Allegheny Regional Asset District
Board of Director’s Meeting & Public Hearing
3 PM – June 7, 2018
Koppers Building, 436 Seventh Avenue
Pittsburgh, Pa

The Board of Directors met at 3:00 PM on Thursday, June 7, 2018 in the Koppers Building conference room. Present were Board Members: Chair, Mr. Daniel Griffin, Ms. Dusty Kirk, Ms. Jackie Dixon, Ms. Hilda Fu, Dr. Daniel Rosen and Tony Ross (via telephone). Chief Counsel Mr. James Norris, Executive Director Mr. Rich Hudic, staff and members of the public were also present. Notice of the meeting was published in accordance with the Act and By-laws and the agenda was posted on the District website the week prior to the meeting.

Mr. Griffin confirmed that Mr. Ross who was participating by phone, could hear all of the Board Members present in the room.

Public Comment
The Chair indicated that this meeting would serve as a public hearing, as grant proposals would be discussed. The Chair opened the meeting for public comment. Three speakers registered for today.

The Chair called on the first speaker, Germaine Williams, executive director of Pittsburgh Filmmakers/Pittsburgh Center for the Arts, thanked the District for its support and recognized his board treasurer Rick Pierchalski and board vice president Christine Holtz who were also present. He said the organization is restructuring its footprint and noted that establishing a sustainable business model will be key to their future. He said Pittsburgh Center for the Arts needs considerable maintenance upgrades irrespective of the Melwood Street property sale which carries a $350,000 mortgage and is anticipated to sell for $2.5M - $3.5M. Mr. Williams said they prefer the proceeds from the Melwood sale be earmarked towards a three year operating budget rather than renovations to the Center for the Arts. Mr. Griffin remarked that the District would like to see them develop and implement a long-term plan. Mr. Pierchalski added that RAD’s annual operating grant does not cover the full costs of their depreciation expenses which are approximately $330,000. It is a City owned building but they are responsible for the maintenance. He said they are not able to keep up with the maintenance and asked for increased future capital support.

The next speaker, Mitch Swain, CEO of Greater Pittsburgh Arts Council (GPAC) thanked the District for supporting the arts and spoke about their recent report on racial equity in the arts. He remarked that the District staff was very helpful in providing information on its grant making. Mr. Swain said that GPAC was developing its own plan and has submitted a project grant to the District. Mr. Griffin remarked that the District could help in determining the data that should be collected for future studies.

Ben Hornfeck, Library Director, South Fayette Township Library and Bridgeville Public Library spoke about the unique partnership of the two libraries. South Fayette oversees Bridgeville Library operations which reduces administrative costs. The two libraries have aligned programming and staffing. Mr. Hornfeck noted that attendance, programs and circulation has increased at both locations. He told the board that RAD support was 28% of South Fayette Library’s budget and 21% of Bridgeville.
Minutes

The first item on the agenda was consideration of the minutes of the meeting of March 8, 2018. As there were no additions/corrections, Ms. Kirk moved approval with Ms. Dixon seconding. The motion was unanimously approved.

Treasurer’s Report

Mr. Hudic submitted the following report on behalf of Ms. Fields:

Board Members:

I am pleased to submit the following report on RAD’s financial position.

Year to date tax revenue through May is $40.4 million. This is 2.3% ahead of the same time last year and exceeds our projected 2018 budget by $1.1 million. The Allocations Committee has reviewed these trends and will report later on the implementation of the 2019 budget.

The District has distributed $35.4 million in 2018 grants through May, and $866,000 in prior year capital payments. In addition to monthly payments to contractual assets, the first quarterly payments to large annual grantees have been released and most of the 2018 grants to small assets will be paid by the end of this month.

We remain on budget on the administrative side at this time.

Submitted by
Sylvia Fields
Treasurer

Mr. Hudic said June’s revenue that was just received and is not included in the official report is $8.36 million, or $482,000 higher than projected. In response to a question by Ms. Dixon about the increase in revenue, Mr. Hudic said a number of factors including the collection of internet sales tax and a strong economy contributed to the sales tax increase. Mr. Griffin directed that the report be received and filed.

Report of the Audit Committee

Mr. Griffin submitted the report of the Audit Committee.

Board Members:
The Audit Committee met on May 17, 2018 with the District’s independent auditors, District staff and a representative from the County Controller’s office. We present the following report for the Board’s consideration.

1. **2017 Audit**
   Board members have received a copy of the 2017 audit and it is available for public inspection in the District office and posted on the District’s web site. The committee reviewed the audit with Brian Chruscial, CPA, and auditor from Zelenkofske Axelrod. Mr. Johnson offered an unmodified opinion stating there were no disagreements with management and no deficiencies. The District is in compliance with current standards for presentation of financial statements by government entities.

2. **2017 Asset Compliance Reviews**
   As a part of the District’s oversight function, the Audit Committee, on behalf of the Board, annually selects regional assets for compliance reviews whereby the asset’s internal records are compared to the information supplied in applications and close out reports. Reports of eleven assets were reported and reviewed with the Audit Committee. Additionally, the District reviewed limited records of three assets that required a closer analysis of financial statements. A list of these assets and recommendations are attached. The Committee requested that all report recommendations be communicated to the assets to ensure accurate financial and compliance reporting to the District.

   Submitted by

   Dan Griffin and Tony Ross

Mr. Griffin said that the District selects different size assets for compliance reviews. In response to a question, Mr. Griffin said if deficiencies are found, we ask the asset to correct the issue and noted that future funding could be withheld until an issue is corrected.

Mr. Hudic noted that a copy of the audit was provided to each board member.

Ms. Fu moved approval of the report with Ms. Kirk seconding and the motion passed unanimously.

**Allocations Committee Report**

Mr. Griffin announced that in order to begin the 2019 budget process, the Board needed to adopt the procedures and guidelines. The Chair called on Ms. Kirk to submit the report of the Allocations Committee.

Board Members:
Our committee has reviewed the status of the 2018 budget as well as the proposed guidelines for the 2019 budget. Based on our review, we offer the following report and recommendations.

Under provision of Act 77 and the agreements with the contractual assets, the District is required to examine its revenue mid-year to determine if it will meet budget projections. As the Treasurer’s report stated, the District’s revenue is ahead of current budget projections and well ahead of actual revenue received during the same period last year. Based on the information we have to date, we recommend the District’s full implementation of the 2018 budget as it was adopted last November.

Looking ahead, the committee reviewed the eligibility and program guidelines. At this time, we are recommending that the current guidelines be continued. They are outlined on the following pages.

We are also recommending that the discretionary capital grant program remain open for 2019 and note that the District’s ability to fund this area is always dependent on resources. We are recommending that an emphasis be placed on shovel ready projects and that financial support from other sources will be taken into consideration during evaluation. We are also recommending that an organization’s ability to sustain the project long-term be used during evaluation.

The committee recommends that we continue to use our volunteer advisory board members to evaluate a select group of applicants.

The committee believes that the recommended 2019 program emphasize the Board’s goal to preserve a group of quality, well-managed, diverse and inclusive regional assets. We look forward to working with the Board and applicants during the coming months and move the adoption of the recommendations outlined in this report.

Submitted by the Allocations Committee,

Sylvia Fields, Dusty Kirk, Danny Rosen

2019 Funding Guidelines

**Evaluation Criteria**

- **Governance** - including an active and involved board, realistic measurable goals; progress toward meeting the goals, regular strategic planning, accurate and timely financial reporting; realistic projections, operating within means, diversification of revenue, utilization of cash flow monitoring and ability to deal with financial stress (e.g. available cash reserves, low debt); efforts to reduce administrative and overhead costs through cost sharing initiatives.

- **Programming** - including scheduled, quality programming, outreach, audience development and community impact.

- **Diversity** - including efforts to encourage and to sustain board, staff and programming diversity through implementation of coherent diversity plans.
Accessibility and Inclusion - including efforts to accommodate and increase participation by people with physical and cognitive disabilities.

Eligibility
Applicants must be governmental entities or non-profit, tax-exempt corporations, duly organized and in good standing under Pennsylvania laws, and provide programming or services of a regional nature in Allegheny County.

The applicant must be the owner/beneficial owner and operator of the program or facility for which funds are sought. No “pass through” or fiscal agent arrangements are permitted. Non-profit organizations must have 501(c)3 status at the time of application and will not be registered to submit an application until its IRS letter confirming this status is on file with RAD. Applicants must have a board-adopted budget, regular financial reporting to its board and a board adopted diversity plan.

Funding Restrictions
Act 77 prohibits the District from funding:

- any health care facility;
- institutions of elementary, secondary or higher education;
- any park less than 200 acres except for linear parks located in more than one municipality;
- any asset which fails to serve a significant number of residents outside of the municipality in which the asset is located;
- any library which is not part of a library system serving multiple municipalities.

In addition, the District will not provide funding for the following:

- social/human service agencies and programs;
- parades, single or short term events or festivals;
- local recreation programs, facilities and activities such as teams and leagues;
- economic and housing development agencies and programs;
- planning and feasibility studies;
- services such as public safety and health programs, water and sewer projects, bridges, vistas and roads;
- historical monuments unless part of an otherwise eligible regional asset such as a regional park or museum or sufficient funds have been raised and set aside at the time of application.
Ms. Kirk noted that the guidelines and eligibility requirements would be posted on the District website. Mr. Griffin said he agreed with the emphasis on shovel ready projects and leveraging District funds as part of the project. Ms. Dixon thanked the committee for including the Citizen Advisory Board again in the process. The chair asked for a motion to approve the report that was made by Ms. Dixon, seconded by Mr. Ross and approved unanimously.

**Library Committee Report**

The chair called on Dr. Rosen to give the Library Committee report.

Board Members:
We are pleased to provide an update on the progress of the Library Study project. We have thoughtfully reviewed The Hill Group’s *Recommendations to Maximize High-Quality Library Services in Allegheny County through Collaboration* report and are recommending it’s acceptance by the RAD Board.

Since 1995, the Allegheny Regional Asset District (RAD) has awarded nearly $1.9 billion in grants, of which $590 million, or 31%, has gone to libraries. Library funding has been RAD’s largest grant category since its inception. Recipients are the Carnegie Library of Pittsburgh (CLP) and the Allegheny County Library Association (ACLA). By many standards–programs, materials, leveraged financing, attendance, circulation, computers and online access–libraries are in significantly better condition today than they were in 1994, prior to RAD funding. While RAD’s investment has been primarily in operating funds that sustain and enhance library service, RAD grants have also made possible major advances in the electronic information network that links all member libraries and provides a shared catalogue, and capital improvements like accessible entrances, renovations and expansions.

As part of its mission, RAD is charged with “supporting and financing regional assets; engaging in the oversight and coordination of regional assets; and assuring the efficient and effective operation and development of regional assets.” Since its founding, RAD has developed policies and practices to implement this mission, including extensive examination of the finances, governance, programs and outcomes of both applicants and funded assets. It has also explored, encouraged and funded efforts by the regional assets to partner, collaborate, share and merge services. Allegheny County libraries, in fact, have achieved a significant level of inter-library cooperation, material sharing and efficiencies in the last twenty years. However, there continue to be overlaps and gaps in non-core library functions that prevent high quality library service for all patrons in the County. The blue ribbon panel that authored the 21st Century Library report in 2014 detailed several factors contributing to these barriers and made several recommendations regarding standards and service improvements to address them.

While there has been progress, RAD believes there is a need and an opportunity to enhance the quality of library service system-wide and that this can be addressed by integrating non-core library operations into an enhanced entity such as the District Library Center. By doing so, library patrons, service providers and funders could realize the benefit of elevated library service across the county and enable all libraries to address the specific needs in their communities. Over the next 24 to 36 months, RAD, ACLA, CLP, and libraries can work collaboratively to bring-to-scale a suite of shared services. Doing so
will achieve a triple benefit of reduced costs versus performing services independently, improved quality by sourcing expertise that individual libraries may not afford independently, and higher service quality to patrons and community by reducing the administrative burden currently placed on library staff. Ultimately, through a full-scale approach to shared services that builds upon two-plus decades of significant collaboration, libraries in Allegheny County can continue to set a high standard of service that educates and empowers individuals and energizes communities.

The Library Committee will meet to determine the action steps including the consideration of using outside support to continue with the implementation phase of some of these recommendations.

Library Committee
Sylvia Fields, Dusty Kirk, Danny Rosen

Mr. Griffin emphasized that benefit of sharing services so that library staff can spend more time on library programs. Mr. Griffin acknowledged Marilyn Jenkins, executive director of Allegheny County Library Association and Karlyn Voss from the Carnegie Library of Pittsburgh who were in the audience and said the District was appreciative of the cooperation between ACLA and Carnegie Library of Pittsburgh. Ms. Kirk said the District was proud of the funds we provide to libraries and want all libraries to have high quality library service.

**Contractual Asset Renewal Ad Hoc Committee**

Mr. Griffin asked Ms. Fu to deliver the report.

Board Members:

In March, 2018 the District Board appointed an Ad Hoc Committee to provide advice to the Board on how the grant program should be structured beginning in budget year 2020.

Act 77 of 1993, the District governing Act, provided the initial grant structure by requiring the creation of a group of publicly owned and/or traditionally subsidized grantees. For identification purposes, these assets became known as the “contractual” assets and, as provided by the law, they received ten-year contracts with minimum operating grant guarantees. After the first ten year period, the District has awarded that initial group of contractual assets five year renewals in 2005, 2010 and 2015.

The Committee had an initial meeting in May and discussed various options.

In order to develop a specific recommendation, the Committee is directing staff to seek public input through communication notices on our website and to the press. The District requests that written comments be received by July 31, 2018. The Committee will then make a preliminary recommendation at the September board meeting.

Submitted by
When asked by Ms. Kirk about a framework for seeking input, Mr. Griffin noted that we heard from some contractual assets that the stability was important and we want to find out why an asset should be contractual with a minimum funding guarantee. All information regarding how to submit comments will be posted on the RAD website and he noted it is also in the press release detailing today's meeting.

Project Review Committee Report

The Chair called on Ms. Dixon to present the report of the Project Review Committee.

Board Members:

The Committee met to review Special Project applications received since our last meeting and to determine if changes should be made to the guidelines for Connection and Accessibility/Inclusion grants.

The Committee looked at the current guidelines and did not want to make changes except for requiring that only current assets be able to apply for these grants. The current guidelines allow otherwise eligible organizations to apply for funding.

Connection Grant Recommendations

We are advancing two grant submissions at this time:

1. A grant in the amount of $20,000 to the Three Rivers Young Peoples Orchestras to support the initial costs of Youth Music Pittsburgh with five current assets, African American Music Institute, Mendelssohn Choir (Jr), Pittsburgh Youth Symphony, Pittsburgh School for Choral Arts and Pittsburgh Philharmonic. Youth Music Pittsburgh brings together organizations that provide music and voice training to young people to reduce marketing and advertising costs. Three Rivers Young Peoples Orchestras received a partial grant to hire an operations coordinator and believes that by working together they could increase the number of students served along with increasing advertising revenue and tickets to concerts. They would create a directory for youth music organizations and a website, and expand scholarship offerings. They would also like to hold a combined performance of all the assets. The Committee is recommending a grant to help support this project and noted that RAD funding could help leverage other grants for this project.

2. A grant in the amount of $50,000 to Chatham Baroque for costs associated with a merger with Renaissance and Baroque. The costs associated with the merger include the salary and benefits of an operation manager for two years, developing a joint brochure of combined programs, and expanded outreach and education programs. Chatham Baroque has secured $153,000 to support this project. The Committee said this type of merger is one of the goals of the Connection Grant program. The Committee also is recommending that staff request a progress report in six months.

The District budgeted $100,000 for project grants in 2018. The current balance is $37,000. Today’s two projects total $70,000. In order to cover these two recommended projects and others in the pipeline, we are recommending that the 2018 budget be amended by adding $75,000 to the Special
Project Grants line item. The funds would be sourced from our reserve account. This would result in a line item balance of $42,000 for the rest of the calendar year to consider other impactful projects.

Submitted by
Project Review Committee
Jackie Dixon, Hilda Fu and Dan Griffin

The board members discussed and voted on each grant request separately. Ms. Kirk asked for further clarification on the first grant to the Three Rivers Young Peoples Orchestras and Lindsey Nova, executive director explained the program and the need for additional support for marketing and a staff person. She noted that they have received some foundation funding and that a five year plan has been developed. Several meetings have been held with over 30 organizations that provide music and voice training to youth. Dr. Rosen then made an amendment to the recommendation to provide an additional $14,000 for a total of $34,000 for the project contingent on Ms. Nova raising the balance of $34,000. Dr. Rosen’s motion was seconded by Mr. Ross and passed unanimously.

In response to a question by Ms. Kirk about the second grant, Donna Goyak, executive director of Chatham Baroque responded that the merger with Renaissance and Baroque will be official June 15th. Ms. Kirk enthusiastically moved to approve the request, which was seconded by Mr. Ross and approved unanimously.

Ms. Dixon moved that the report be amended to increase the 2018 budget line item by $90,000 which was seconded by Ms. Kirk and approved unanimously.

Dr. Rosen asked for clarification on the guideline change. Mr. Griffin said that grants for connection or accessibility projects would be for current assets. If a current asset wanted to partner with another organization that was not an asset it had to be eligible for RAD funding.

Report of the Executive Director

The Chair called on Mr. Hudic to present his report.

1. RAD Annual Report

Mr. Hudic presented a summary of the District’s 2017 annual report and noted that the combined total employment of the assets was 7,900. He also pointed out 45 million people visited the assets including 26 million visitors to the parks.

2. Advisory Board/Site Visits

Citizen’s Advisory Board meeting was held in the spring. Advisory board members volunteered to complete 20 site visits through December. Mr. Hudic noted that staff has completed more than 70 site visits this year, and provided a list of those visits.
3. **Financial Investment Strategy**

As standard operating procedure, the Executive Committee authorized staff to review our financial investment structure and propose any changes if appropriate. Chief Counsel Norris prepared legal advice as it relates to Act 77 and other applicable statutes governing public investments. In addition to our current financial partner, PA Invest with the Pennsylvania Treasury, three qualified organizations with a local presence were asked to submit investment strategy proposals. One of the three chose not to submit a proposal.

Executive Director Hudic, Finance Analyst Sharon Connors, and Counsel Norris met representatives of the organizations to hear a detailed presentation and ask questions of their product offerings.

The Executive Committee is advancing the following staff recommendations for board approval:

1. Maintain RAD’s current financial relationship with PA Invest but adjust the reserve fund to reflect additional investment options offered by the Treasury and with other partners.

2. Enter into a formal relationship with CIM Investment Management Inc, a Pittsburgh based firm that provides services to county retirement funds, foundations, municipal pension plans, state government and authorities.

3. Establish a one-time $5M investment in a CIM recommended portfolio which CIM warrants compliance with the requirements of Act 77 and the other statutes governing the District’s investments.

3. Direct CIM to enter into a custodial relationship with a local bank for the disbursement of funds.

4. Monitor the CIM portfolio and benchmark the performance versus our current portfolio at 18 months and make any adjustments if necessary.

The Grant Stabilization Reserve fund balance at June 1, 2018 is $26,146,999. The funds are maintained at PA Invest (Treasury) and Dollar Bank.

Counsel Norris noted that these recommendations will comply with the District’s investment guidelines including the recent legislation providing more investment opportunities for public entities.

Board members asked for additional information and clarification. Mr. Norris explained some of the recent changes that expanded investment opportunities. Mossie Murphy of CIM Investments provided additional details on the proposal and his firm’s experience.

Mr. Griffin motioned to table any action on the recommendation until a future meeting, which was seconded by Ms. Dixon and approved unanimously.

4. **Hill House/Kaufmann Center 2016 Capital Grant Change of Purpose Request**
The Hill House/Kaufmann Center received a $54,000 capital grant in 2016 for renovations to third floor studio space. There is a balance of $16,810. The Hill House requested that the remaining funds be used to repair an elevator in the building as there is water leaking into the elevator shaft.

Jeff Anderson, CFO at Hill House/Kaufmann Center explained that there were two issues relating to the elevator and the costs associated with the repairs total $38,000.

The chair asked for a motion to approve the request to amend the purpose of the original grant. Ms. Kirk made the motion and it was seconded by Dr. Rosen and approved unanimously.

At Large Board Member Election

Every two years pursuant to the provisions in the statute, the District seeks nominations for the at large board seat from regional economic and community development organizations. Information was issued to the press and in District publications.

The process resulted in one qualified nomination:

    Dr. Daniel Rosen, Educator and the current at large member, nominated by Landforce Pittsburgh.

The statute requires that to be elected a candidate must receive five votes from the appointed members. The incumbent at large member is not eligible to vote even if he or she is not seeking another term.

Mr. Griffin called for a vote and Dr. Rosen was unanimously selected to fill the At Large Board member seat for an additional two years.

Adjournment

The meeting was adjourned at 4:35 PM.