A Board of Directors/Advisory Board meeting was held on Monday, April 11, 2005 at One Smithfield Street at 5:00PM in the Simmons Board Room. Present were Board members: Mr. Charles Zappala, Chairman, Ms. Joyce Baskins, Mr. Dan Griffin, Dr. Herman Jones, Mr. Gerald Voros and Ms. Connie Yarris. Mr. Richard Betters, Mr. Renny Clark, Mr. John Denny, Ms. Kate Dewey, Ms. Pam Golden, Mr. Dave Graffam, Mr. Mark Lynch and Ms. Liane Norman were present from the Advisory Board. Chief Counsel Jim Norris, Executive Director David Donahoe and staff as well as members of the public and news media were also present. Notice of the meeting was published in accordance with the Act and By-laws.

Mr. Zappala welcomed the members of the Advisory Board and recognized the chairman, Dave Graffam. He invited their participation noting that the board was looking at a number of important policy initiatives and wanted their input before moving forward.

Public Hearing and Comment Period

Mr. Zappala asked Mr. Donahoe to outline the actions items on the agenda.

Mr. Donahoe advised that the Allocations Committee was recommending award of three grants under the Storm Emergency Grant program authorized in November of 2004. Also, the Ad Hoc committee on Diversity was recommending adoption of a Statement of Policy with respect to diversity of asset boards and asset employment.

Mr. Zappala called for any comments on the action items or any ARAD business. There was no comment offered.

Minutes

Mr. Voros moved approval of the minutes from the January 24, 2005 board meeting with Ms. Baskins seconding the motion. The motion was unanimously approved by the board.
Allocations Committee Report

Mr. Voros gave the following report:

Our report this evening is in several parts;

First we have recommendations for grant awards under the Storm Emergency Grant Program.

Second, we have a report on our review of the Pittsburgh Center for the Arts.

Finally, we have begun work on the 2006 budget guidelines and want to bring to your attention some issues that we are discussing and receive comments you may have.

Storm Emergency Grant Program

In November last year the Board authorized a special one time capital grant program to assist eligible organizations with repairs resulting from the September, 2004 storms. Applications were issued immediately and three eligible organizations responded.

We have examined the requests and staff has reviewed the damage caused by the storm. Summaries of the requests were previously distributed to the Board.

The committee is recommending awards as follows:

1. Montour Trail - $50,000 for repair and stabilization of storm impacted areas in a 9.5 mile area between Moon and North Fayette.
2. Pittsburgh Musical Theater - $2,000 for replacement of a stage curtain stored at the west end rehearsal and school.
3. Southwest Ballet - $10,000 for replacement of equipment and repairs to Carnegie facility.

Mr. Voros motioned for approval of all of the above grants with Ms. Baskins seconding the motion. The board unanimously passed this motion.

Pittsburgh Center for the Arts 2005 Grant

The 2005 budget resolution conditioned release of the operating grant for the Pittsburgh Center for the Arts on approval by this committee of a revised plan of operation. We received and reviewed that plan as well as a cash flow statement. The Center is operating classes and scheduling
exhibits for the remainder of the year. Artists and teachers owed funds have been paid. A plan has been developed to relieve the Center for some of its debt and talks are continuing on a shared service arrangement with Filmmakers.

Based on our review we voted to release the funds under the grant conditioned on the receipt of regular cash flow statements showing the financial stabilization plan goals are being met.

They did not meet goals for the first quarter but were paid for the first quarter. Not meeting their goals for the second quarter may result in no second quarter payment.

**2006 Budget**

The committee is examining the eligibility and evaluation guidelines associated with the annual grants program. We are charged with making recommendations on policy changes for consideration at the June meeting.

As noted during our budget deliberations last year, a number of assets are presenting deficits on a continuing basis. Some deficits are small relative to the total revenue of the asset, others are significant.

In recent years the District and other funders have imposed conditions on assets that experience financial stress including everything from submission of regular cash flow analysis and performance data to outright grant reduction or elimination. Our staff also conducts operational site visits to encourage them to take steps to deal with issues on a timely basis. Despite these efforts, we see a growing number of assets in deficit and some even threatened with closure.

In making grant awards, we think the Board needs to be more cognizant of the financial health of applicants. The committee is considering a proposal for the 2006 applications that would disqualify applicants that operate in a deficit on a continuing basis, for example three of the last five years. This is not meant as a punitive measure, rather as a wake up call to asset boards about the need to play closer attention to the bottom line. There are other fiscal indicators that we can look at but if an asset cannot meet its obligations it cannot continue to be of service to the community. We welcome the input of other members as well as members of the Advisory Board on this issue.

The District has begun to encourage applicants to consider shared service arrangements to help balance budgets without sacrificing programming of value to our citizens. There are a number of good examples of these arrangements working on behalf of assets:
• The Allegheny County Library Association has developed a host of shared service initiatives including the EINetwork. They are currently looking at instituting less costly branch service operations at libraries that cannot survive independently or want to start service in new areas.
• The Pittsburgh Cultural Trust has for several years been operating a shared service arrangement for Cultural District organizations. Recently the main supporters of the Cultural Trust encouraged it to expand the program for those organizations and to look beyond the boundaries of the District.
• ProArts, soon to be the Greater Pittsburgh Arts Council, has a shared ticketing service and training programs. As a part of its long range plan, it is looking at other services that can be provided to small and mid size groups.
• With District support, Phipps Conservatory and the Garden Center as well as the Cultural Trust and Pittsburgh Dance Council merged operations at considerable overall savings.

As we meet, assets under stress like the Pittsburgh Center for the Arts and Pittsburgh Ballet are undertaking reviews that include shared service arrangements.

The committee believes that the District should encourage and support these efforts.

In the 2006 application that we are currently developing, we have drafted a series of questions to ask prospective applicants about their involvement and/or interest in shared service arrangements. Our goal is to show the District’s interest in this area and to gather some data about what is already going on.

At this point the committee has not made any recommendations on changing discretionary eligibility guidelines or changing the discretionary capital grant category. A copy of the existing guidelines is attached and input on these is also needed now.

Thank you.

Submitted by
Allocations Committee

Joyce Baskins, Rick Pierchalski
Jerry Voros

Mr. Voros asked for ideas from the Board and Advisory Board on what standards the District should set to monitor the financial health of assets.
An extensive discussion followed with various advisory board members. Most of the Advisory Board members cautioned the board about using one indicator as a “make or break” criterion. Also, it was suggested that the District needed to make sure it understood its mission to fund deserving assets or just deserving assets with good bottom lines. Several noted that deficits had to be looked at in the context of available net assets. Suggestions were made that the board should offer assistance to ailing assets via consultants or other non-profit groups such as Pro Arts and perhaps establish a probationary period. The Board agreed to have a group of the Advisory Board members meet to consider what criteria should be used to monitor the fiscal health of assets.

**Ad Hoc Committee on Diversity Report**

The following report was given by Dr. Jones:

Board Members:

At the request of the Chair, the committee met to discuss what further steps the District can take to foster diversity in Board representation and employment among funded assets.

In carrying out this task, we examined data already maintained by the District as a part of the annual grant review process as well as resources available in the community to assist assets in recruiting a diverse set of candidates for board service.

As a result of this review we found the following:

1. Additional progress can and should be made on diversifying representation on asset boards and employment.

2. While the District has stated diversity as an objective, we concluded that the District should adopt a stated policy and communicate it to assets.

3. The committee recognizes that there are some assets with highly focused programs where diversity among board members might be a challenge. A key component of a good board member is interest in what the organization is doing. For this reason we are not recommending that the District set a specific goal that would apply to each asset. Rather, we recommend that assets develop their own goals as a part of an overall plan.

4. Several community resources currently exist to assist non-profit agencies with board recruitment and some assets have taken advantage of these services. Assets should be provided
information about these resources. We have recommended to staff that they plan a seminar for assets to introduce this policy and to educate them about the available resources.

We have drafted for your consideration the adoption of a specific policy to initiate this effort and recommend its adoption at this time. Please be advised that while the committee was unanimous in the direction of the policy, there was not unanimous agreement over the language. In the second paragraph, the policy is expressed as the intent of the District instead of as a goal of the District which was preferred by Counsel and one member.

Respectfully submitted,

Herman Jones,
Rick Pierchalski, Jerry Voros

Allegheny Regional Asset District
Statement of Policy

The Board of the Allegheny Regional Asset District reaffirms its commitment to diversity among the regional assets.

It is the intent of the District Board to make progress towards increasing minority representation on boards and among employees of funded assets. In addition to submitting statistical information, applicants in the future will be asked to outline plans and activities designed to achieve diversity goals they have set for their organization.

Staff is directed to communicate this policy to current and prospective assets, to inform them on community resources to assist them and to develop data collection and analysis procedures that allow the Board to monitor progress on this policy objective.

Dr. Jones explained that the use of the word intent in the policy was designed to express the focus of the Board on this issue. Several members of the advisory board noted that a number of organizations have attempted to diversify with no luck, partially because the audiences for their program were not diverse.

On a suggestion from Mr. Griffin, Ms. Baskins initially moved that the policy include diversity of audience as intent of the District. Members expressed concern that this would be difficult to monitor and that achieving diversity among boards and employees should lead to a more diverse audience. The suggestion was made that audience diversity could be looked at in the future. With that Ms. Baskins withdrew her motion. Mr. Griffin then
motioned for approval of the Statement of Policy as drafted by the committee, with Ms. Baskins seconding the motion. The motion passed unanimously.

**Treasurer’s Report**

Ms. Baskins gave the following report:

Board Members:

Tax revenue for the first four months of 2005 totals $25.5 million, about $1.4 million ahead of the same period last year. This growth occurred in January and February and represented strong holiday sales from late last year. March and April have been more consistent with the same months last year. Although it is too early to know if the trend will continue, it is good to once again be able to report some growth in the fund.

Interest earnings for the first quarter total $108,000 which is also ahead of budget due to several increases in the rates already this year.

I am also pleased to report that the new sales tax collection system implemented by the state in March appears to have met its objectives and there was no disruption in the flow of funds to the District. As you know, this uninterrupted cash flow allowed the District to make quarterly and annual payments to assets on the regular schedule.

The 2005 grant contracts are now 99% complete and on file. The monthly financial summaries are now posted on the web site and are available in detail from the District office.

Thank you.

Submitted by,

Joyce A. Baskins
Treasurer

Mr. Zappala asked that the Treasurer’s report be filed.

**Audit Committee Report**

Mr. Dan Griffin gave the following report:

The Audit Committee met on April 5, 2005 and presents the following report:
1. **2004 Audit**

Board members have received a copy of the 2004 audit and it is available for public inspection in the District office. The Committee reviewed the 2004 audit with Mr. George Stagon the lead auditor and Joseph Senko, partner from McKeever Varga & Senko. Mr. Stagon reported that a clean opinion was issued in connection with the audit and no management letter was issued. The District is in compliance with current standards for presentation of financial statements by government entities. The Committee asked that the auditor meet with the committee for a pre audit session next year.

2. **2004 Agreed Upon Procedure Reviews**

As a part of the District’s oversight function, the Audit Committee, on behalf of the Board, annually selects regional assets for agreed upon procedure reviews. Selected randomly, the asset’s internal records are compared to the information supplied in applications and close out reports. The reviews are conducted by the District’s independent auditor. The Committee has chosen the following assets for review this year: Carnegie Library of Pittsburgh, Jazz Workshop, Soldiers and Sailors Memorial Hall and River City Brass Band.

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Submitted by
Audit Committee

Dan Griffin, Jerry Voros
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Mr. Zappala asked that this report be put on file.

**Library Committee Report**

The following report was given by Ms. Yarris.

Board Members:

The Library Committee met on April 5 and offers the following report:

**Distribution Formula Project**

Marilyn Jenkins, Executive Director of the Allegheny County Library Association (ACLA), provided a briefing on the status of revisions to the funding formula.
The District has required libraries that participate in the District funding program to meet state standards for library service. Some libraries have not been able to keep up with the state requirements like hours of operation or a minimum of $5.00 spent per capita. In addition, librarians have wanted to include more performance measures and incentives in the current distribution formula.

For about two years, a task force made up of library staff and library trustees has been working to develop a new approach. The goals of the project are to develop a common formula for distributing RAD and state funding, provide a predictable funding base, add performance measures and provide rewards for regional cooperation. The revision sets up four tiers of service with performance criteria geared toward the individual tier. There would still be additional funding for distressed communities.

ACLA’s goal is to make sure local service does not disappear. They are looking at the new formula as a way to recognize the strengths and weaknesses of the current libraries and to develop models such as branch relationships that decrease overhead so that available dollars can be put into public service.

The task force plans to consider all feedback in April and determine whether they will propose a final draft to the ACLA membership in May or delay the changes for another year while they are further reviewed. ACLA staff is available to meet with any member that wants to receive additional information on the proposal.

**Internet Filters**

By statute, the federal government requires libraries that receive federal funds to install filtering software on all public and staff computers. The eiNetwork receives funding from the federal government to offset telecommunications cost so all libraries have had filtering software installed since July, 2004.

Because of a recent problem at Bethel Park Library, eiNetwork staff is checking on new products that may do a better filtering job. Most libraries have policies alerting parents and the public that filters are not fool proof. The Committee asked that ACLA keep the District informed on progress in this area.

**Carnegie Library of Pittsburgh Capital Program**

The Carnegie Library of Pittsburgh has raised $26.7 million, which is enough to complete the first phase of their capital campaign. The renovations are expected to begin at the last project, Woods Run, by the end of this year now that a $400,000 state grant has been secured.
The Homewood Branch of the Carnegie Library suffered $100,000 damage due to a recent fire. The damage was mostly to the roof. The books were saved. The Homewood Branch is closed until further notice.

Thank you.

Submitted by
Library Committee

Dan Griffin, Herman Jones,
Connie Yarris

Mr. Voros stated his disapproval of the ACLA funding formula. He would like to see funding of $5.00 per capita required by the state provided by ACLA. He indicated he would meet with ACLA staff to review their proposal.

Mr. Zappala asked that this report be put on file.

Executive Director’s Report

Mr. Donahoe presented a slide show outlining the annual report from 2004 as well as a number of achievements by the regional assets.

Old/New Business

As there was no old/new business Mr. Zappala thanked the Committee members and staff for their work in preparing the meeting and the members of the Advisory Board for their active participation.

The meeting was adjourned at 6:30pm.