The New Mexico Symphony Orchestra Discussion Case

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The New Mexico Symphony Orchestra: Study in Contrasts A - Case

This is a business case with the dimensions of a saga. Its purpose is to provide a narrative of one organization's trajectory over an 80-year span. The institution involved was the author's professional home for 5 years from1988 to 1993. The case goal is to spark student discussion regarding board and staff issues at key historical moments while examining the contextual flow of an arts institution within a community across 8 decades of growth and change.

The Organization's Founding and Environment

The New Mexico Symphony Orchestra was originally founded as the Albuquerque Civic Symphony (ACS) in Albuquerque, NM. It gave its first concert on November 13, 1932, conducted by Grace Thompson Edmister, head of the Music Department at the University of New Mexico and one of the first female conductors and Musical Directors of a major orchestra in the U.S.

Albuquerque is surrounded by communities of ancient Ancestral Puebloans, whose descendants populate today's 19 Pueblos in New Mexico. After the Spanish arrived in 1598, the Pueblo people chafed under Spanish domination until coordinating a revolt in each Pueblo in August 1680 which caused the Spanish colonialists to flee south to El Paso. Spanish forces peacefully re-took Santa Fe only in 1692, making the Puebloans the only Native people in the US to roll-back European conquerors.

The arrival of the railroad in 1880 brought "Anglo" (non-Hispanic White) people and culture for the first time. Statehood was granted on January 6, 1912. Yet even after the building of the Interstate Highway system in the 1950s, and certainly true in the 1930s, Albuquerque has been referred to as the "most isolated major market in the country," with nearest neighbors Denver, CO 446 miles to the northeast and Phoenix, AZ, 421 miles to the southwest. This checkered history factors into New Mexico's cultural politics to this day, where it is said, "the Native Americans have the land, the Hispanics have the political power and the Anglos have the money," and so where bartering must constantly occur among three entrenched and proud populations.

The Symphony's Early Years

For the first decades, there was no suitable concert hall and so ACS held performances in a gymnasium at the University of New Mexico. The Symphony regarded itself as a local product and operated as an amateur orchestra, yet with some unusual distinctions.

- In 1930, the city's population was 26,570. With the World War II military build-up came significant growth, including serving as the gateway to Los Alamos Labs, home of the atom bomb.

- A cultural highlight of the1940s was then-Music Director Kurt Frederick convincing internationally renowned composer Arnold Schoenberg to have the American premiere of his work "A Survivor from Warsaw" with the ACS. This remains one of the most important classical works commemorating the Shoah (the genocide of 6,000,000 European Jews by Nazi Germany).
- In 1950, Hans Lange, who had been an assistant to famed conductor Arturo Toscanini and conductor of the Chicago Symphony, became Music Director
- Under his baton, the amateur symphony began to grow in both aspiration and professionalism
- Primary support came from the upper middle class Anglo segment of Albuquerque's population, many of whom had homes around the elite Albuquerque Country Club in the Rio Grande floodplain
- For this population, the Symphony became a mainstay of local cultural life
- Service on its board was a mark of distinction enjoyed by many of the rising class of civic business leaders

Post-War Growth: 1945 - 1975

The Cold War continued the growth of New Mexico as a military technology leader, with Los Alamos and Sandia Labs and the Kirtland Air Force Base all nationally important installations. Albuquerque population growth followed, as did some notable arts activities

- The Santa Fe Opera was founded in 1957 by Music Director John Crosby, who became President of the Manhattan School of Music. This meant New York and international connections and support. For local musicians, lucrative summer employment became possible, furthering Symphony growth and professionalism
- In 1966, 2,000 seat Popejoy Hall was constructed at the University of New Mexico (UNM) and became the major performing arts venue in the state
- In 1970, UNM established the Tamarind Institute, moving from its original home in L.A. where, funded by the Ford Foundation, its goal was to rescue the dying art of lithography. International artists Josef Albers, Jim Dine, Kiki Smith and many others came to Albuquerque to work at Tamarind.

By 1970, the Albuquerque city population had grown to 373,842 in a state of about 1.2 million. An estimated 37% were Hispanic with 54% white and 6% Native American. The Symphony was by now the oldest continuously operating music organization in the state.

The '70s was the decade of greatest national growth in public funding for the Arts

- Both the National Endowment for the Arts (founded in 1965) and state arts agencies like the New Mexico Arts Division, provided money to enable and encourage institutional growth

A New Administration

By 1974, the operating budget remained just under $100,000. The Symphony's Board hired William Weinrod, an experienced arts administrator with a strong vision for the future. At the time of the gas crisis in the Northeast, where long lines formed at gas pumps, optimism for growth in the Southwest, "the Sunbelt," ran high.

- Over the next decade, Executive Administrator Weinrod and popular Music Director Yoshimi Takeda transformed the institution; launching educational outreach programs of statewide touring and service to school children.
- Weinrod used the financial and political clout of the board to get a direct line-item allocation for the Symphony written into the Arts Division budget. (This meant the Symphony did not have an annual worry about state funding as it no longer entered the normal pool of arts grants applications.)
- On January 26, 1976, Gov. Jerry Apodaca issued an executive order by which the Albuquerque Symphony Orchestra became the official orchestra of the State of New Mexico and the Symphony's name was changed to the New Mexico Symphony Orchestra.
- The NMSO became the largest locally-organized performing arts institution in the State, second in budget size only to the world famous Santa Fe Opera
- By 1980, Albuquerque's population was 515,614, a 37.9 % growth in two decades
- The NMSO, like many arts organizations around the country, responded to this rosy scenario by adding musician services thus paying them more, and by gradually adding staff. In short, it further professionalized.

Professionalization:

By the early 1980s, the orchestra had grown to a fully professional organization consisting of 90 musicians giving 169 performances Statewide to 129,000 attendees, 40,000 of whom were school age children. Usually 60 performances were full orchestral concerts while the remaining "musician services" were presented by small educational ensembles in schools and community centers.

- The NMSO offered union employment to musicians over a full 9-month season
- In a decade, the organization's budget had grown from under $100,000 to over $1 million. In 1981–'82, the budget was $1,066,200 with a $25,000 surplus.

A Long Range Plan

Encouraged by its own success, by projected population growth trends, by the enhanced public sector funding and envisioning a new performing home as Albuquerque had passed a $60 million bond issue to in part construct a Performing Arts Center, the NMSO embarked on a plan for substantial growth.

- A long-range planning process involved Board & Staff with Musician input.
- An early step was deemed to be the enhancement of the artistic product. To this end, the still quite popular Music Director, Yoshimi Takeda was let go.
- There was local grumbling due to his popularity, but the Orchestra board promised a nationally prominent conductor to take it to the next level.

In 1985 after a two-year search, young Harvard graduate Neal Stulberg was hired. A classmate of cellist YoYoMa, Stulberg was recipient of a prestigious Exxon/NEA Young Conductors Award while serving as the conducting understudy at the LA Philharmonic.

The staff was bolstered too, with full-time Directors of both Development and Marketing hired for the first time. The Executive Administrator had been doing much of this, relying on volunteers and only part-time help

- The new Development Director had done orchestra management & annual giving, but had no major endowment campaign experience.
- The NMSO formed a partnership to purchase a downtown building for its offices.
- A prominent downtown store front on a gentrifying block was created, with rented offices above helping pay the mortgage.
- Stulberg arrived at an organization with a roughly $1.5 million annual budget supporting 60 concert performances over a 36-week union contracted season.

A Fund-raising Feasibility Study

During the 1985–'86 season, a development feasibility study was commissioned from a national consulting firm. The study sought to determine whether a $6.3 million, 5-year campaign combining both Annual Fund and Endowment solicitations would be possible.

Completed in spring of 1986, the feasibility study used confidential face-to-face interviews of leading local citizens who hopefully would provide lead gifts. Over all it found that the NMSO could indeed raise significant endowment funding, although not as much as hoped, but first needed to address issues of community perception and of internal staffing.

Findings:

The community's opinion of the NMSO was generally good, but there was a lack of confidence in its overall financial management. In fact, some questioned whether building an endowment before stronger financial controls were in place was wise. The summary points were:

- Community opinion of the Board was generally good
- A few Board members generated very high levels of confidence and approval
- Yet also noted was the lack of sufficient numbers of corporate and community leaders on the Board - it appeared there were a few good ones, but not enough
- There was general agreement that an endowment was needed to give the NMSO the firmest possible foundation
- Yet few in the community expressed a strong desire to see the Orchestra move forward artistically as a top community priority
- Few, for example, saw the Orchestra as a major factor in economic development
- Thus, the case for an expanded Orchestra was not seen as being particularly urgent. Health and human service concerns were often cited as more pressing local issues
- While nearly all of those interviewed indicated they would contribute to an endowment campaign, few prospects were found for gifts of over $100,000
- Only one donor was identified at the $500,000 level, and none above that
- The study noted an historic lack of "old wealth" in New Mexico
- Instead it found a relatively weak local economy heavily dependent on government, agriculture and mining

- The general civic level of philanthropic giving was termed by the study as only "moderate" compared to similar cities around the country

Conclusions

The Feasibility Study concluded that a goal of $3 million for endowment gifts, on top of proposed higher annual giving of $3.3 million during the 5-year life of the campaign, was too high.

- It approved the 5-year, $3.3 million annual fund goal (roughly $660,000 per year, up from the $477,000 raised in '85–'86)
- It approved a (reduced) $1.5 to 2 million endowment campaign over 5 years.

The study also called for an enlarged development staff and an enhanced marketing presence to more effectively tell the story of what the NMSO currently did for the community. The messaging should make the case for the orchestra as an economic development tool and needed to make the case for urgency – that now was the time.

Accompanying the study was a ten-year, long-range budget

- From a 1984–'85 budget of $1,617,465 (with an accumulated deficit of $129,796)
- The plan showed growth to a 1995–'96 budget of $4,051,500, with a $199,000 surplus.

Aftermath

On the strength of the relatively encouraging Feasibility Study, plans were laid for a 5-year fundraising program which quietly began during the 1986–'87 year.

- The budget that year was $2.165 million
- Campaign progress proceeded slowly while the essential lead gift donors were being cultivated and educated as to why this / why now
- The Executive Administrator handled most of the leadership donor contacts
- In 1988, Neal Stulberg won the nationally prestigious Seaver / NEA Conductor's Award, providing further good talking points and press notices
- By fall of 1988, the Campaign was supposedly ready to launch, yet no significant endowment funds had yet been raised
- In the opening weeks of the crucial 1988-'89 season, the still relatively new Development Director unexpectedly resigned

<u>The New Development Director</u>

I started at the NMSO in November of 1988, recruited from my former position as General Manager of Southwest Ballet, the local professional ballet company. Southwest Ballet and the NMSO co-produced the annual Nutcracker production, a significant income generator for both organizations. I had come to consider Weinrod as a mentor.

Personal Context

At the Ballet for both of the two years I was employed, there was a constant struggle to raise the needed $5,000 per week to cover payroll of professional dancers and staff.

- My starting full-time salary at the Ballet, when I was already 35 years old with an MFA degree had been only $12,000 per year, with no benefits. In year two, I was given a 50% raise, to $18,000.
- The NMSO offer was a clear chance to more than double my income while working with a significant mentor
- In the NMSO interview I was told, "In 14 years, we've never missed a payroll."

The first year was a time of getting my feet on the ground with the Orchestra.

- The annual fundraising was based on the foundation built by my predecessor.
- The Executive Administrator personally handled the top-level donors and did so on a strictly private basis.
- The Development Director did not attend Board meetings.

The NMSO entered the 1989–'90 season with a $2.8 million budget.

The events of January 30, 1990

Fifteen months into my NMSO tenure on January 30, 1990, the staff reported for work in time for our usual Tuesday morning staff meeting. We found on our desks every scrap of paper regarding all issues we had each been working on with Executive Administrator Weinrod.

- He was not first in the office or in his accustomed position at the head of the table.
- Checking his cubicle, we discovered his desk was completely clean, his space devoid of all personal artifacts, his office utterly abandoned.
- There was no note of explanation, only a vague story of a mysterious phone call.
- The staff held the meeting anyway yet we were interrupted by the unexpected arrival of the President of the Board of Directors.
- He informed us that Weinrod would not be in, that the Board was to hold an emergency meeting the next evening and to keep plugging ahead in the meantime

Although hushed up officially and even kept from the staff, it soon leaked out that Bill Weinrod had come into the office in the middle of the night, cleaned everything out, and then gone off into the desert to slit his wrists.

He was discovered around dawn - dazed, blood dripping, staggering out of the desert. Weinrod eventually recovered, but I never again saw him before his death in 2004.

Spring of 1990

Over the next days & weeks, the following emerged:

- For the first time, orchestra & staff payroll would not be met
- The Board had never been informed of the true financial shortfall, neither currently nor for the past several years.
- In the span of a single year, the 1986-'87 budget surplus (a one-time event), had become a deficit of $290,000 for the 1987–'88 season alone
- The current 1989-'90 year was headed for an accumulated deficit of $825,000 on a revised $2.9 million budget
- Some mysterious donor whose existence but not even an identity had been known to only a couple of Board members

- This person had been quietly covering annual deficits and even the occasional payroll in recent years
- This mysterious donor turned out to be Weinrod's own mother.
- She had been the source of the one-time budget surplus,
- Yet with her recent death and the completed sale of her house, there would be nothing more.
- Further, and of major concern to the Board, the IRS had not been paid the roughly $50,000 due in Federal payroll withholding taxes
- Those funds had actually been used to cover recent payrolls
- The musicians knew nothing of any of this
- Being union members of the American Federation of Musicians (the AF of M), they could easily call for a strike and it was within their rights to do so
- The Board was totally unprepared to operate on its own without the long-tenured Executive Administrator and a review of recent activities and policies revealed a major power vacuum in both Board and staff.
- The current Board members were not financially powerful enough to carry the organization by themselves
- They were also not sufficiently politically connected to ask the City to help. (This was probably impossible no matter what due to Mayor Ken Schultz' indifference and even hostility to the arts.)
- The Board at its meeting of Jan 31, 1990 decided to keep the doors open, at least temporarily. Some considerations were:
    - The Federal withholding would have to be paid, no matter what – the Board members individually could face fines & penalties if not paid.
    - Community subscribers had already paid for a full 9-performance season
    - Some regular spring activities (an automobile raffle especially) typically raised $100,000 in a short period of time.

The Decision of mid-March

Six weeks later only some of the payrolls had been met and most of those were late. The Board had negotiated a way to re-pay the Federal withholding taxes, and the musicians had not struck, for they would have no local future if the NMSO suddenly closed. Yet the future still looked grim.

- The time had come to decide whether or not to go on with next season
- The first step would be to announce a season and sell subscriptions
- Mounting another season seemed unlikely at best

The NMSO's General Manager was the acting top staff person in the absence of an Executive Administrator. In an office meeting, he informed me he was planning to go before the Board that evening to propose we shut down the organization and go out of business. Before doing this, he asked for my input.

I was suddenly faced with a dilemma and the need for quick action. Calling it quits seemed to be the most logical and the easiest route. And yet -

- I thought of the 60-year life of the institution within this community and wondered if it was really hopeless.
- I wondered about the ripple effect on the State-wide arts community – for which our closing could have had a very negative impact
- The staff, myself included, would be left with no pay checks – suddenly and without warning
- The NMSO musicians were unionized as part of the powerful AF of M, whose 90,000 members made it the largest organization in the world representing professional musicians. The union had been an activist organization on behalf of its members throughout the 20th century, with clear policies and procedures in extensive union guidelines and a history if being unafraid to litigate when needed.
- At the same time professional jobs playing classical music were scarce, even as music schools continued to pump out new graduates without seeming to consider dwindling job prospects.
- Many of our NMSO musicians were graduates of excellent music schools. They were fine musicians yet ill-prepared for other work on short notice
- I felt that they at least deserved a stronger voice in the decision of whether or not to continue, even in the face of late, and occasionally missed, payrolls. Perhaps there were creative steps of which the artists could conceive.
- Yet I could find no guarantee of success, no known "Mr. Got-Bucks" coming to our rescue if we tried to keep going
- The veil of false transparency behind which Weinrod had for years been operating had not been fully penetrated. I did not feel, even as the Development Director, that I had a firm knowledge base of all the potential major donors. It did not seem the Board had any fresh clues, either.

So what to do?
How to advise the General Manager in his discussion with the Board?
Which way should I go – and why should I go that way?

What would you advise? Why?

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<u>The Decision</u>

I decided not to back my colleague's original plan of action. Instead I convinced the General Manager, himself a former symphony bass player, that we should at least give it a try. It may have been his own background as a musician which helped convince him to make a different presentation to the Board that evening.

- I concluded the staff team of development and marketing people especially deserved a chance to see what could be done.
- The Board would need to lead collectively; and as a group no longer beholden to a single strong central voice.
- These good people, even though each carried the responsibilities of Board membership, were really an untried group. It was hard to predict what hidden individual strengths collective action might reveal.
- They too, I thought, deserved a chance to prove themselves.

A Plan of Action

In that same office meeting, the General Manager had proposed to me that should the Board vote to continue, the staff and especially the Marketing & Development departments had to focus all energies on one essential thing: cash flow. The musicians voted to keep going but demanded better representation on the Board and on the Finance Committee in particular – all of which they received.

Immediate Steps

A new cash flow focus led to:

- Funding the payroll (including required Federal taxes)
- Ceasing all "normal" campaign – related development activities so that everything would focus on meeting the payroll of $80,000 every two weeks for the 9 months of the season. (This dropped to $30,000 every two weeks in summer months when only the staff was paid.)
- Public communications required that a balance must be struck between urgency and crisis – people give to success not to crisis. (No one wants to rent the last deck chair on the Titanic.)
- We identified when in the year each major donor typically gave
- We got a detailed handle on when every dime came in
- We stepped up the renewal subscription campaign for the next season – knowing we were not solving anything, just buying time; yet deciding that alone was valuable

Following the March 1990 Board meeting, everyone – staff, Board, musicians - pulled tightly together. There was no outside force capable of pulling us out of this.

The office mantra became: *Cash Flow! Meet payroll!* Everything else will flow from that.

The summer of 1990 to the summer of 1993

Being thrust into unexpected leadership roles had both good and bad impacts. The collective cohesion and transparency with which we all worked brought bonding.

The musicians noted for the first time they understood how hard staff worked on their behalf, and how delicate and uncertain were Board attempts to raise money.

Staff learned to listen more carefully to what musicians said, and how they played. Suddenly every note contained layers of resonance as we wondered if this concert might be the last…

The Board faced challenges as most members were simply well-meaning local residents, professionals and business people untrained as non-profit arts administrators. The Board was ill-prepared for the level of national arts-world sophistication needed for some essential tasks.

- A poorly run Executive Director national search resulted in an 18 month-long process that simply failed – no qualified candidates wanted the job
- The General Manager and I formed a team. He became “Mr. Inside,” with the knowledge of how to run an orchestra. I was “Mr. Outside,” charged with finding and raising payroll
- The bi-weekly payroll struggles went on throughout this whole time with payrolls often late and occasionally missed entirely, yet now known in advance to the musicians
- It was back-to-the-wall fundraising.
- I had to occasionally call a big donor and ask for a $10,000 check – by noon.
- Some bi-weekly pay periods began in the hole, cash-wise, so having to raise $90,000 instead of $80,000 for example
- While the numerous votes among musicians were often contentious, they were never to shut us down

A “Bridge Fund” was created and marketed as a separate fundraising effort. We branded it a “quasi-endowment” fund designed to reduce the deficit while not distracting from the essential and ongoing Annual Fund campaigns. A Bridge Fund solicitation produced the largest gift I had yet raised, a $100,000 two-year pledge.

- A Planned Giving program was created and put in place but not quickly funded
- In 1992, a fundraising wine and art auction called Vintage Albuquerque was established by a Board and staff committee. It raised $80,000 the first year.
- (By its 25th year in 2017, this event had become the largest charitable wine auction in the Southwest. Running for 5 nights, it by then had become its own 501c-3 nonprofit organization which raised more than $3 million annually for arts education.)

- The downtown store-front building housing NMSO offices had to be sold to its other real estate partners
- A new two-year Master Agreement between the Orchestra and the AF of M was successfully re-negotiated
- Musicians identified hardship cases among their own and helped each other out
- A joint staff / musician committee switched a certain number of services from educational purposes to a profitable chamber music series held in private homes with premium ticket prices and gourmet meals donated by restaurants
- The Marketing Director hired by Weinrod suddenly resigned
- The political forecast for the new Performing Arts Center (PAC) turned cloudy.
- Even though the PAC bond issue had been approved by voters, it was recalled.
- The PAC was never built
- Neal Stulberg, the Exxon/NEA Music Director resigned
- Several key musicians found other jobs.
- Their success was bittersweet for it showed the caliber of NMSO players.
    - A trumpet player moved to a key chair in the Metropolitan Opera Orchestra
    - A clarinet player became the principal clarinet chair in the San Francisco Symphony
- The performing home of Popejoy Hall was lost to a one-season renovation project, forcing the NMSO to play an entire season "in exile"

Finally, in late summer of 1992 and some 2½ years after Jan 1990, a new Executive Director was hired. The Board hired him due to his focus on marketing (ie., ticket sales and other earned revenue). [One wonders if the attractiveness of this approach was due in part to a distaste with which many Board members regard fundraising (ie., contributed revenue).]

Due to the marketing focus, the new E.D. cut a 6-person development staff down to 3-people and pledged higher ticket sales as a way to balance the budget. This proved to be an impossible dream in this market. The new E.D. lasted only three seasons.

- In the summer of 1993, I was let go. I was replaced by my 2nd in command. She was a 2nd generation Symphony supporter, a somewhat older woman from within the Country Club community. She and I remained close and some information used here came from interviews we have conducted over the years since.

Looking down a Decade

The Music Director search to replace Neal Stulberg went better than the E.D. search due to the previous experience of finding Stulberg.

In 1995, David Lockington was named Music Director. A personable British-born conductor formerly with the Baltimore Symphony, he emerged as a popular leader in the community. "The community fell in love," reported my former colleague.

During his 5-year tenure, Lockington led the NMSO to become "one of America's finest orchestras" (the Instant Encore site). While there remained several "cliff-hanger" moments when questions about continuing were raised anew, a gradual turn-around began. By 1997, the perception was that the orchestra had emerged from a decade of financial difficulties.

- Lockington's presence as a visible community leader made a real difference
- The stock market resurgence of the mid to late '90s (the dot-com era) made fundraising somewhat easier
- An Endowment Campaign run by Board members, who put up their own money first and then solicited peers on a relationship basis, made further strides
- A fresh Executive management team provided assurance and stability for when Lockington eventually departed.

In the late summer of 1998, the Chair of the Board and David Lockington asked a board member who was a local accountant, if he would chair the fundraising committee to raise $1,500,000 to pay off $800,000 in debts and raise additional working capital. The accountant did not think that would solve the problem. He told me it sounded like simply another "Save the Symphony campaign." So, he met with the Chair, Lockington and the new Executive Director with the following idea:

He would Chair an endowment campaign if the target was raised to $3,000,000, with the funds to be held at the Albuquerque Community Foundation (ACF). From initial contributions $500,000 would be borrowed to reduce the debt. After a heated discussion, the Board added the proviso that $800,000 be borrowed to pay off the debt.

The Community Foundation balked at the loan idea, so a compromise was reached. From the first year's campaign $500,000 would be carved out. From the second year of the campaign $200,000 would be used, and $100,000 from the third year. The accountant was confident this would work, as donors would be told up front about the plan and he felt they would particularly like the idea that the ACF would be the ultimate authority on the Endowment, allowing pay-outs only on the earnings, or 5% of the fund's prior year balance.

Part of the deal that helped sell this plan to donors was that the ACF loan would be repaid from earnings in the Endowment. This new fundraising team raised over $1,000,000 within 6 months, while the rest of the $3,000,000 took another 2 years. By 2001, they had raised the goal to $6,000,000, steered by two new Endowment co-Chairs.

As the century turned, the NMSO was in the black for the first time ever, due to solid management by the Executive Director and a 3-year $1,000,000 grant from the Mellon Foundation, received in 2000.

However, the Orchestra's management was hit hard by negotiations with the musicians, who got a more than 30% pay increase plus benefits. This posed difficulties in sustaining the budget once the Mellon grant expired.

In 2000, the NMSO bought a new Symphony building from a Board member for $800,000. The building's full value was $1,600,000, but it needed $1,500,000 in renovations to create both professional offices and an in-house practice facility. The accountant chaired a Building Fund Campaign and arranged a $1,200,000 bank loan for 5 years, paid off by 2005.

The accountant reported to the author that "We did operate in the black for a few years from 1999-2001 and had small losses for another couple of years. However, the budget kept expanding and negotiations left their toll on finances again in 2003 and 2005. Annual losses continued to escalate leaving the Symphony once again in a $500,000 deficit by 2005." Yet the ACF endowment still existed and it was determined that it had earned more than the 5% allowed to be withdrawn. So, the Symphony Board passed a resolution requesting that the ACF distribute the excess, a little over $500,000. That brought the NMSO current.

Evidence of this stability was seen in an October 24, 2001 article in the New York Times announcing that Guillermo Figueroa, former concertmaster of the New York City Ballet, had been hired as new Music Director of the NMSO. In a typical arrangement, his time was to be shared between the NMSO and the Puerto Rico Symphony.

The NMSO in the New Century

This time, my colleague reported, it was the NMSO musicians who fell in love. Guillermo Figueroa had not been among those selected for scrutiny during the search but had been a guest conductor for a mini festival of Mozart. He impressed the musicians so they asked that his name be added to the list of finalists.

The NMSO had by now learned lessons of transparency and community engagement. This Music Director search was quite different from others, which normally were conducted in secret. Instead, committees from the Board, musicians and staff created public marketing for a search process they called "Stick Fever." The public nature of this greatly increased audience awareness of the auditioning process.

- The entire 2000 –'01 "search season" was conducted by guests
- From an applicant pool of 300, 9 were selected, one each for the season's 9 classical concert pairs
- Each of the 9 applicant guest conductors visited for a full week which included teaching a master class with local high school orchestras
- The process so excited the community that attendance rose by 8% (highly unusual in a symphony search year) and the 2,000-seat hall was 90% sold out for the season (unprecedented)
- Subscription sales for the 2001–'02 season rose by 5%, countering national trends

- Audience surveys after each applicant conductor enhanced the buzz, adding to the perception that the audience was directly involved in the process
- Figueroa was as noted not among the original 9, but musicians in a mini-festival of Mozart works asked the Board to include him as a finalist

The accountant became Board Chair in the 2001-'02 season as the Orchestra benefited from the Mellon grant and also from the new building's flat-floored space. This building was large enough for both offices and a rehearsal room the same size as Popejoy Hall's stage.

This meant the orchestra was able to:

  - Conduct exact off-site stage set-ups and experiment at will
  - Save expensive rehearsal rental time in the main hall
  - Save costs and reduce damage sometimes incurred in transporting larger instruments to and from rehearsal venues
- The 2001 NYT article reported that audience response to the NMSO's classical series reversed several national trends:
  - Nationally, Pops concerts usually subsidize the classics
  - Yet at the NMSO, Pops covered only 92% of their costs
  - The classics concerts covered 107% of costs; ie., they made money

The NMSO's Classics were doing <u>better</u> than Pops concerts as to their coverage of costs.

The NMSO in 2005 – 2006

The hiring of Figueroa meant that by 2006, both the Music Director and the Board Chair were Hispanic, highly politically important in New Mexico.

- The total budget was $5.2 million. The Orchestra was current with all expenses.
- As noted above $6 million endowment fund had been raised, of which:
  - $3 million was in hand as cash
  - Advance pledges of $3 million in donations were being paid on schedule
- Two of the largest sources of annual income were:
  - The National Hispanic Cultural Center which was built instead of a Performing Arts Center (which the Orchestra was to call home)
  - Sandia Pueblo, whose land is the northern boundary of Albuquerque and on which a casino had been built

So it was that Native American and Hispanic financial sources were stabilizing a classical symphony orchestra previously perceived as a largely Anglo institution.

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Upheaval: 2006 – 2008

In the 2006-07 season, the Executive Director was apparently wrongfully accused by Music Director Figueroa, saying that he had been disrespectful in not inviting Figueroa to an Artistic Committee meeting. (This information was reported to the author but not confirmed by other research.)

The Board terminated the E.D. and hired a caretaker Executive Director for 2years. The NMSO was once again losing money every year, yet unrealistic budgets kept expanding.

Meltdown: 2008 – 2010

The suddenness and severity of the 2007-'09 recession hit a tenuous economy like New Mexico's especially hard. Continued rapid population growth and rising real estate prices had provided the nutrients for a substantial escalation of sub-prime lending practices for real estate and other purposes.

In the fall of 2008, a major panic hit the inter-bank loan market and a global recession quickly followed, causing a sharp drop in international trade, rapidly rising unemployment and slumping commodity prices (Wikipedia). In an economy heavily dependent on government, agriculture and mining, the New Mexico workforce was "hammered."

- The liquidity crisis and the bursting of the real estate bubble hit hard
- Bankruptcy and "upside down" mortgages became depressingly common
- Philanthropic giving of all kinds dried up almost instantly as wary people and institutions scrambled to safeguard what was left
- Hiring freezes were common (as happened at UVA) and expendable income for entertainment like gambling or symphony concerts dried up quickly

Even in good philanthropic times, New Mexicans had never donated at the level of many states, ranking only 38th in annual state-wide giving at $564 million (2012). [Virginia by contrast ranked 10th with $4.2 billion in annual giving.]

Suddenly both income streams of nonprofits, the earned revenue from ticket sales and the contributed revenue from philanthropy dried up. While this was a national phenomenon, the delicacy of the NMSO's financial footing was a major concern.

In 2008, the Board hired an Executive Director widely labeled as incompetent, one with no fiscal capability or restraint. Indeed, two of the former orchestras he had managed had gone bankrupt. More extremely difficult labor negotiations ensued. Prior concessions the Board had made were bankrupting the NMSO, on top of current bad fiscal management.

The new Executive Director convinced the Board to form a new LLC that would own the building, thereby providing some additional funding. This off-loading of an important asset proved to be the nail in the coffin as all available resources were now expended.

<u>Epilogue</u>: the 2011 Albuquerque Journal article

On Wednesday, April 20, 2011, the Albuquerque Journal headline read:

NMSO To File for Bankruptcy

By Astrid Galvan

"After years of financial woes that included musicians going months without pay, the New Mexico Symphony Orchestra will cease to exist.

The board of trustees voted Tuesday to file for Chapter 7 bankruptcy, which will effectively dissolve the organization and end its current season, according to a spokeswoman.

"NMSO, like other orchestras around the country, has been hit hard by the decline in corporate gifts, changes in music taste, competing venues and the economy," Chairman John Slipke said in a statement.

"We are saddened by this decision and inspired by the staff and musicians' commitment to continue working for four months without pay as we all worked together in our attempt to make NMSO a viable organization.

"The board felt we no longer could ask for the sacrifices that have been required of those who work for us. The board recognizes its responsibility to protect its limited assets so that they can be shared with creditors appropriately."

NMSO will file for bankruptcy today. More than 80 musicians and staff members will be out of a job.

The organization, which began in 1932, had difficulties making ends meet for years.

The height of NMSO's struggles came during the recession, when both donations and attendance dropped off. In September 2009, NMSO discontinued medical and dental insurance for employees. The organization had lost more $900,000 in the fiscal year before 2009, according to a letter to the Journal from Coleman Travelstead, head of the board of trustees.

The organization came close to filing for bankruptcy that year after months-long employee contract negotiations seemed to go nowhere. But in late November 2009, musicians agreed to a two-year labor contract that instituted a pay cut of almost 20 percent for a core of 24 to 32 musicians.

Musicians are paid an average of $16,270 annually, negotiating committee member Denise Turner said last year. But they often went without pay. Most recently, musicians and staffers worked four months without compensation.

Still, only last month organization leaders were optimistic when announcing the season's concerts. They had recently received a $242,000 donation, which paid off the debt NMSO owed to Popejoy Hall, and allowed them to keep playing there. Another $50,000 donation helped pay workers' wages owed to them.

The symphony was operating under a $4.2 million budget for this fiscal year but owed employees more than $500,000.

The nine remaining concerts scheduled this year have been canceled. People who purchased season tickets will not be refunded and will be part of the bankruptcy claim, a spokeswoman said."