance on last-minute rescues was reinforced by other timely and large infusions of funds. The 1980 NEA Challenge Grant of \$150,000 came at a critical time, as did the large California Arts Council grants of the early 1980s. With the death of Edgar Kaiser and declining state and federal funding, the Association turned to the endowment principal to sustain its enlarged operation.

Debt Financing

As detailed under the Facilities Section, the Association covered the 1977 capital debt and the operating deficits for both the Symphony and the Paramount Theatre by taking into the operating fund the Ford Foundation matching grant and its interest, totaling \$1.2 million. Originally intended for endowment, this grant was in the form of Ford stock that the Association sold as needed to finance operations.

At various times the Association borrowed against the remaining endowment from a line of credit it maintained with its brokerage firm. Later the board decided that "it made more sense to borrow from ourselves." Thus it periodically borrowed from the endowment, and paid it back with subscription income. The next step was to use endowment principal for operating expenses. At the Executive Committee meeting of January 6, 1982 the treasurer warned, "There is a very real danger of depleting the endowment fund within the next few years unless corrective action is taken." In response to this warning, the board took the following action, recorded in the audit for FY83: "During the year ended June 30, 1983 it was decided by the Board of Directors of the Association that the Ford Foundation Matching Grant Endowment was no longer restricted. This decision was ratified by a September 14, 1983 Board of Directors resolution." Thus the board transferred a million dollars from endowment into the operating fund.

The minutes of April 17, 1985 indicate "cash flow improved by delaying the payment of payables." By January of 1986, the board authorized obtaining a loan of \$191,000 from the City of Oakland at 7% or 8% interest. That loan was approved by the City Council in February with an interest rate of 8.5%. Part of the board's rationale in going to the city was that two local banks had already turned down the Association loan requests, citing lack of collateral. Apparently Board members were unwilling personally to guarantee the loans. The collateral for the city loan included future grants, musical instruments, and the music library.

In its March 24, 1986 meeting, the Executive Committee voted to use the remaining non-donor-restricted endowment (\$24,104) for operating if needed and to use the 1986-87 subscription income for current cash needs. At the board's April 7, 1986 meeting four board members did agree personally to loan funds to the Association, to be repaid from the month's Ice Classics benefit revenues, but these loans were never actually made. By September the organization was bankrupt.

Endowment Management

Many outside observers expressed shock at the Association's management of its endowment, and asked if the endowment principal was inviolate. This study had no access to any resolutions or documents concerning the endowment. Various managers and development directors asked to see them but without results. One staff person commented, "I was never clear on the Ford money and no one seemed to want to make it clear."

Fundraising materials, however, make clear that donors were led to believe their gifts to the Ford Endowment Drive were for permanent endowment. The Ford Campaign Pledge Form stated as a condition of the Ford Grant, "The Oakland Symphony Orchestra Association, in order to obtain one million dollars in endowment funds, must raise one million dollars of its own endowment funds ..." Association minutes and correspondence indicate that the Association itself shared this view at one time as well. Announcing the achievement of the Ford match, the Executive Committee minutes of February 2, 1972 state, "As a result the Association now has a \$2 million endowment fund. While the fund's capital cannot be used in financing the annual operations of the orchestra, the income from the fund is used to help bridge part of the gap between income and expenses." In 1976, when the Ford grant first came under the control of the Association, the audit notes the beginning of a slow erosion of that endowment. "It is the intention of the Association that the Ford Grant be placed in an endowment fund the principle [sic] of which may be invaded by action of the Board."

As has been detailed earlier, the Ford Foundation's \$1 million was never placed in the endowment, but went immediately into the operating fund. Board discussion over the last ten years focused on the Symphony's match of the Ford grant. At the March 9, 1977 Executive Committee meeting, the Association's general counsel stated that "the general resolution in itself is sufficient and that the funds shall be maintained as general endowment. He said if we come to the point where we need the matching funds for operation he would not recommend or give an opinion on the use of those funds without going to the court for a judicial sanction ... If the time comes when it has to be considered it should be taken up at that time." At that year's September board meeting, the Association's treasurer "referred to funds designated for endowment purposes totaling \$1,131,000 which represent the Ford Matching Endowment Funds. This money was raised locally and matched by the Ford Foundation. He stated that the representation made at the time of the Ford Drive was such that we can only use the principal of these matching monies by obtaining a

court order.” But when the board voted to transfer \$1 million out of the endowment in 1983, no court order was obtained. In fact the money was utilized without full board approval, being ratified after the fact in a board resolution.

Also in 1983, the Association commissioned a feasibility study for an endowment drive. Presumably its thinking was to restore the lost endowment, not by addressing the cause of the Association’s ongoing deficits, but by raising more endowment. This study came at a time when the Association was not raising enough contributed income to meet its annual budgets. The board determined that the Association needed to raise \$5 million in endowment to sustain its operations. The feasibility study predicted that with board commitment in place, it might raise \$2-2.5 million. Nonetheless the board set an endowment goal of \$5 million, although later it reduced this to \$2.5 million. An internal report dated January 29, 1985 lists endowment contributions and pledges (FY83-FY85) equalling \$459,543, of which only \$286,385 are recorded as current additions to the endowment. Yet the FY86 budget projections assume investment revenue from an endowment fund of \$2.5 million projected to be raised prior to June 30, 1985. These projections were not met.

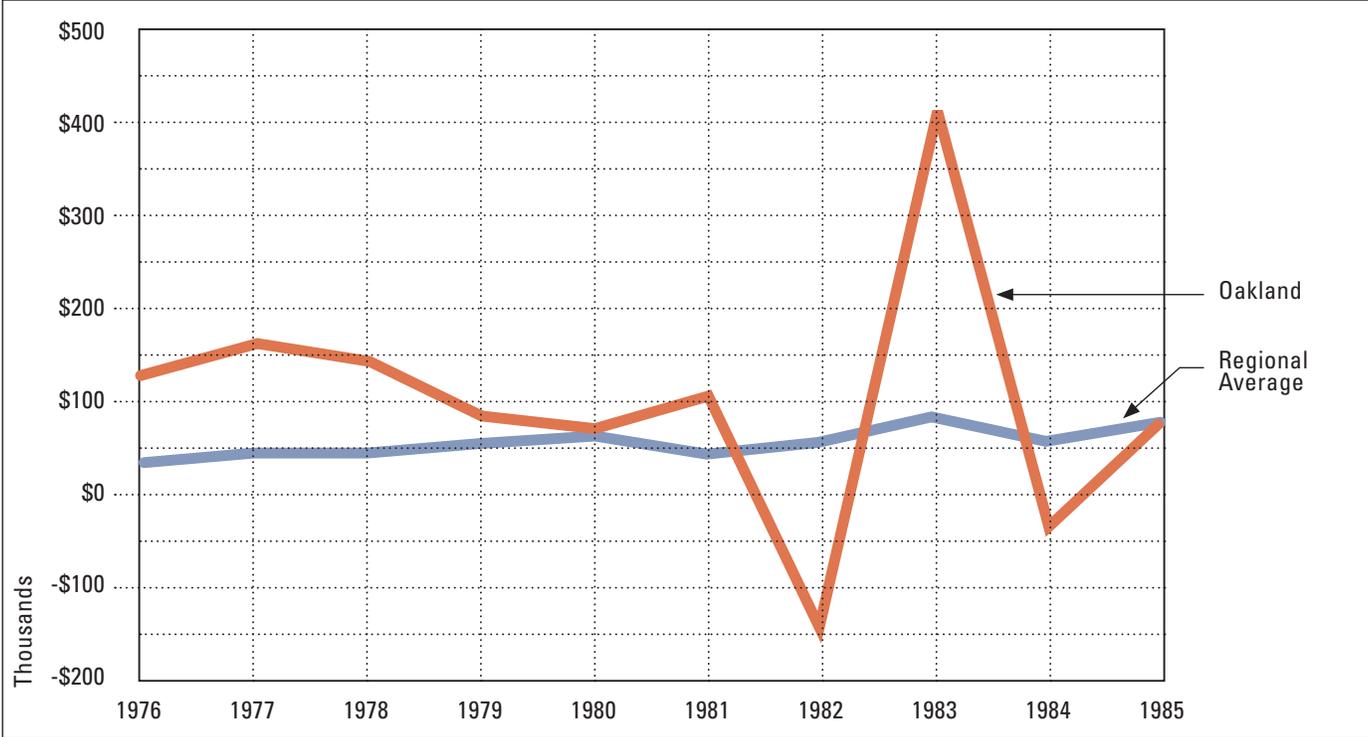
This final endowment campaign appears to have violated the basic rules of endowment fundraising: The Association’s case for giving was weak, particularly to insiders who knew its financial situation and its practice of invading its endowment principal; the drive was untimely in light of the Symphony’s current cash needs for survival; campaign leadership and board motivation was inadequate. As the endowment consultant’s report (July 10, 1984) states, “. . . the Symphony still needs one critical component prior to beginning its endowment effort: A visible commitment from the new Board of Trustees of keeping the Symphony alive and flourishing and a willingness to invest their own financial and leadership resources in that effort, as well as to solicit other potential donors for support.” In a letter to the Association’s executive director dated June 26, 1986, the endowment campaign chairman and two other board members enclosed their endowment contributions of \$8,000 each, stating, “. . . we do not wish to consider making any additional contributions until a satisfactory budget has been approved by the board of trustees.”

The Investment Committee managed the endowment for a number of years. Sometime in the mid-1980s the investment portfolio was divided between two investment firms, with the Investment Committee retaining management of two trust funds (designated for the Youth Orchestra) that were held by a bank. Minutes of the July 1984 Investment Committee reported a decline in value of those trust funds of 11% and a decline in income of 8.6%. That committee set its goal by stating, “It is generally agreed we should endeavor to achieve a 15% total return in income and capital gains.” Taken from the controller’s ten-year spreadsheet, **Table 9.6: Ten Year Endowment History** illustrates the gain or loss on the sale of stocks. Internal records were not available to generate an average annual rate of return on the endowment. According to one source, in the early 1980s the funds, which were invested primarily in oil stocks,

TABLE
9.6 TEN YEAR ENDOWMENT HISTORY

YEAR	OPENING BALANCE	ADDITIONS	TRANSFERS	GAIN (LOSS)	CLOSING BALANCE
1976	\$1,066,567	\$75,124	(\$75,124)	\$18,545	\$1,085,112
1977	\$1,085,112	\$167,100	(\$120,838)	\$0	\$1,131,374
1978	\$1,131,374	\$208,866	(\$223,217)	(\$11,718)	\$1,105,305
1979	\$1,105,305	\$238,248	(\$182,193)	(\$6,024)	\$1,155,156
1980	\$1,155,156	\$78,944	(\$81,122)	\$182,905	\$1,335,883
1981	\$1,335,883	\$79,841	(\$90,688)	\$67,286	\$1,392,322
1982	\$1,392,322	\$31,090	(\$69,708)	(\$230,416)	\$1,123,288
1983	\$1,123,288	\$105,497	(\$1,000,000)	\$37,509	\$266,294
1984	\$266,294	\$5,702		(\$22,234)	\$249,762
1985	\$249,762	\$175,186	\$15,187	\$0	\$440,135

TABLE 9.7 TEN YEAR INVESTMENT INCOME



YEAR	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
OAKLAND	149.9	178.1	161.6	103.9	90.5	119.8	-116	413.5	-22.7	96.3
REGIONALS	52.1	61.7	64.1	71.4	79	63.6	71.4	99	77	94.1

took a dive as a result of the oil industry troubles. This same source asserted that the investments were left unattended for a period of months following the resignation of the Investment Committee chair as a result of the Executive Committee decision to divide the investment portfolio.

Table 9.7: Ten Year Investment Income was generated from data reported by the Symphony to ASOL and includes income from investments, endowment, and bank interest. These figures do not match the endowment figures in Table 9.6. According to the last controller, endowment and quasi-endowment funds had been commingled prior to her arrival in 1984. The chart illustrates a level of erratic investment return, inconsistent with the pattern of other regional orchestras and with sound investment practice for not-for-profit insitutions.

Deferred Income

At the time of bankruptcy a number of sources of deferred income were earmarked for the Symphony for some time in the future. The OSOA had various remainder interest life trusts, a life income account, and a pooled income trust. The pooled income trust had four beneficiaries and its assets were invested in oil stock. One participant in that fund complained of the funds's mismanagement: the donor's original contribution to the fund is currently worth less than at the time of the donation eighteen years ago.

The Association was the recipient of various bequests, some of which were in process at the time of bankruptcy. The Association also had a 25% remainder interest in an estate valued at approximately \$10 million dollars, to be distributed after all three beneficiaries had died. (The youngest beneficiary was thirty-five years old at the time of bankruptcy.)

Audits

The Association was audited annually by a major accounting firm. The audit of June 30, 1977 records an accounting decision (presumably the board's) that was to be an unfortunate source of confusion in the years that followed. That audit's footnotes state that the free rent received in exchange for the transfer of the Paramount Theatre to the city would be carried as an asset: "The annual amortization of future rental benefits over the life of the agreement will provide the Association's future financial statements with an annual rental expense, thus making them comparable with other associations in their industry." The recording of this intangible asset (valued at \$1.6 million) inflated the fund balance and offset the debt in a manner that obscured the real financial situation to all but the most careful readers. This decision was apparently not reexamined until 1984, when the auditors were threatening to qualify the audit by issuing a going concern opinion. A letter from an attorney on the board stating that the future rental benefit was an assignable asset reportedly dissuaded the auditors from issuing a qualified audit. The controller did succeed in 1985 in having the "future rental benefits" transferred from the unrestricted fund to a plant fund.

Bankruptcy Timing

The duration and magnitude of the Association's financial problems, raises the question: Why didn't the Association declare bankruptcy earlier? Facing this issue sooner was no doubt handicapped by the audit's lack of clarity about the gravity of the situation. The audit for FY84 carries a total fund balance of \$1,650,109. Had the Association closed its doors at that time, \$31,462 in cash would have remained (excluding non-expendable donor-designated endowments). By the following year (FY85), the total fund balance had risen to \$1,749,493, yet stopping business at that time would have left creditors holding a debt of \$417,663. There was no audit issued for FY86, but the preaudited end-of-the-year statement (June 30, 1986) showed an operating deficit of \$748,556. At the time the Association filed for bankruptcy under Chapter 11 on August 21, 1986, \$1,574,623 was listed as owed to 3,423 creditors. Of these creditors, 3,207 were subscribers, two held secured debts (the city and the acoustical shell manufacturer), and the remaining 214 consisted of individuals, small vendors, and businesses, including musicians and guest artists, the media, designers, printers, instrument, music, and hall renters, consultants, hotels, and caterers. One of the largest creditors was the Paramount Theatre.

Bankruptcy had been discussed earlier in the organization's history, most recently in 1984, but in the middle of a labor contract there was insufficient support for the idea. As difficult a step as bankruptcy is, especially for long-established institutions, if the step must be taken, it is more responsible to take it earlier rather than later. For an organization to leave the community holding its debt hampers any future attempts to reestablish a similar organization.

10 LABOR RELATIONS

Overview

From early in its history, the Oakland Symphony was a full-sized orchestral ensemble. This fact of having “sprung full-blown” may be viewed as a dominant factor in the orchestra’s labor relations, as well as one source of its great financial difficulties.

The orchestra became a full-sized ensemble receiving some compensation in 1958, under the musical direction of Piero Bellugi. In 1965 the first collective bargaining agreement was negotiated between the Oakland Symphony Orchestra Association and Local 6 of the American Federation of Musicians (AFM). In 1967-68, Local 6 succeeded in adding tenure to the contract, a provision that tends to make permanent both the number of players and the individual players themselves. In the 1974-77 labor agreement, the number of players increased contractually from eighty-two to eighty-six, the size of the ensemble when the organization declared bankruptcy. There were some attempts to reconfigure the Symphony around a core orchestra (a concept first discussed seriously in 1977 and actually agreed to in the union contract covering 1980-82). In the 1985 negotiations, management made an eleventh-hour proposal to reduce the number of musicians by attrition, a proposal that was repeated during the bankruptcy crisis. (The musicians rejected this proposal on both occasions, though it could be argued that such limited, unspecific reductions would not have made a significant difference in any case.) None of these attempts succeeded in reducing the size of the ensemble and therefore the cost of maintaining it.

While the size of the Oakland Symphony was not significantly increased during negotiations, the amount of employment to be offered its eighty-six members was. The question of “full-time employment” preoccupied negotiators on both sides of the table throughout the Symphony’s unionized history. The orchestra grew from an essentially amateur, community group, in which the vast majority of members had other, full-time employment, to one characterized (by players and management) as a “fully professional ensemble.” As this professionalization occurred, and the membership of the orchestra shifted from part-time players toward primarily full-time musicians, the pressure to provide more employment grew. In its last ten years, the Symphony experienced a 44% turnover in musicians. During those years, the balance among the players shifted from those whose purposes were best served by part-time, nighttime only employment, toward players, usually younger, who looked to their engagement with the Oakland Symphony to provide the major part of their livelihood.

Across a number of contract negotiations, this movement toward “full employment,” so important to an increasing number of players, conformed to the Association’s institutional rhetoric. Long-range plans, grant applications, and other documents embraced plans to expand the programs of the orchestra and its degree of service to the community and to become a “major” orchestra. Management carried this expansionist message to the bargaining table as well, thereby encouraging expectations on the part of the players of more and more employment. If management most often said at contract negotiation time, “Just give us a little more time to get things in order,” still the intention of continued and significant growth was implicit in management’s stance.

Unfortunately, while player expectations conformed to management rhetoric, neither was in touch with the economic realities of the cost of providing significantly increased employment to eighty-six players and the ticket sales and contributions that would be required to support that goal.

At the same time that pressure for expanded employment and the pressure of financial realities were intensifying, changes were occurring in the leadership structures of both union and management that strained their relationship. Until the strike of 1985, relations between labor and management at the Oakland Symphony had been relatively stable. With the exception of a very brief strike in 1967, there had been no work stoppages. While negotiations were sometimes difficult, the atmosphere was usually not acrimonious. There was continuity of leadership on both sides. For the Association, managers came and went, but there were two longtime board members who served on the negotiating team. For the union, composition of the Players Committee varied from contract to contract, but the president of Local 6, who served as chief negotiator, remained unchanged from the late 1960s through the 1983 contract talks.

But by the time talks started for the 1985-88 contract, the cast of characters on both sides had radically changed. The Association had a new executive director, hired just months before talks started. One of the longtime board members had died, the other retired. The labor relations attorney who joined the management team had been on the Association board only since October 1985. For the union, the Players Committee of orchestra members had only one "carryover" member from the previous committee. The new president of Local 6 did not participate in the negotiations; instead, the players elected to involve staff from the New York office of the AFM. These changes meant that the critical contract talks took place in a more unstable atmosphere than had previously been the case.

These then are the key factors forming the context of labor/management relations as the Oakland Symphony entered its critical last years: the size of the orchestra, which was a significant economic deterrent to expanded activities; the increasing pressure for full employment from the orchestra members; the discrepancy between management rhetoric and hard financial realities; and a volatile leadership situation for both management and union. These forces coming together in the last contract negotiation of the Oakland Symphony, and the contract which resulted from that negotiation, may well be said to be the most immediate cause of the orchestra's demise.

TABLE 10.1 MINIMUM ORCHESTRA PAYROLL 1976-88

YEAR ENDING	SERVICES DAYS	PLAYERS	TOTAL SERVICES	RATE	TOTAL	PER PLAYER	CONTRACT MINIMUM	YEAR-YEAR INCREASE	
1976	72	84	6048	\$35.97	\$217,547	\$2,590			
1977	72	86	6192	\$38.67	\$239,445	\$2,784	\$2,784	10%	
1978	80	86	6880	\$39.95	\$306,017	\$3,558	\$3,558	28%	
	12	65	780	\$39.95					
1979	86	86	7396	\$39.95	\$326,631	\$3,798	\$3,798	7%	
	12	65	780	\$39.95					
1980	92	86	7912	\$39.95	\$347,245	\$4,038	\$4,038	6%	
	12	65	780	\$39.95					
1981	94	86	8084	\$48.00	\$447,312	\$5,201	\$5,201	29%	
	19	65	1235	\$48.00					
1982	105	86	9030	\$51.00	\$499,290	\$5,806	\$5,806	12%	
	19	40	760	\$51.00					
1983	107	86	9202	\$56.00	\$591,472	\$6,878	\$6,878	18%	
	34	40	1360	\$56.00					
1984	107	86	9202	\$60.00	\$666,600	\$7,751	\$7,751	13%	
			1908	\$60.00					
1985	134	86	11524	\$62.50	\$791,250	\$9,201	\$9,201	19%	
			1136	\$62.50					
1986	111	86	9546	\$62.50	\$665,813	\$7,742	\$7,742	-16%	
			1107	\$62.50					
1987	130	86	11180	\$72.50	\$1,059,950	\$12,325	\$12,325	59%	
	40	86	3440	\$72.50					
1988	changed to weekly - 30 wks, 86 players, \$450/wk					\$1,161,000	\$13,500	\$13,500	10%
Average yearly increase 76-8613%									
Average proposed increase 87-88.....34%									
*Decline reflects loss of services and income due to 1985 strike									

Comparative Analysis of Contracts

During the 1976-77 season, ten years prior to liquidation, the Oakland Symphony management signed a collective bargaining agreement that guaranteed each of the eighty-six members of the orchestra a minimum of seventy-two “services” (performances or rehearsals), at a per-service compensation of \$38.67. For a player working at scale, this resulted in minimum earnings of \$2,784.24 for the 1976-77 year. (Principal players and certain other members of the orchestra with individually negotiated agreements had earnings above this minimum figure.)

Had the 1986-87 season proceeded as originally scheduled, players would have been guaranteed 170 services (130 in full orchestra services, and an additional 40 services in smaller ensembles) at a rate of \$72.50/service. Average minimum earnings would have been \$12,325 for a player working at scale. Had the orchestra continued through 1987-88 under the initial collective bargaining agreement, minimum earnings would have been \$13,500 per player on the new weekly basis of employment.

From 1976 to 1986, musicians’ wages increased 342.7%, and the number of guaranteed services increased 136.1%. During that same period, the Consumer Price Index for San Francisco/Oakland increased 103.4%. **Table 10.1: Minimum Orchestra Payroll 1977-1988** shows the growth in employment and earnings for the same ten years. Compared to other regional orchestras, the Oakland Symphony players earned from 52% to 160% more per season than the national average.

TABLE 10.2 COMPARISON, PLAYER INCOME (OAKLAND/REGIONAL ORCHESTRAS)									
YEAR ENDING	1977	1978	1979	1980	1981	1982	1983	1984	1985
AVERAGE-Regionals	\$1,993	\$1,898	\$1,809	\$2,886	\$3,057	\$3,955	\$3,904	\$3,449	\$4,956
OAKLAND	\$3,494	\$4,000	\$4,700	\$6,000	N/A	\$8,222	\$8,916	\$7,751	\$10,718
DIFFERENCE-%	175%	211%	260%	208%		208%	228%	225%	216%

TABLE 10.3 COMPARISON, MINIMUM SCALE PER SERVICE CONTRACT (OAKLAND/REGIONAL ORCHESTRAS)									
YEAR ENDING	1977	1978	1979	1980	1981	1982	1983	1984	1985
AVERAGE-Regionals	\$24.00	\$28.00	\$29.00	\$31.00	\$34.00	\$42.00	\$43.00	\$47.00	\$46.00
OAKLAND	\$38.67	\$39.95	\$39.95	\$39.95	\$48.00	\$51.00	\$56.00	\$60.00	\$62.50
DIFFERENCE-%	161%	143%	138%	129%	141%	121%	130%	128%	136%

The Oakland Symphony’s per-service rate was consistently higher than the average for regional orchestras [see **Table 10.3: Comparison, Minimum Scale Per Concert Service (Oakland/Regional Orchestras)**].

Clearly, the Oakland Symphony players made economic progress from 1976-86. Earnings had increased more than three times the cost of living, and activity had more than doubled. Measured against their income ten years ago – or compared to player income at other similar-sized orchestras – the Oakland Symphony was making progress. Why then was there growing disillusionment among the players about their wage situation?

The difficulty was that the players did not tend to measure progress by how far they had come, but by how far they had to go – to reach full employment status, and earnings comparable to those of full-time, “major” symphonies. The players didn’t say, “Look how far ahead of the other regional orchestras we are,” but “Look how far we have to go to earn as much as comparable musicians in the San Francisco Symphony, across the Bay Bridge.” In 1985-86, guaranteed minimum earnings for a section player in the San Francisco Symphony were \$45,760. Measured against that standard, the Oakland Symphony players had a long way to go.

According to the Association's Five Year Plan covering FY80-FY84 (June 1980), "The goal of the Oakland Symphony is to achieve weekly contract status for its musicians and a total operating budget of \$2 million by 1983-84, consistent with the objective of maintaining financial solvency."

This document was quite widely circulated to board members, contributors, and funders. The musicians surely read it as well. Its goal of achieving a total operating budget of \$2 million was more than met – the budget in 1983-84 was \$2.5 million. But the Symphony did not meet its goal of "weekly employment" – a goal that board and management had claimed to embrace. The musicians, who had felt their demand for weekly employment both reasonable and shared by management/board, became disgruntled at having that goal deferred.

Planning documents subsequent to the 1980-84 Five Year Plan continued to stress issues of growth and weekly compensation for the musicians. The 1984 Challenge Grant application to the National Endowment for the Arts stated, "These plans will enable the Symphony management to offer the musicians a weekly contract in 1986-87, rather than continuing on the current per service basis." In December 1985 another Challenge Grant application continued this statement of intended growth, outlining a wide variety of new program plans. As late as January 1986, these growth plans were still being affirmed.

From players interviewed, and from review of negotiation minutes and proposals over the years, it is clear that the players wanted the orchestra to move toward full-time status. The intention of the Association board on that point is somewhat less clear. Planning documents and grant applications over the years state the idea that the board intended the orchestra to grow significantly. However, a review of Executive Committee minutes from 1976-86 reveals uncertainty and disagreement within the board on the issue of how much and how fast the Symphony should grow. This issue was most intensely discussed every three years or so, when the Association was in negotiations with the musicians for a new collective bargaining agreement.

The first contract negotiation to come within the purview of this report covers the seasons from 1977-78 through 1979-80. From management's point of view, this can be viewed as a "hold the line" contract, in that the per-service rate held steady for the contract's three years. However, there was a 27% increase in the number of full orchestra services over the number guaranteed in the last year of the previous contract. This new contract also introduced the concept of requiring an additional number of services (in this case, twelve), for fewer than the full number of players (in this case, sixty-five).

Board minutes reveal that the increase in services finally negotiated was far from the goal the Association had originally resolved to achieve. According to the minutes of the February 2, 1977 Executive Committee meeting, "the consensus was that the musicians were not entitled to more money as the Symphony is suffering a deficit of such magnitude as to preclude any increase. . . . The Association will insist that the new contract be exactly as in 1976-77, even at the cost of a strike. This position was unanimously approved by the Committee." This resolution notwithstanding, a 27% increase in services was finally accepted, and no strike occurred.

By the time of the next contract negotiation (1980-81 through 1982-83) the feasibility of continued growth was becoming more of an issue for the board. The 1980 contract maintains growth – in fact, it implements a 21.5% increase in services from the last year of the previous agreement. Board and management continue to send the musicians "expansionist" messages.

But in the Executive Committee meeting of February 1980, the minutes state that "on the subject of orchestra categories, Mr. Lawrence emphasized that planned growth, financial solvency and community service should be paramount, rather than striving for the 'major' category." Later in that same meeting, the issue of a weekly versus per service contract was discussed, and one member "moved the Association remove all references to a weekly contract status for the musicians from the Long Range Plan." This motion passed unanimously, implying that the board had given up the goal of achieving a weekly contract. Despite this, the 1980 Five Year Plan continued to state that the Symphony's goal was weekly employment for its musicians, as did subsequent plans.

At the March 1980 meeting, restraint was still the tone. The players' proposal to expand the number of services in the new contract was discussed; the president of the board stated that "expansion could not be considered at this time due to the amount of money yet to be raised in order to balance the 1979-80 budget."

By the April meeting, as the pressure of the talks increased, the board's resolve began to waiver. The staff recommended, and the Committee approved, a contract proposal that increased the number of services; proposed a weekly contract (not ultimately adopted); proposed a cumulative pay increase of 22.5%; and introduced the idea of a core orchestra. At the May meeting, there was an informal presentation by two orchestra members who stated that "the Orchestra is looking for a commitment to expansion from the Board." "[The Board President] assured them that the Association was committed to working with the players toward expansion and improvement consistent with responsible financial planning." By October, with the start of the season looming, the minutes reflect fear of a players' strike "which could be a blow from which the Symphony might never fully recover." Concern was also expressed over the amount of attention being paid to the opening of Davies Symphony Hall. Ultimately, these concerns prevailed. The committee approved a contract package which the players surely interpreted as pro-expansion, since it increased full symphony services by 13%, and player services (through the introduction of a "core orchestra" concept) by 21.5%.

The negotiations for the 1983-84/1984-85 contract repeat this same pattern, of concern for financial realities being overridden by fear of a work stoppage and the resulting loss of institutional momentum. In November 1982, the musicians rejected a contract proposal for a wage freeze, and the Executive Committee adopted a motion "not to agree to anything that will increase musician expenses to the Association." Talks continued, and at the March 1983 meeting, the players' representatives accused the Association of "radical and dangerous retrenchment disguised as fiscal responsibility . . . to raise survival as a short-term goal is irresponsible." In August, a special meeting of the Executive Committee discussed the labor situation and voted to improve its last offer to the players (over the objections of the president and treasurer). At another special meeting in September, the board-member involved in negotiations advised that the players were likely to strike if the Association didn't improve its offer, which the committee voted to do. In October, with the opening of the Fiftieth Anniversary Season and the debut of a new music director hanging in the balance, the committee voted to improve the package again, increasing the number of services in the second year. The result of these steps was the two-year contract for 1983-84/1984-85, which increased full symphony services by more than 25%.

The pattern repeated itself two years later, in the negotiations for the Oakland Symphony Orchestra Association's last collective bargaining agreement. At the July 1985 Trustees meeting, the 1985-86 budget was presented, projecting a year-end deficit of \$58,000. "However," the minutes state, "this will worsen with the new labor agreement." The new executive director informed the committee that "the players are after a weekly contract as *outlined in the Challenge Grant*" (emphasis added). He noted that "the feasibility [of a weekly contract] is questionable."

At the August meeting, the executive director reported that weekly salary and "a living wage" were the key issues. These would require a 50% increase in services which he "cannot recommend." A motion was passed that there must be a contract before the start of rehearsals on October 3. With no contract agreed to, the 1985 strike began October 3, while talks continued. At a meeting on October 28, three-and-a-half weeks into the strike, the executive director reported that talks were stalled over the issue of a weekly contract, and a change to "major" status. He advised that expansion is problematic but that a strike would have a negative effect on ticket sales and fundraising. On November 17, less than forty-eight hours after management announced cancellation of the entire season, the strike was settled. By a single vote margin, the players accepted the Association's offer. In the final agreement, services increased 22%, and the orchestra got a weekly contract in the third year. (Whether the third year compensation of \$13,500 qualifies as a "living wage" is open to question.)

An important aspect of this labor relations history is the repeated pattern of the Association saying first "we can't afford this," then agreeing to contracts which called for ever-expanded activity. As a result, the musicians perceived the Association saying "no" but not meaning it; saying "we don't have the money," and always finding it. When the end finally came, and the money really was not there, the musicians had no particular reason to believe management's

claim. This “credibility gap,” which widened over a number of years and under a number of Association administrations, affected the relationship between the orchestra and the management to such an extent that during the bankruptcy period, the face-to-face talking that was necessary to save the situation was impossible to achieve.

Another reflection of this “credibility gap” is the degree to which player involvement and input into the Association’s decision-making process became an issue over the years. According to one longtime board member involved in labor negotiations, each new set of contract talks brought a demand (regularly rejected by the Association) for player representation on the board of directors. Though the musicians never achieved board representation, theoretically they had input in a number of other ways. The Music Committee, a standing committee of the board whose purpose was to advise the music director, had the concertmaster of the orchestra as a member. The 1983 contract stipulated that one principal player should be on the Music Committee, in addition to the concertmaster. That same agreement formed a new Artistic Advisory Committee. Composed of five tenured members of the orchestra, this committee was supposed to serve as a communications and advisory link between musicians and music director. That contract also formed another new standing committee, the BUMM Committee (for Board, Union, Musicians, and Management). This group was designed “to consider and recommend policy matters affecting the orchestra and the Association.”

The Executive Committee minutes show that player representatives were invited (or at least permitted) to present their point of view to that committee at more than one meeting. With this and other more formal communication structures in place beginning in 1983, it is hard to understand the comment, often repeated among the players interviewed, that “the players never had any input.” Several players interviewed expressed the view that management/board never sincerely heeded the opinions of the musicians on these committees. Other players held the view that deepening distrust of management by the players prevented the standing communication channels from functioning effectively. At BUMM Committee meetings in early 1986, board and management representatives made presentations concerning the worsening financial crisis of the orchestra. One player member said, “We just thought it was more rhetoric.” Another player said, “All they ever used those meetings for was doom and gloom. There wasn’t any real attempt to communicate.”

There seems to be no question that the deterioration of the relationship between players and management accelerated during the 1985 contract negotiations and the strike that resulted. As was noted previously, radical changes in leadership on both sides were at least partly responsible for this.

In the late summer of 1984, the longtime president of Local 6 of the American Federation of Musicians, resigned his post with the union. He had served as president, and chief negotiator on behalf of the Oakland Symphony musicians since the late 1960s. Sources interviewed indicated that his leaving created something of a leadership void at the local, at least as far as the classical musician members were concerned. Some bargaining units within the local (e.g., San Francisco Symphony, San Francisco Opera) elected to engage outside attorneys to assist them in negotiating their contracts. The Oakland Symphony players, primarily for financial reasons according to orchestra sources, decided not to engage outside counsel; instead, they turned to the Symphony Department of the American Federation of Musicians in New York. Lew Waldeck, the head of the Symphony Department, agreed to assist in the 1985 contract talks. Interviews reflect a division of opinion among players as to the efficacy of this plan. Waldeck was involved in a number of negotiations simultaneously, and was not present in Oakland for long periods of time. According to some players interviewed, this was a major problem, since “management wouldn’t listen to anybody but Lew, so when he wasn’t around nothing got done.” While some players interviewed feel that Waldeck’s involvement was positive, and brought a level of professionalism to the negotiations that would not have been possible otherwise, others expressed the view that his tactics (which one player characterized as “old time union tactics that don’t work anymore”) polarized the members of the orchestra. Some feel his “rabble rousing” style was counterproductive and led the orchestra to push for unreasonable demands. One player said, “He told us ‘management will always say they don’t have the money, but they’ll always find it.’ Only this time they didn’t.”

At the same time that pressure was escalating from the union side, management decided to bring to the talks board member, Allen Berk, who was a San Francisco management/labor relations attorney. That move doubtless escalated

tensions. While the players' leadership was urging them to hold firm in their demands – to hold out for a “living wage” and a weekly contract – the Association's new spokesman was discoursing on financial limitations and, according to interviews, taking control of bargaining for management in such a way as to further confuse an already troubled situation. The division of opinion about the efficacy of Berk's participation is rather like that concerning Waldeck's – board members interviewed feel in the main that the Association was well served by Berk, and that he brought an increased level of professionalism and reality to the bargaining which was important. Orchestra members interviewed hold the view that Berk's personal style, tactics, and “strike breaking” mentality made any reasonable accommodation impossible. Whatever the truth, it is clear that the deteriorating relationship between players and management became another factor that contributed to the symphony's demise.

Alternative Structures

As previously mentioned, the size of the Oakland Symphony was one major source of the organization's economic troubles. In interviews, board and staff members stated “the community just couldn't support an eighty-six member orchestra.” And indeed, the financial picture seems to bear that out. The cost of providing a tenured eighty-six member ensemble with ever-increasing numbers of services could not be sustained.

The notion that the orchestra's size would prove its undoing was not new to the Association. One solution, to merge the Oakland Symphony with the San Francisco Symphony, was broached twice, first in 1967, and again in the early 1970s. According to one longtime board member who served on the committee that explored merger in the 1970s, “I thought it was the only idea that made sense, but it really divided the board. They practically ran me out of the meeting on a rail.”

Another possible solution to the problem was the creation of a “core orchestra,” a smaller number of players who would be employed more fully, as a sort of chamber ensemble, with the full complement of players added as needed for the performance of larger symphonic works. This idea was first seriously considered in 1977, but no action was taken. The creation of a core orchestra was extremely important to musical director Calvin Simmons, and the collective bargaining agreement of 1980-81/1982-83 included formation of a core group of forty players. The idea foundered when players and management could not agree on how to select the forty core members. Management and Maestro Simmons wanted a consistent ensemble, for which players would audition. The players insisted that the work be evenly divided, with the full complement of players rotating in and out of the core. There was bitter conflict over this issue, and one Players Committee was unseated when it recommended management's audition proposal. Ultimately, management agreed to the players' demand for equal rotation. Later contracts ceased to speak of a “core orchestra,” and instead dealt with “individual player services,” whereby players were assigned to various partial-orchestra services.

The key difference here is that all Oakland players had the same employment guarantee. The multi-tiered contract concept, whereby specific groups of players are guaranteed different numbers of services, has been used to good effect by a number of regional orchestras as a way to provide full employment to at least some players without undermining the financial stability of the organization. The Oakland players' demand for equality effectively prevented the development of a tiered contract, as it killed the core orchestra concept. Arguably, their insistence hastened the extinction of the Oakland Symphony.

Another proposal to deal with the problem of size was reducing membership in the orchestra by attrition. Management proposed the idea in the 1985 contract talks, with a specified goal of reducing the orchestra string sections by six players. The musicians rejected this proposal, and it is questionable that such a minimal reduction would have made much difference. During the final days of the orchestra, before the filing under Chapter 7, management again proposed that the membership be reduced by attrition, a proposal which the musicians again rejected.

The final months of the Oakland Symphony illustrate how large the discrepancy between rhetoric and reality had become, as well as how complete was the breakdown of communication between players and management/board. The settlement of the November 1985 strike called for a 45% increase in services over the term of the contract, and weekly employment beginning with the contract's third year. Meanwhile, the debt crisis was deepening. There were

some attempts to communicate the financial situation to the musicians, particularly through information presented at BUMM Committee meetings in the winter months. There was no public mention of the crisis throughout the spring, and the players received no further official indication of the seriousness of the problem. However, in June they engaged the services of an accountant to review the Association's books, because, according to the accountant, "by then the players didn't trust anything the Association said." It was not until July 26 that the Players Committee was officially notified, in a letter from the executive director, that the crisis had reached such proportions that it would not be possible to meet the second year provisions of the just-negotiated contract, and that concession bargaining must commence if the orchestra was to be saved.

From this point on there are two divergent views of events. Player representatives express the view that management delayed informing them until late July because they knew that in mid-summer it would not be possible to assemble the orchestra for concession talks. Management representatives and board members say that they were ready, willing, and able to negotiate, and that the "players just stuck their heads in the sand." Whatever the truth of the matter, there were no serious talks at this crucial time, even when the Association filed for reorganization under Chapter 11 on August 21.

There was one negotiation meeting immediately prior to the filing under Chapter 7 (liquidation) on September 12. Again, players and management have widely divergent opinions of the other's role in the orchestra's ultimate demise. Each accuses the other of refusing to bargain in good faith. Each side says the other was intransigent and inflexible. Whatever else may be true, it is clear that the deterioration of the relationship between the parties was so complete as to render communication impossible. Without communication, a solution was not to be found.

It would be neither fair nor accurate to blame the demise of the Oakland Symphony on the 1985 contract negotiations. The 1985 contract surely precipitated the bankruptcy, but it did not create the situation. Those negotiations were the culmination of years of unrealistic expectations on the part of the players and the Association managements and board members. For the board and management, there was the desire to be "major," as a matter of civic and musical pride. For the players, too, there was the desire to be "major," both in terms of earnings, and in professional comparison with their colleagues. These desires, however, obscured the extremely problematic realities of Oakland's situation – its place in a secondary market competing with San Francisco; its chronic inability to generate sufficient increases in audience and ticket revenue; and its worsening financial crisis.

11 ADMINISTRATION

Overview

The structure of not-for-profit arts organizations diffuses power and responsibility, making management of these institutions more complex than the more vertical, hierarchical model characteristic of the corporate world. This diffusion of responsibility blurs the lines of accountability as well. Legal ownership and ultimate accountability resides in the volunteer board of directors, who in most cases have little expertise or understanding of the milieu in which nonprofit institutions operate, or (in this case) the specifics of symphony orchestra management. The board's function is to set policy, approve budgets, oversee financial management, and raise funds from the community. Perhaps its single most important function is to hire and hold accountable the executive director, who implements board policy directives and provides professional expertise for running the institution. It is the executive director's challenge to provide alternative strategies for turning around an organization in trouble, drawing on his own experience and his access to the experiences of peer professionals. The strategies he or she proposes are a measure of the executive director's wisdom and experience. Whether the board accepts the executive director's strategies offers a measure of the executive director's persuasiveness.

It is conventional wisdom in the nonprofit arts world that no organization can rise above the level of its board of directors. A strong board will not tolerate a weak manager. A strong manager, unable to change a weak board, will eventually move on to a better situation. Thus, more often than not, the board/management axis tends to align itself over time either as strong board/strong management or weak board/weak management. The latter was the historical tendency at the Oakland Symphony.

Management Structure

The general pattern in symphony orchestras is to divide authority between the artistic leadership of the music director and the administrative leadership of the executive director. Both of these positions are usually hired by and report directly to the board of directors. Because of the considerable functional overlap between the artistic and administrative areas, the tension inherent in this structural bifurcation of authority requires considerable cooperation between the music director and the executive director. Thus, the board (primarily through its chairman and executive committee), the music director, and the executive director represent three distinct, and sometimes mutually exclusive, points of view that must be continually negotiated and amended. Orchestra operations rest on this three-legged stool. Excessive weakness or strength in any leg will upset the delicate balance required for effective administration.

The board is the incorporated voice of the community and provides the critically important root system into the larger community. To the extent that the board reflects the organization's audience and community, it carries the banner for the cultural values of that community. But the board often has its own social, business, and political agendas as well, independent of the functions and goals of the organization. The music director is charged with the quality of the product, with improving the sound of the music that is played, and through his programming choices, creating the artistic identity of the institution within the goals set by the board. Music directors' roles are further complicated by their positions as both musicians and management. At various times they serve as advocates for one or the other point of view. Particularly at the regional orchestra level, music directors sometimes have other agendas as well, e.g., building personal repertoires in preparation for their next job in a bigger, more prominent orchestra. If that does not appear imminent music directors may opt for pushing their current orchestras to grow beyond their means.

The executive director is concerned with all the above as well as with keeping the organization financially solvent and administratively well-managed. He shares the board's concern for connection to the community, and the music director's concern for quality, within the limits of financial feasibility.

Staff Leadership

At the Oakland Symphony the chief executive officer position was at various times titled general manager, executive director, or president. Throughout this section when the generic term is called for, the title of executive director is used

to refer to whoever held that position, regardless of his actual title.

During the last decade the Oakland Symphony had four executive directors, and two periods (totaling a year and a half) with no executive leadership. Gilbert Daugherty left the Symphony in November 1976 after less than a year in the job of general manager. He reportedly had limited experience in orchestra management. Daugherty provided the Symphony staff representation in the negotiations for the transfer of the Paramount Theatre to the City of Oakland, an agreement that proved to have a number of unanticipated contingencies that created both conflicts and costs in the Symphony's following years. A deficit was posted in both fiscal years that his tenure spanned.

After a year with no executive director, Harold Lawrence was hired in November 1977. Lawrence, an experienced professional orchestra manager, came to Oakland from the Buffalo Symphony. His hiring was the product of an executive search effort led by an outside consultant. Lawrence possessed many skills (encyclopedic musical knowledge and fundraising ability were most often cited), but his management style resulted in enormous staff turnover and serious morale problems within the organization. Out of a staff of seventeen, thirteen (76%) left the Symphony in one year. While this issue was apparent early on to some of the board, Lawrence's tenure lasted four years. Lawrence is credited with the choice of Calvin Simmons as music director, a brilliant move from nearly every consideration. Lawrence's tendency to interfere in the artistic direction, however, created tensions with Simmons. Ultimately Lawrence resigned in September 1981, to be retained for six months as a consultant.

Management's effectiveness can be measured in part by the balance sheet. Each of the Oakland Symphony's administrative leaders during the last ten years incurred deficits during their tenures. Lawrence's administration incurred an accumulated operating deficit of \$1,031,576 from FY78-FY81. The three budgets that Lawrence created (FY79-FY81) showed an average annual growth rate of 14.3% (33% in one year), larger than the Oakland Symphony's ten-year average budget growth rate of 12.1% per year. Full-time staff grew from ten to seventeen employees (four were CETA). Yet during Lawrence's tenure the Association posted the only year of the last ten in the black (FY80, Simmons's first season). Earned income increased as a percentage of budget, and contributions increased each year. The Association received an NEA Challenge Grant and its largest CAC grants during the Lawrence/Simmons years.

Lawrence's long-range plan aspired (albeit obliquely) for "major orchestra" status. Many of the objectives set out in that plan were never achieved, e.g., touring and recording. Staff complained of "crisis management, and Lawrence's habit of committing to major projects without adequate preparation." Under Lawrence's initiative (and at Simmons's urging) the Association set in motion the design and purchase of a new acoustical shell for the Paramount Theatre. In the face of wavering audience demand, Lawrence expanded the Symphony's product, increasing guaranteed orchestra services from 72 in FY77 to 124 in FY82, a move based on the theory that, as he put it, "supply creates demand."

Perhaps Lawrence's gravest error was in not admitting there was a problem. When a staffer was questioned whether the board ever asked what was going wrong, the reply was, "No, because Harold Lawrence always told them what we were doing right. . . . Everybody wants to hear the good things and no one wants to believe the bad things." As another employee phrased it, "The board never had much vision of the place, and Harold Lawrence described a 'shining Jerusalem' for them."

On Lawrence's departure as president and executive director, Arthur Jacobus took the helm, retaining his title of general manager. In June 1982 he was given the title of president. Jacobus had begun his arts management career only a few years earlier, starting at the Oakland Symphony as an intern from a local arts administration program. He was rapidly promoted to assistant general manager and then general manager. Some interviewees theorized that because of this short history, begun as an intern, Jacobus never had sufficient clout with the board.

Jacobus deserves credit for holding the line on budget growth. In the two years he budgeted, the first saw a budget decrease of 1% and the second an increase of 3%. Yet in his three-year tenure the operating deficit increased another \$1,422,533 (FY82-FY84). Total ticket revenue decreased in FY84 (even with a new conductor and an increase in the number of services). This is perhaps attributable to major marketing problems that occurred under his administration.

In FY83 contributed income decreased from the prior year, but FY84 posted the highest contributed income to date.

An unfortunate error on Jacobus's part was to provide staff endorsement of the ill-fated board reorganization plan drafted by an outside committee. (Details of that plan are discussed in the Board Section of this report). Perhaps Jacobus's support of the plan was due to inexperience or to a desire not to derail a board-conceived plan. An outside consultant did recommend to the board that its reorganization was unwise at a time of such financial instability. Jacobus also supported music director Richard Buckley's push for regionalization – expansion into neighboring communities through runout concerts, an effort which proved to be unsuccessful.

A reasonable, hardworking administrator, Jacobus was put in the top management position with insufficient experience at a period in the orchestra's history that would have challenged the most seasoned administrator. Jacobus's serious dedication to the cause may have obscured his ability to endorse alternative strategies.

An example was a special Executive Committee meeting on March 17, 1983 that was called to discuss the dire financial situation of the organization. This was at a time following Calvin Simmons's death, when the orchestra was without a music director. Some of the board wanted to terminate the season, file under Chapter 11, and reorganize with a smaller, leaner orchestra (perhaps a chamber orchestra), but with the orchestra in the middle of a labor contract the idea found no support.

At that meeting a board member commented, "I've always been troubled by the euphoria of this group, which I think is related to its being an arts organization. We've lost money every year that I've been on the Board. Every year I've said, 'Why don't we balance this thing?' ... I think what we have here is this constant stress between artistic ideals and reality."

Jacobus' remarks at this meeting are recorded as two pages of the minutes, and present an emotional plea for the continuation of the organization.

It is my purpose to draw us all back to a more rational, long-range perspective – a less panic-driven, impulsive action mode. The Oakland Symphony is a permanent, professional performing arts cultural institution. It is owned by the community. You are holding this institution in trust on behalf of the community. As such, we are tasked with the responsibility of nurturing and strengthening the institution – *not* closing its doors.

Yes, a good businessman will terminate his business if it is not profitable. After all, that is the reason for a business' existence – profitability. It is not the purpose of a nonprofit cultural institution. The purpose of the Oakland Symphony is to bring high quality symphonic music to the citizens of this community – period! If we do not realize this fundamental mission, or if we are not up to the task of providing for this noble cause then we should not be involved with this organization. We should step aside and allow others who do believe in this purpose to take a positive approach to strengthening this ongoing institution.

When Jacobus left a year and half later to accept another position, he was "burned out, and tired of beating my head against the wall. I started to believe it couldn't be done and it was time for someone else to come in who did believe in it. Even though you know it's futile, you care too much to end it."

After Jacobus left in the fall of 1984, the organization was without a manager until Henson Markham was hired in February 1985, arriving on the job later that spring. Markham came to the Symphony from the Opera Company of Boston and the New York City Opera. He was hired by a search committee of the board, and was not interviewed prior to hiring by the new board president. Markham said later that he did not fully understand the actual financial situation of the organization at the time he took the job.

Markham's tenure lasted less than two years before the organization ended in bankruptcy. In the one completed year when he was responsible for budgeting, expenses increased 4%, and the year (FY86) ended with the largest

annual deficit in the organization's history (\$748,556). Arguably, Markham had very little time in office during which to turn the organization around. This argument is countered by Markham's large responsibility for negotiating the final backloaded labor agreement (covering 1985-87) that called for increases of 33% in the musicians' payroll. The time for drastic retrenchment was between contracts, even if that required the musicians staying out on strike for the entire 1985-86 season. But the strike ended after seven weeks with a contract that was financially unsound. Eight months later, the Association changed the labor agreement in a manner that resulted in an Unfair Labor Practice charge by the musicians. The decision to announce publicly cutbacks in the contract prior to securing the musicians' agreement to reopen negotiations further exacerbated the players' growing alienation. Concern over the Unfair Labor Practices charge increased the board's growing apprehension over its personal liability for the contract.

Markham cannot be held accountable for the years of indecision and lack of direction that created the financial crisis of the Oakland Symphony. During Markham's administration, however, the lack of candor that characterized the organization in its last ten years increased. In correspondence, grant applications, and press releases, the Symphony administration had difficulty admitting the reality of the situation to itself, to its funders, and to the public. Seven months before bankruptcy Markham is quoted in the press as saying, 'We're not in any danger. I don't know what arts organization isn't in any (financial) danger, but we're going to be just fine.'

Markham's management of the public relations aspect of the abrupt bankruptcy left the entire community with little sense of closure, and exacerbated the grieving process for a number of individuals who had invested decades of their lives in the institution of the Oakland Symphony. Many of the Symphony family – regional board members, the Symphony League, even the music director – complained of finding out about the bankruptcy through reading the paper or, in the music director's case, calling the office. During that last summer, no one answered the music director's letters or kept him informed of the developing situation. Yet the board as a whole supported Markham, renewing his contract on September 10, 1986, at the same time that the musicians had requested his dismissal.

The Oakland Symphony's successive administrations were unable to grapple with the larger issues – increasing debt that called for radical structural changes. These administrations were also unsuccessful in unifying the board or solidifying staff subordinates into an effective management team.

Staff

In-house interviews and externally conducted management analyses portray the Oakland Symphony professional staff as dedicated, hardworking, and resilient in the face of cramped working conditions and wage freezes. The same sources make clear that the professional staff was overworked, sometimes underqualified, and generally lacking in adequate clerical support.

But these problems are common to nonprofit arts organizations and cannot alone account for the Oakland Symphony staff's morale and communications problems and high rate of turnover. Staff pointed to poor communication, bad management/staff relations in some administrations, and lack of a clear sense of purpose and direction as critical factors in the level of staff dissatisfaction.

External management studies identified staff organization as contributing to poor internal communication. A 1984 study conducted by a UC-Berkeley graduate student described a "lack of coordination and cooperation between certain departments that has diminished the effectiveness of the staff as a whole." It also criticized management's lack of clear procedures for processing feedback from staff, and for its failure to set clear long-term goals: "The process for long-range planning is unclear and tends to result in reactive decisions rather than anticipated and planned decisions."

Other external analyses support these conclusions. The endowment feasibility study concluded that "the staff lacks an adequately integrated and unified working relationship with each other, whereby each department sees itself as an interdependent and supportive function to all other departments." A second graduate student thesis by a student of the Golden Gate University Graduate School of Arts Administration, noted the "degree of individual isolation and poor

interstaff communication ... [with] a lack of interdependence and agreement on staff goals and priorities.”

Interviews with staff employed at various times from 1976-86 reinforce these conclusions. Though managerial styles varied, a succession of executive directors failed to create an environment conducive to staff cooperation, communication, and stability. Staff members report ignorance of basic institutional facts, most particularly the magnitude of the Association's deficit problems.

High turnover was a significant problem among the Symphony staff. Analysis of staff lists from programs shows continually fluctuating titles and staff organization, presumably reflecting management's efforts to keep critical vacancies filled with available personnel.

As significant as the fact of turnover is management and board's tolerance of long-term vacancies on the staff. Key positions – e.g., marketing director, development director, the executive director position itself – were vacant for months, or in some cases years. During those vacancies the responsibilities at issue were assumed by other staff members, who often possessed no particular expertise in the area. Occasionally management brought in outside consultants to fill positions for periods ranging from one to several months. At one point in the mid-1970s a board member managed the marketing program on a volunteer basis. The effect of these constant shifts in personnel was to render interdepartmental communications even more difficult, and to deprive the organization of the institutional memory that is so important in shaping planning decisions in under-financed nonprofits. Several staffers mentioned the Symphony's reputation for poor management and high turnover as a factor in discouraging qualified persons from applying for employment.

The picture that emerges is not that of a team but of a grouping of highly compartmentalized individuals, each pursuing particular ends with no clear guiding vision of the organization's overall course. Once again, individual examples – turnover, poor communications, low staff morale – point to the root problem: the Symphony's lack of a clear sense of its mission and direction and management's inability to remedy that situation.

Volunteers

Like many nonprofit organizations, the Oakland Symphony relied to a significant extent, particularly in its early years, on volunteer assistance. Interviews portray the Symphony's volunteer coordination as increasingly chaotic in the organization's later years. The Symphony's principal volunteer organization, the Oakland Symphony Guild (after 1985 known as the Oakland Symphony League) reached more than 1,000 volunteers in the mid-1960s. But by the Symphony's demise, the League numbered a little over 200.

One factor in the decline of the League membership was the changing composition of its members. More than one interviewee expressed the sense that in its later years the Symphony had lost the social cachet prevalent in its earlier years. One of the newer volunteers conceded that a healthy symphony probably requires both a cadre of old, established volunteers who have access to money and social connections, and younger people who will involve their friends and bring new blood and energy to the organization. The League had difficulty in maintaining both.

The Guild had been very active in the early days in selling tickets, an area in which its successor (the League) had no involvement. The League, among other projects, operated a thrift shop that at its peak brought \$50,000 annually to the Symphony coffers. Thrift shop operations were disrupted in the last years by disagreements between the Association and its volunteer staff over the management practices of the shop. Interviews with staff and volunteers present radically varying views of this controversy.

The decline in the League membership and the controversy surrounding administration of the Thrift Shop indicate that the Symphony was not supporting and coordinating its volunteers in a way designed to take maximum advantage of their energies. From 1976-86 the Symphony never assigned volunteer coordinating responsibilities to a specific staff position. Symphony volunteers were left with decreased responsibilities and with the sense that their efforts were both unappreciated and unnecessary. The November 14, 1984 board meeting minutes indicate that the Guild Presi-

dent had expressed to a board member that “the Guild felt left out and did not know what was going on with strategic planning affairs. She felt it would be a good idea if a guild member could attend the Board meetings as an ex-officio member to get information and feed it back to its members.” After discussion the request was denied: “An ex-officio member on the Board would not be a good idea due to the nature of the discussions that take place at the meeting, and also to avoid enlarging the size of the Board again.”

It’s a maxim of arts administration that volunteers can be a mixed blessing, but at a critical level they represent the organization’s most direct link with its community. Here, as with the board reorganization plan, management and board, rather than capitalizing on the strengths of the Oakland Symphony family, did not effectively manage its community support.

12 BOARD LEADERSHIP

Overview

Any examination of the reasons for the demise of the Oakland Symphony must focus on the organization's board of directors and its leadership. As the legal owners of the corporation, the board had the final responsibility for its fate.

In the decades of its existence, the Oakland Symphony Orchestra Association had some directors who served faithfully and with dedication, who gave generously of time and money, and who cared deeply about the Symphony and the community. But the history of the board of directors is one of factionalism and divisiveness, which made it difficult for any board chair to effectively lead the organization.

Five factors combined to render board leadership problematic: the unwieldy size of the board; factionalism and lack of board commitment; the absence of a charismatic, effective leader; the board's inability to deal with the transition from a community orchestra to a full scale, professional symphony orchestra; and the 1984 adoption of a board reorganization plan which proved disastrous in conception and execution.

Size and Structure

The Oakland Symphony Board of Directors was historically large. As adopted in 1972, its bylaws allowed for as many as ninety-nine directors. In 1973-74, the Symphony's first year at the Paramount Theatre, the board numbered eighty-six. The membership was eighty-two in 1983-84, the last board before the reorganization plan was adopted. For comparison, the average board size for regional orchestras is fifty-two members.

One of the reasons frequently given for the board's ineffectiveness is that it was closed to outsiders and self-perpetuating. A number of directors did serve very long tenures – ten members served continuously from 1967 (some from even earlier) until the 1984 reorganization; another twelve served from 1973 to 1983. However, a review of board lists shows fairly healthy turnover was the rule rather than the exception in board membership over the years, with at least one-third of the directors changing every three to four years.

As described in the Association's bylaws, the structure of the board was fairly standard. The 1972 bylaws provided for a chairman, a president, and other officers; for three-year terms for the ninety-nine directors; for one-year terms for an Executive Committee of eight or more directors. (There was, however, no specified term for officers.) In addition to the Executive Committee, the bylaws provided for a Nominating Committee and an Investment Committee, and other committees as might be designated. In 1977 the bylaws were amended to allow for the position of paid president, but with that exception no significant changes were made until 1980.

In that year, the structure was changed to provide for two different categories of directors: general directors, numbering up to fifty-three and serving three-year terms; and directors-at-large, who could number anywhere from twenty to one hundred, and who served one-year terms. At meetings, the presence of these directors-at-large did not count toward a quorum, and they had no attendance requirements. However, they were entitled to vote at meetings they did attend. The intent of this change was presumably to concentrate authority in the hands of a more manageable number of directors without offending anyone, and without reducing the number of potential "board givers" to the Association. While continuing to provide for an Executive Committee of eight or more, these same bylaws eliminated the other standing committees.

The major consequence of the board's large size was a sense of non-involvement and lack of "ownership" of the organization among its directors. When crises threatened, it was difficult for individual board members to believe that they could make a difference.

Factionalism and Commitment

A consultant who worked with the Symphony Association from 1977-82, pinpointed the dual problems of factionalism and a low level of commitment – and their relationship to board size – in his first report (1977). He points out that a very large board such as Oakland's is good from the point of view of fundraising (providing they contribute), but that such a large board creates “a problem of trustees not feeling close enough to the action. . . trustees are looked to for ratification rather than participation ... This situation is detrimental to the welfare of the institution.” Six years later, the 1983 endowment feasibility report made essentially the same observation, noting that “the Symphony's Board of Directors is too large in number to function effectively or to give the individual members a feeling of responsibility for the Symphony's wellbeing.”

If attendance at meetings is one measure of board commitment, individual commitment was lacking. Over the years, an average of less than 40% of directors regularly attended meetings. Board giving is discussed in detail in the Fundraising Section of this report, but the consensus of opinion is that board giving was regularly below capacity. A third measure of commitment – attendance at concerts – also found the directors wanting. Board and Executive Committee minutes throughout the period, as well as personal interviews conducted for this study, reveal that non-attendance at concerts and purchase of subscriptions was a problem on the board.

This lack of commitment by board members is detailed in the remarks of one Executive Committee member at the March 1983 meeting:

Based on my experience on the Nominating Committee, there's a certain pool of people that we're drawing from for our board membership and we have constantly renewed the board. But we've also seen that there's a limited capacity or willingness to support the organization that people have demonstrated. We go over the board every year and say, “Do they contribute the money? Do they buy the subscriptions?” Now you're even talking about raising the \$1,500 contribution level when most of the people don't contribute even that. At the same time, you'll go over the list and say that there are many board members who we can't expect to contribute at these levels. It's not a simple thing. But, based on this pattern, I don't believe you could raise the contribution level. I wouldn't bank the survival of the Symphony on the ability to get a lot more money out of the board in the next year or two.

Various consultant reports, and any number of personal interviews, indicate that directors were motivated to join the board by reasons other than commitment to or appreciation for music. One of these non-musical motivations was laudable: a concern for the community of Oakland and its image, expressed as a feeling that “real cities” have symphony orchestras, and therefore the Oakland Symphony “ought” to be supported as a matter of civic pride.

Other, more personal agendas frequently emerged, however, as noted in the endowment feasibility study. The report's first principal finding:

A significant number of board members are perceived as being insufficiently involved with the Symphony Association. To their peers some members appear not to be interested in symphonic music and do not attend the Symphony's concerts; some evidence little commitment to any aspect of the Symphony's programs, and do not take an active role in governance or policy making; and several give the impression that they are on the Board only to enhance their business or social positions in the community. These perceptions have created a lack of mutual respect and trust among members, resulting in a factionalism which undermines effective leadership by the group as a whole.

This factionalism has its roots earlier than the 1983 study. A 1977 consultant's report commented that “a rift exists in the Oakland Symphony Orchestra Board of a serious order. . . . This is *the* most serious problem I encountered in my study. . . . Unluckily, the internecine struggle is perceived not only internally but widely outside of the Board and, regrettably, by some important sources of contributed support.” The issues at the heart of the particular rift were substantive ones – serious disagreement over the continuation of Harold Farberman as music director and lack of consensus as to the future direction of the Symphony. The latter of these issues was to affect deeply the board's ability to formu-

late and live by realistic long-range plans.

Individual Leadership

There seems to be no question that Edgar Kaiser, who served as chairman of the board for seventeen years, was a powerful presence. It can be argued that Kaiser's role was almost too dominant in the life of the Association, creating an undue reliance on one man. The view is also generally held that Kaiser was motivated by his deep concern for the City of Oakland rather than by his personal enjoyment of symphonic music. Despite the respect with which he was regarded, even Kaiser found it difficult to unify and lead the board. And however well-intentioned and hardworking, succeeding board chairmen and presidents (all of whom indicated in interviews that they took the job somewhat unwillingly) had less success in galvanizing the board or the Association in any effective way.

In a speech reprinted in the August 1987 issue of *Prelude* magazine, Peter Pastreich, executive director of the San Francisco Symphony, makes the following observation about effective leadership: "There's very little command power left in this world . . . the difference between effective and ineffective conductors . . . like the difference between effective and ineffective managers or board members . . . is the ability to persuade, rather than the ability to command." The prerequisite to persuasion is having a clear vision and belief toward which one is trying to persuade others. This strong conviction seems to have been lacking among the Association's leaders. Several board leaders interviewed stated that they always knew it was impossible to have a full-sized symphony in Oakland. When queried as to why they took on the leadership assignment in that case, the reply was "you always hope something will turn up." If board leaders subsequent to Kaiser felt that the organization's growth could not be sustained, none was able to persuade the organization to that point of view.

The Transition from Community Orchestra

The transition from community to professional orchestra is rarely easy. It is fraught with major organizational and financial upheavals which are difficult enough to cope with when all agree that the transition is necessary and possible and are committed to carrying it out. When that commitment is lacking, the transition becomes almost impossible. The Oakland Symphony board was too divided on the issue of change – and too reluctant to make the operational and structural changes such a transition required – to make that transition successful. For every board member anxious to embrace growth, there was a board member who wanted things to stay as they were, and a third who didn't care.

In a presentation to the American Symphony Orchestra League national conference in June 1984 entitled "From Night To Day: The Orchestra in Transition from Part-Time to Full-Time," the Oregon Symphony's general manager John E. Graham outlined the steps necessary for a successful transition. Noting that changes at the board level are likely to be necessary, he wrote:

It is appropriate to question whether the board that supported a successful part-time orchestra will be the same board needed to support a successful full-time orchestra. . . . This will entail developing new guidelines for board membership and new concepts of volunteer service to the orchestra. . . . It will probably be necessary to restructure [the Board's] method of doing business. *All the little decisions that were made by a large group will become big decisions needing the attention of a smaller group.* [emphasis added]

Historically, the Oakland Symphony board had been a large group involved in the little decisions. Board minutes reflect much concern with details of parties and dinners, and with the minutiae of day-to-day administration. In that sense, it was a very "hands-on" board. However, there was a tendency to take a small-scale view of problems, while missing the bigger picture. While the board focused on these smaller issues, it overlooked its main responsibility: providing fiscal oversight and direction. In the last ten years, the board did not receive – arguably because it did not request accurate, consistent financial reports and projections. (This began to change in the last two years of the orchestra's life.) The board distracted itself from urgent financial problems by focusing attention on less compelling issues such as the Paramount's acoustics and various proposals to expand and improve the stage facilities. One board member noted, "We were in terrible financial trouble – nothing but doom and gloom – and we went to a meeting and approved a \$400,000 acoustical shell. We had champagne to celebrate. The next meeting, it was doom and

gloom again. It was manic.” The orchestra had ever more serious marketing problems – yet at the board meetings the discussion of how to solve those problems centered on how many tickets board members should buy. Numerous board level discussions, special meetings, and memos were devoted to internal political bickering.

The board’s unwillingness to surrender this day-to-day involvement, in exchange for taking control of its larger responsibilities, was a long-standing pattern. A letter (dated October 1974) from one longtime board member to the current board president provides a good example. The author wrote in response to a dramatic letter of mutual resignation signed by the Symphony’s top management. The resignations were tendered in protest of the board’s continuing approval of deficit spending and its failure to raise the funds it regularly committed itself to raising. The letter stated:

I believe that I have been one of those who . . . have permitted our organization to become almost completely professionalized. Further, I also feel . . . that the professional staff and the methodology of operations designed and carried out by them has discouraged my direct participation. . . . Instead of an organization of involved volunteers, closely interrelated and working together. . . . I have watched our association emerge as a professionally-run function at all levels except in the direct solicitation of contributions I have said many times that we cannot run our association like a business. The simple irrefutable hard fact of the Oakland Symphony Orchestra Association is that we are not a business.

This quotation reflects the attitude to which Oregon Symphony manager Graham referred in his remarks on orchestras in transition. It is the attitude which needed to change if the Oakland Symphony was to make the transition to full professional status successfully. But that attitude did not change. The board continued to involve itself in minor concerns, avoiding the larger, more important issues. When it finally undertook a fullscale attempt to re-form itself – to create the smaller group required to attend to the bigger decisions – the result was unsuccessful.

Board Reorganization

Numerous attempts were made over the years to correct the structural problems of the board, and unify the group in support of some mutual goal. But despite consultants’ reports, planning retreats, long-range plans, and bylaw changes in board structure, the “corporate culture” of the Association board remained unchanged. As the 1983 endowment feasibility report stated, “[The consultants are] not optimistic about the Oakland Symphony Association’s chances of raising \$5,000,000 under present circumstances . . . we do not perceive that the Board has the commitment necessary to apply themselves to this significant task. . . . The key issue is whether or not the Board of Directors will accept the challenge before it at the level of participation and commitment necessary to assure the Oakland Symphony’s survival.”

Although acknowledging that the size of the board was a major problem, the same report advised against restructuring the group prior to the endowment drive the Association was determined to undertake. In October 1983 the report advised that “now is not the time for the Symphony to focus its limited volunteer and staff resources on the time-consuming activity of reorganizing the Board.”

Contrary to this advice, the Association undertook a major reorganization of the board in spring 1984, a step that many regard as a significant factor in the demise of the organization. The changes were recommended by a special task force of community leaders from Oakland and from Contra Costa County. None of its eight members was an Oakland Symphony board member.

Essentially, the task force recommended jettisoning the existing board structure and board. In place of the eighty-member board of directors, it recommended a small, eleven-member board of trustees. This board of trustees was to be the actual governing body of the Association. To serve under the trustees the plan created an “Oakland/East Bay Symphony Orchestra Board of Directors,” a group meeting three times each year, but with no vote in governing the Association. This board of directors was a body overlaying three smaller groups, defined geographically. Region I comprised most of Alameda County and western Contra Costa County; Region II comprised the remainder of Contra Costa and southeast Alameda Counties; and Region III comprised San Francisco, Marin County, and the Peninsula.

Each Region had its own complex structure, including a chairman, vice chairman, numerous vice presidents, and committee chairs in charge of fundraising, ticket sales, and special events. These individuals were to be representatives to the board of directors.

The expressed purposes of the new plan were to broaden the base of financial and audience support beyond the immediate Oakland/Alameda area by creating community-based support groups, and to solve the Association's problem of a too large, and ineffective board, by bringing in a new streamlined team. When the plan was finally adopted, the new board of trustees was made up of six individuals with no prior board service, and five who had served one or two terms on the old board.

In reality, the new plan did not achieve its goals. Many of the former board members claimed that no one made clear that voting in the new bylaws meant voting for their own disenfranchisement. Many of these made no secret of their displeasure, exacerbating the community perception of the Association as a group plagued by "internecine struggle," and worsening the funding and support climate. The new structures (for what were now five boards) were cumbersome and confusing, and more difficult and time-consuming to staff and organize. The plan set unrealistic fundraising goals for Regions I and II (Region III was never really developed); and the board of trustees proceeded to balance its budget on the basis of these expectations. The new structure effectively splintered what support there was for the Association. The problems that the reorganization was intended to solve were real ones, but in this instance the solution generated more problems than it solved.

The ineffectiveness of its professional managers mitigates the board's exclusive responsibility for the demise of the Oakland Symphony. There is a close interrelationship between volunteer board and paid staff, and the responsibility is a shared one. As lay leaders, directors must in a sense be "led to lead," particularly as the financial and management issues of symphony administration become more complex. It is clear that the professional administrative leadership over the last ten years was unsuccessful in providing this subtle direction, and unable to alter the course of the Oakland Symphony as it headed toward bankruptcy. But even this failure of staff is one in which the board has a part, in that the board was responsible for hiring its executive directors.

Throughout its history, the board of the Oakland Symphony Orchestra Association was an exceptionally troubled one – divided by factionalism and distrust, unable to respond appropriately to change, and lacking in effective leadership. This fact, as much as any other internal factor, accounted for the bankruptcy of the Oakland Symphony.

13 THE FINAL DAYS

Overview

The argument can be made that the Oakland Symphony Orchestra Association went bankrupt because of a chronic inability to deal with the fundamental issues facing the orchestra. During its last weeks, the organization seemed finally to accept the reality that survival meant vast and permanent reduction in the scale of the Oakland Symphony. But the orchestra members were unwilling to accept this, and unable to believe that the Association's claim of bankruptcy was really true.

Chronology

What follows is a recounting of the events leading up to the final dissolution of the Oakland Symphony Orchestra Association.

July 23, 1986

Facing mounting deficits if the 1986-87 season as originally scheduled is carried out, the Board of Trustees recommends a budget calling for massive cutbacks and moves to ask the union to reopen negotiations to modify the labor agreement. Chair Jean Wentz makes the statement that "the community is not willing or able to support the orchestra at its current level." The board agrees to retain bankruptcy counsel.

July 25, 1986

In a letter to Players Committee member Mark Drury, executive director Henson Markham asks that negotiations be reopened. His letter says, in part, ". . . the Association's present financial crisis makes it impossible to issue, in good faith. . . a schedule with 170 services for the 1986-87 contract year. . . . Consequently, the Association must request that renegotiations begin immediately with respect to modifying the labor contract . . . there will have to be both a reduction in the number of services and in the size of the orchestra, by attrition from unfilled vacancies, in order to establish a sound economic footing."

July 28, 1986

Drury responds with a letter stating that the players cannot consider reopening contract negotiations until the Association's books are open; he requests certain financial information. The threat of filing an Unfair Labor Practice charge with the National Labor Relations Board is raised.

July 29, 1986

The Association announces cutbacks in a press release that says, in part, "After years of running operating deficits, the Oakland Symphony Orchestra Association, in a bold move of fiscal responsibility, announces that it has reduced its 1986-87 season by 37 concerts in order to achieve a balanced budget."

July 29, 1986

Markham writes Drury again, stating that the books are open, and urging immediate reopening of talks.

August 3, 1986

Union files an Unfair Labor Practice charge, accusing the Association of making unilateral changes in the collective bargaining agreement.

August 6, 1986

Markham writes Drury again, saying in essence that without immediate talks and a contract modification, the Association will "have no option but to seek the protection of a bankruptcy court, and to request the invalidation of the collective bargaining agreement."

August 20, 1986

With the Association deficit now projected at \$965,000, board meets and approves the filing for reorganization under Chapter 11 of the Federal Bankruptcy Code, as a “good faith effort to save the organization.” It recommends that a “blue ribbon panel of community leaders” be appointed to reassess organizational goals and establish a long range-plan.

August 21, 1986

Markham writes Drury, briefly outlining proposed areas of contract modification.

August 22, 1986

The Oakland Symphony Orchestra Association files for protection under Chapter 11 of the Federal Bankruptcy code.

August 25, 1986

The Association files a motion to have the court reject the collective bargaining agreement.

The Association issues its “Summary Statement of Plans, Oakland Symphony Orchestra: The Next Five Years,” explaining the Chapter 11 filing and outlining next steps in the reorganization of the orchestra. The statement says, “. . . for the past ten years, the Oakland Symphony orchestra has lived beyond its means . . . given this situation, we believe it is a fair assessment to say that the Oakland Symphony grew faster than the demonstrated ability of the Oakland community to support it – one of the major factors considered by the Board in its recent decision making and planning. And it is indeed planning – short-term and long-term – that the Board of Trustees is engaged in as it attempts to meet the current challenge, planning based on a new realism, planning based on shaping an organization that is even more responsive to community needs by making community service its principal goal. It is also a planning process that assumes that big is not necessarily better.”

August 28, 1986

Markham writes Drury outlining specific management proposals to modify the contract.

September 8, 1986

A bankruptcy hearing is held in the court of U.S. Federal Bankruptcy Judge Cameron Wolfe. Judge Wolfe declines to set aside the labor contract at this time, grants a continuance until September 12, and urges the parties to reach a settlement before that date.

September 10, 1986

The Board of Trustees meets. There is discussion of the fact that the next year of the labor agreement begins September 15, with resulting financial commitments to players. The possibility that trustees might be personally liable for financial obligations incurred after that date is discussed. Though no definitive answer to the question of personal liability is available, there is much concern expressed. The board decides to file for liquidation under Chapter 7, if no agreement on contract modification is forthcoming.

September 12, 1986

Management and players, with counsel, have their first face-to-face meeting since the crisis began. The union counters management’s written proposals of a 50% service reduction with an offer of a one-year, 32% reduction, with a commitment to a full snapback in the second year, and reaffirmation of the goal of major status. Management says snapback is impossible – the proposed reductions must be permanent. After a brief caucus, the union introduces a proposal that the Association agree to a court-appointed trustee. During the following management caucus, the musician representatives walk out of the session. At noon, Association counsel reaches union counsel by telephone, rejecting the players’ trustee proposal on advice of the Association’s bankruptcy counsel, and restating that, if no contract modification is agreed to that afternoon, the Association will file for liquidation. At 3:30 p.m., the Oakland Symphony Orchestra Association ceases to exist, with the filing for liquidation under Chapter 7.

The dissolution of the Oakland Symphony Orchestra Association raises numerous questions. Why did management wait so long (until late July) to inform the musicians of the severity of the crisis, and ask for renegotiations? Was the filing under Chapter 11 a good faith attempt to reorganize, or a predetermined step in a predetermined decision to “put the orchestra out of its misery”? Why did the players refuse to meet with management until September? Why was there no “Save Our Symphony” campaign to bring the orchestra’s plight before the public? Would the trustees have been personally liable for the expenses of the second year of the musicians’ contract? Was the national office of the American Federation of Musicians more concerned with avoiding rejection of the labor agreement, fearing it as a precedent for other orchestras in trouble, than with saving the jobs of at least some of the Oakland Symphony’s eighty-six members?

Each of these questions has a different answer, depending on one’s perspective as board, management, player, or audience. The probable “truth” is that at 3:30 p.m. on September 12, 1986 the past caught up with the Oakland Symphony. When the critical moment came, the organization lacked the energy and commitment necessary to rise to the challenge.

14 IMPLICATIONS

Study Implications for Nonprofit Organizations and their Funders

Oakland's problems are not uncommon, particularly among regional orchestras who face considerable pressure to pursue rapid growth which is often unplanned and undercapitalized. To a certain extent those ambitions are tacitly encouraged by both private and public funding agencies that frequently use budget growth as a measure of organizational success.

It is of critical importance for all the participants in a nonprofit organization to be clear about its mission, its product and position in the marketplace and its current and potential audience. Consensus and clarity on goals and organizational identity are central to creating a long-range plan that can serve as an effective management tool. Where goals and objectives are not being met, organizations should consider seeking outside counsel (from peer orchestras, the national service organization, consultants) and investigate alternative strategies while there is still time to have them succeed.

If the market is oversupplied, and the vision cannot succeed, boards must be frank with the musicians as they jointly try to construct workable alternatives for their communities. Holding the line with the union is difficult, particularly for volunteer business leaders who may be reluctant to have their names associated with labor strife, no matter how necessary it may be for the organization. Musicians could also benefit from increasing their understanding of the challenges of orchestra management and developing leadership among their own ranks, so that they are represented by someone with firsthand experience of the special circumstances of the local community.

Capital Projects

The Oakland Symphony's restoration of the Paramount Theatre is an example of how an institution put its central mission – maintaining a viable symphony orchestra – at risk by pursuing the objective of creating a multipurpose performing arts center. The result was financial crisis. From running a symphony orchestra, the organization suddenly took on the tasks of landowner, historical restorer, and facility renter. Board committees were raising money for both ventures in competition with each other. The organization quickly found its debt significantly increased, as it was carrying operating deficits for both the orchestra and the new hall. All of this served to put the orchestra operation itself at greater financial risk and raised anxieties and acrimony on the board.

The perils of the so-called “edifice complex” are not uncommon in the performing arts, and the Oakland Symphony is not the first organization to allow a building acquisition to derail it from its central purpose. If carefully planned and correctly implemented, a capital project has every opportunity to acquire funding from new sources and increase the level of funding from current donors. But the fundraising campaign must substantially meet its goals before the building opens.

Planning

Growth for growth's sake seems to be embedded in the American value system. Bigger is perceived as better, in far too many cases. Undoubtedly, ASOL's hierarchy by budget size wrongly encourages orchestras (especially those classified as regional) to reach for the perceived plum of major orchestra status. Recently, ASOL has begun to entitle its comparative statistical reports by dollar amount rather than by category designation (i.e., major, regional, etc.) with overlap between the categories. This is a step in the right direction. Better yet would be some kind of recognition provided by the national service organization to be based on criteria other than budget size: e.g., financial health or endowment growth. ASOL could perhaps issue an annual honor roll of outstanding orchestras, based on a combination of statistical and qualitative criteria, evaluated by an outside panel of experts.

Within the nonprofit arts funding community, unplanned growth is fueled by the methodology of determining grant amounts based on budget size. Funders not infrequently require long-range plans as a part of the grant application, particularly for multi-year grants. Less frequently, however, do they track the organization's progress against its

long-term objectives. If a funder requires a long-range plan as evidence of an organization's planning competency, it should read that plan analytically. No matter how impressive a plan may look, its existence alone does not demonstrate that the organization has a clear and financially realistic vision of its future.

Role of Funders

The impetus for this study arose in part from the surprise many funders felt on hearing the news of the Oakland Symphony's bankruptcy. Their lack of knowledge of the dire straits of the organization raises many questions: What should funders have known and when should they have known it? And if they had known, what could or should they have done about it? When should a funder pull out and when should a funder rally to assist an organization that has received its ongoing support?

A careful reading of the audits of the Oakland Symphony would have revealed they were already insolvent by June 1984. Not all funders have the time or financial skills to decipher an audit. Some regard the fact of another funder's support as evidence that an organization has passed certain review criteria. Since most funding sources require similar financial data, those in a particular region (or even nationally) might consider a centralized review process that examines budgets, audits, financial statements, and long-range plans. This is done in analogous situations where a number of reviewers process identical information (e.g., Educational Testing Service's college application procedure; the multi-state bar examinations). Both grantee and grantor would find this cost-effective. Grantee organizations are continually reformatting the same data for different funders. Funding sources would be relieved of a time-consuming analysis and could concentrate on more qualitative issues.

Grappling with the issues presented by the Oakland Symphony's bankruptcy provokes a fundamental reexamination of the entire funding process. In their eagerness for support some grantees go beyond putting their best foot forward to the point of not fully disclosing their organizations' current situations. This tendency is probably more the exception than the rule, because the temptation to stretch the facts is more pressing when an organization is in crisis. In evaluating whether to adopt more stringent review criteria, the funders will have to determine whether on balance it is wise to change current procedures only to identify those few organizations in greater difficulty than they are admitting. One suggestion would be to require organizations receiving ongoing support to track actual performance against projections in their reports to funders.

Perhaps if funders adopted more of the attitude of a financial investor they would encourage an atmosphere of greater candor and joint problem solving. Organizations should be evaluated for their accomplishments by standards other than growth. Consistent funding with gradual increases is more helpful to an organization's stability than special project funding or large one-time grants (with the exception of capital and endowment gifts). Funders might also take note of the unique problems that inevitably accompany supplying smaller organizations with relatively large sums of money. This is not to argue against such grants but to note that the rapid growth they encourage invariably entails difficult decisions that challenge the framework of any organization. Funders providing significant donations may well want to offer management assistance, or to specify that some portion of the grant be devoted to that end. They should analyze with special care the long range plans and financial reports of institutions grappling with issues of growth. If funders wish to promote institutional stability they should not per se penalize (through reduced funding) organizations that accumulate surpluses or approve deficit budgets, but should weigh the facts and circumstances of each situation.

Financial Management

Symphony orchestras are facing difficulties because they habitually spend more money than they take in. Orchestras have come to accept financial crisis as a way of life. Certainly the Oakland Symphony was not the only orchestra in the Ford Foundation grant program that in the words of then-Ford Foundation executive Marcia Thompson "cannibalized its endowment." At the end of the ten-year Ford program, only thirteen of sixty orchestra participants had current liquidity.¹ But to invade endowment principal without a clear understanding of the factors that brought the organization to that point, and without a feasible plan both to accommodate those factors and to repay and increase the endowment, constitutes organizational suicide.

¹ Marcia Thompson, speaking in Richmond, Virginia, January 10, 1986.

The Oakland Symphony administration lacked at various times financial management skills, and it was it also unwilling to try the alternatives that were posed at various times by staff, individual board members, or by outside consultants: merging with another orchestra; withstanding a strike; closing between contracts and reforming under an alternative structure; or going out of business in time not to leave the community holding the debt.

Radical change in organizations is not easy. But major reorganization may become a necessity for some mid-sized orchestras faced with insolvency. A change of the magnitude called for in Oakland's case would have meant a major confrontation with the artistic personnel. Since the availability of the Ford Foundation money and its match provided an early, nonconfrontational alternative for the Oakland board, it never faced the hard decisions until the funds were exhausted, and then it was too late to save the situation.

Even in the short run, having locked themselves into growing labor agreements, management might have chosen different strategies for "deficit optimization." One strategy employed by other troubled orchestras is not to utilize all of the services paid for under the labor agreement. This saves on production costs and concentrates dwindling audiences into fewer performances, thereby providing the psychological boost of fuller houses. Then, there is always the belt-tightening alternative. On several occasions, the last controller recommended severe budget cuts that were not instituted. The state legislature is also a source that other ailing orchestras have successfully pursued, though apparently the Oakland Symphony never considered this idea.

Management of symphony orchestras is a complex and demanding undertaking that requires increasingly sophisticated financial and business expertise. Boards should demand this level of understanding from themselves and from their managers. Nonprofit institutional life in the 1980s is not a time of unbridled optimism; it may well become a period not of just holding the line, but retrenching. These difficult decisions cannot be faced without a secure grounding in the understanding of orchestra management, a clear and honest analysis of an institution's past history and trends, and a hard realism in long-range planning. For regional orchestras, to succeed may mean to survive – to keep the music playing. This is the heart and soul of the orchestra business. Unless all the participants in a symphony's complex structure embrace this value, music-making institutions may founder.

**Oakland Symphony
Chronology of Related Events
1933-1986**

1933	Oakland Symphony Orchestra Association (OSOA) founded, under artistic direction of Orley See
1958	Orley See dies; Piero Bellugi appointed as music director; OSOA Chorus founded
1959	Gerhard Samuel appointed music director; OSOA Guild founded
1962	Harry Lange retires as board chair; Edgar Kaiser elected
1964	Youth Orchestra founded
1965	First OSOA contract agreement with American Federation of Musicians
1966	\$1.35 million Ford Foundation grant to OSOA
1971	Samuel resigns as artistic director; replaced by Harold Farberman
1973	OSOA buys and restores Paramount Theatre
1974	OSOA sells Paramount to City of Oakland for \$1 and a forty-year, rent-free lease
September 1974	1974-75 to 1976-77 players contract finalized
June 1977	OSOA receives first ASCAP award for venturesome programming
September 1977	Harold Lawrence, former president of Buffalo Philharmonic, hired as OSOA paid president
February 1978	Farberman resigns, effective with 1979 season
September 1978	New labor agreement with players (1977-78 to 1979-80)
June 1979	Calvin Simmons hired as music director
October 1979	NEA Challenge Grant awarded (\$150,000, with three-to-one matching required)
March 1980	New labor agreement with players (1980-81 to 1982-83)
June 1980	Kaiser retires as board chair; Ronald J. Vincent elected
September 1980	San Francisco Symphony opens Davies Symphony Hall
August 1981	OSOA receives second ASCAP award for venturesome programming
September 1981	Lawrence resigns, retained as consultant; Arthur Jacobus (assistant general manager) named acting general manager
August 1982	Simmons drowns in New York State; Leonard Slatkin (St. Louis Symphony Orchestra) retained as interim artistic consultant
June 1983	Richard Buckley named OSOA music director; Jacobus named paid president
December 1983	New players contract approved (1983-84 to 1984-85)
October 1984	Jacobus resigns
January 1985	New acoustical shell installed at Paramount at cost of \$400,000-plus
February 1985	Henson Markham named general manager (title later changed to executive director)

APPENDIX A Chronology

April 1985	Vincent retires as board chair; Cornell Maier elected
September 1985	Negotiations begin on new three-year player contract
October 1985	Players vote to strike
November 1985	Management announces cancellation of 1985-86 season; players accept management offer by one vote; 1985-86 season restored
December 1985	Maier resigns as board chair; replaced by Jean Wente
March 1986	1986-87 season announced, including more concerts than ever; main subscription series returns to Oakland Auditorium, now known as Calvin Simmons Theatre
June 1986	Players commission audit of OSOA books
July 1986	Markham delivers letter to players demanding review of 1986-87 contract Management announces dropping half of concerts from 1986-87 season
August 1986	Players file unfair labor practices charge with National Labor Relations Board (8/3) OSOA files for reorganization under Chapter 11 of Federal Bankruptcy code (8/22)
September 1986	Bankruptcy hearing; judge refuses to reject players' contract at this hearing, orders parties to negotiate. OSOA League (formerly Guild) declares itself a separate nonprofit (9/8) Final meeting between player representatives, board representatives, management; no compromise reached (9/12) Liquidation filed, under Chapter 7 of Federal Bankruptcy Code (9/12)

**Oakland Symphony Study
List of Interviews**

Judy Arrigo controller, OSOA (1984-86)	Denis de Cocteau principal viola, Oakland Symphony (1960-63) conductor, Oakland Symphony Youth Orchestra (1970-80)
Marilyn Bancel development director, OSOA (1979-80)	William Cook former director, California Arts Council
Mary Barr Challenge Grant Program, National Endowment for the Arts	Sharon Coombs San Francisco Grants for the Arts
Patricia Bedinger Price-Waterhouse auditor for OSOA	Mark Denton executive director, Oakland Ballet (1980-present)
Ross Bellingham marketing director, CalPerformances	Karen Dobbs vice-president, American Symphony Orchestra League
Allen Berk board member and labor attorney, OSOA (1985-86)	Mark Drury musician, Oakland Symphony; Players Committee member
Jack Bethards executive director, OSOA, 1972-1975	Stephen Dunn Stephen Dunn & Associates, Los Angeles, California telemarketing consultant to Oakland Symphony (1983-86)
Edward Birdwell former Music Program director, National Endowment for the Arts	Marian Egge musician, Oakland Symphony
Ralph Black vice president, American Symphony Orchestra League, New York, New York	Henry Fogel executive director, Chicago Symphony
Peter Botto general manager, Paramount Theatre (1975-present)	Catherine French chief executive officer, American Symphony Orchestra League, New York, New York
Richard Buckley music director, Oakland Symphony (1983-86)	Tracy Gable Paramount Theatre box office assistant
Juan Carrillo deputy director, California Arts Council	Mrs. Adolphus Graupner, Jr. board member, OSOA
Sarah Chambers OSOA staff (1977-86)	Janine Gregory marketing assistant, OSOA (1984-86)
Diana Cohen marketing director, OSOA (1981-85)	Stuart Gronningen musician, Oakland Symphony
Louis Cosso board member and treasurer, OSOA (1981-86)	

APPENDIX B Interview List

Carol Handelman
staff, OSOA (1977-85)

Joe Haraburda
Mayor's Task Force on Orchestral Music
general manager, *Oakland Tribune*

Jim Hazel
Paramount box office manager (1981-present)

Mary Ann Hedderson
cultural arts coordinator, City of Oakland

Jack Hickithier
development director, OSOA (1985-86)

Robert Hughes
musician, Oakland Symphony

Kenneth Ingraham
assistant development director, OSOA (1986)

Arthur Jacobus
staff, OSOA (1979-84); president/ general manager
(1981-84)

Lynn Johnson
West Coast supervisor, American Federation of
Musicians Symphony Department, Los Angeles,
California

Christine Kalakuka
OSOA League president (1986-present)

Elliot Klien
Music Program, California Arts Council (1984-present)

Bauer Kramer
board member, OSOA

Angela Koregelos
musician, Oakland Symphony

Larry Larson
former staff, California Arts Council

Harold Lawrence
president and general manager, OSOA (1976-81)

Mary Maehl
public relations/marketing, OSOA (1976-86)

Cornell Maier
board chair, OSOA (March 1985-December 1985)

Helen Major
development director, OSOA (1978-79)

Henson Markham
executive director, OSOA (1985-86)

Patrick McCarthy
musician, Oakland Symphony; Players Committee
member

Millie Mitchell
marketing director, Oakland Ballet

Bradley G. Morison
president, Arts Development Associates consulting firm

Mary Ellen Murphy
development director, OSOA (1981-83)

Robin Orr
society columnist, *Oakland Tribune*

Peter Pastreich
executive director, San Francisco Symphony

Patricia Perry
staff, Association of Bay Area Governments

Ernest Phinney
fundraising consultant

Nathan Rubin
concertmaster, Oakland Symphony

Charles Shere
music critic, *Oakland Tribune*

Herbert Scholder
marketing director, OSOA (1985-86)

George Alan Smith consultant to OSOA (1976-82)

Jerry J. Spain
former president, Local 6, American Federation of
Musicians

Deborah Stevenson
board member, Dimensions Dance Theater, Oakland

Jean Squair
board member, OSOA (1960's)
director, Golden Gate University Arts Administration
Program

Eugene Trefethen
member, Ad Hoc Committee on OSOA board
reorganization

Ron Vincent, CPA
accountant for Players Committee

Ronald J. Vincent
board president, OSOA (1975-80); board chair, OSOA
(1980-84)

Lew Waldeck
American Federation of Musicians Symphony
Department, New York, New York

Jean Wente
board chair, OSOA (1985-86)

Claire Munson Way
president, Oakland Youth Chorus

Frederick Zenone
musician, National Symphony; former chair, International
Conference of Symphony and Opera Musicians (ICSOM)

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