

MINUTES

ROLL CALL

Trustees

Robbins, Dennis, Chair	Absent
Lewis, Alison, Past Chair	Present
Lyon, Stephanie, Secretary	Present
Wills, Kathy, Treasurer	Present
Anderson, Rhonda	Present
Baughman, Tim	Absent
Bennett, Julie	Present
Beverly, Bruce	Present
Biddle, Steve	Present
Boyle, Peter	Absent
Brown, Kirsten	Absent
Camuñez, Dino	Absent
Candelaria, Mark	Present
Cecil, Paige	Absent
Coleman, Richard	Absent
Dahdah, J.P.	Absent
Fedewa, Mary	Absent
Galbut, Keith	Absent
Harman, Kristopher	Present
Johnson, Brianna	Absent
Kovach, Christine	Absent
Long, Catherine	Present
Martinez, Cristobal	Present
Nelson-Johnson, Priscilla	Present

Peterson, Erik	Present
Peterson, Linda	Present
Roskam, Merle	Present
Schenkein, Jaqueline	Present
Sutton, Melanie	Absent
Weishaar, Mistie	Present

Ciaburri, Zach, Director of Production
Garcia, Suzie, HR Assistant
Gill, Jennifer, Dep Director Canal Convergence
Krivanek, Erin, Director of Development
Marsh, Natalie, Director of Learning & Innovation
Martin, Michael: CFO
McCabe, Jennifer, Director & Chief Curator, SMOCA
Messmer, Abbey, Director of Programming
Reeves, Meribeth, Managing Director of SCPA
Sheridan, Andria, CAO & Recording Secretary
Wuestemann, Gerd, President & CEO

Guests

None

OPEN MEETING

1. Call to Order & Announcements

Stephanie Lyon

- a. Dennis Robbins called the meeting to order at 4:10 p.m.
- b. Public Comments – Dr. Jackie Scheinkein commented on the quality of the minutes drafted by recording secretary Andria Sheridan.

CONSENT AGENDA

2. Motion to Approve Consent Agenda Items

Action

Stephanie Lyon

- a. **March 2024, Board of Trustees meeting minutes**

A motion was made by Priscilla Nelson-Johnson and seconded by Rhonda Anderson to approve the consent agenda. Motion passed unanimously.

REGULAR AGENDA

3. Chairs Report

Stephanie Lyon

- a. Mission Moment

This month's mission moment is related to the Scottsdale Arts Gala, which took place on April 6, 2024. Stephanie noted that while it was a chilly evening, it was a beautiful night overall. Stephanie highlighted the honorees John and Karen Voris, Dorothy Fratt, and Nationwide. Noting that Randy Johnson was in attendance and asked if the photographs he generously donated by him to the Gala were sold. Erin Krivanek confirmed that both of the pieces sold. Gerd shared that we had commitments of \$100,000 towards Artspark, and during the Gala paddle raise, an additional \$50,000 was committed to that project. Stephanie offered congratulations to our teams that put the event together. Erin echoed this, highlighting that we have expanded how we collaborate within our departments in the last four years. While Development focuses on the fundraising elements, Zach Ciaburri and Meribeth Reeves focused on the production, and Jamie Prins and our events and operations teams brought in catering and setup. Jennifer McCabe, Jennifer Gill, and Kati Ballares and their teams collaborated to bring various art and performance elements to life. A shared kudos was offered to all those teams and staff that helped bring the event together.

4. Finance Update: March 24 Financials and Investments

Michael Martin, Kathy Wills, Gerd Wuestemann

a. **March 24 Financials and Investments:** Michael reviewed the figures the finance committee reviewed, discussed, and approved during last week's meeting. We just finished March, the 9th month of the fiscal year. Michael called attention to documents in the packet before everyone, specifically the earned revenue, where some variances are noted. We had a budget impact. We decided not to host the Scottsdale Arts Festival this year because we participated in the Dreamy Draw Music Festival. This was a planned variance, and overall, we had a good quarter due to our events and food and beverage revenue, which exceeded our expectations. Our T-bills and CDs earning 5.1% on average. We see a 19% increase compared to last year, which edges us closer to pre-COVID levels. Michael highlighted the large estate gifts we received. Of the \$11.5 million in capital gifts received, only \$500,000 is being used for operations. Alison Lewis asked whether the donors were aware of that. Gerd responded that if the donor stipulates how money should be used, we follow their direction. However, if the money is given without a situation, we fall back to our "windfall policy," which was approved by our Finance Committee.

Michael continued reviewing expenses, noting some variances that we are watching. Some are from unexpected things with Dreamy Draw Music Festival. We are doing well with facility rentals, and when additional equipment is needed, we can pass through the cost to the renters. Personnel costs are over budget as we have a lower vacancy than initially planned. Our operational bottom line shows a minimal deficit of 0.7%, and our investments were up 2% in March but up 10% year to date. We have a projection of \$12.3 million in surplus this year.

b. **Ziegler gift update:** Gerd clarified that what remains to be transferred to Scottsdale Arts is approximately \$900,000 in cash and their home property, which is now on the market. The trust was valued at about \$3 million but is currently listed for approximately \$5 million. We will receive about 2/3 of the selling price, so we are looking at an additional \$4 million more to come, approximately \$1 million more than we initially anticipated. We will circulate the property listing if anyone is interested or wants to forward it to your circle.

c. **FY25 Budget Update:** Gerd and Michael began the budget process in December, during which numbers were reviewed and targets were sent to staff. We waited until late February because the January and February expenses came in higher than we thought. This year's higher costs are more likely to be baked into this next year's budget. For the most part, the budget targets were well received by staff, and we have already received back numbers from our teams. We have planned a balanced budget with a contingency of \$200,000 and an overall increase of 1% in revenue and expenses. We will also make room for two additional staff members, as well as raises or bonuses for staff as determined by Gerd. We did receive news that our anticipated benefits renewal will have a 30% increase, which is something we have to work on, and negotiations are in progress. It will be an interesting budget, and we will present it in the May Board of Trustees meetings. Gerd remarked on the insurance

renewal rates and the cost coverage Scottsdale Arts provides employees. We currently cover a greater percentage of the premium cost above what we outline in our Employee Handbook, close to 90% of the premium cost. This is an important point of pride for our organization. While our salaries are good, they are not excessive, so investing in keeping top tier benefits is a critical part of our staffing strategy. It demonstrates another way we are investing in our staff. Andria negotiated down for us last year from 22% renewal to single digits. While we are hopeful she will be successful again this year with a strong negotiation, we are braced for an overall increase that aligns with what is being seen in the market.

d. Audit RFP Update: Our auditors for the last 21 years have been Henry + Horne, who recently merged with Baker Tilly. We felt it is time for some fresh eyes and have accepted RFP for three other agencies. We will retain Baker Tilly in the running. The Finance Committee is looking at proposals and will come to a conclusion. Dr. Jackie Scheinkein asked if this is standard policy for us to switch auditors. Michael clarified that we aren't required to switch auditors after a specific period of time, but it is a good idea to do so periodically. Kathy Wills shared that there is a cost to the organization of approximately \$60,000 each year, and the audit covers several elements, including financials and 401k. Kathy shared that we received some interesting tax advice from some of the organizations we are looking at.

The motion to approve the budget was made by Cathy Long and seconded by Linda Peterson. Motion passed unanimously.

5. CEO Report

Gerd Wuestemann

a. **CattleTrack Arts and Preservation (CTAP):** We have raised money for Artspark, and the Cattletrack board has voted unanimously to build a partnership with Scottsdale Arts. Christine Kovach, a member of our board, is also a part of that board. We are looking to start Artspark at the Cattletrack property this fall. Cattletrack has committed to building some low-key studios for artists to locate and the use of ample gallery space for performing artists. We have already raised the money for this program. One of the things we would like to do when we come back in session in the fall is to host a joint session on that property to introduce our board to the property.

b. Ziegler Theater Update: This is a mission-critical project for Scottsdale Arts. Our existing stage theater has many problems, including dimmer packs going out, carpet peeling off walls, and a recent plumbing issue, which we have corrected. We have been embracing the shabby chic nature of the space, and a huge kudos to Abbey Messmer, our Director of Programming, who consistently books quality performances in the space. The new proposed theater will be a revenue generator because it is small and easy to operate but larger than the current theater and even easier than what we currently have. The quality of the venue also makes us competitive with agents and audiences. We have a lot of mission-critical spaces and exceptional rental options. Furthermore, we promised the Ziegler family that we would build this in their honor for the contributions they have made over the years.

With regards to funding the project, the Virginia G Piper Trust has given us \$1.5 million toward this project. City Council had committed \$3 million to the project but then peeled it back because we are in an election cycle. Gerd shared that a neighbor, Museum of the West, is also expanding their property through private funding, not City funds. While our initial goal was to complete this construction by our 50th Anniversary, that timeline presents some things that could be improved. The overall cost for the project sits at \$6.3 million, but when you plug that into a city project, the price increases to \$9 million due to contingency and other fees. When examining numbers to accept the city money of \$3 million, which adds \$3 million to the cost, at some point, we have to ask ourselves if we should take on the project ourselves. This will allow us to control the timeline a little better. In addition, we can directly solicit and hire the architect and would not need to go through city procurement. Our finance committee recently discussed this, and the current budget from the contractor already includes a 5% contingency, and we have already seen construction costs going down. Furthermore, we can defer purchasing of larger-ticket items like the HVAC system until the end of the project. In 2019, bond

money was set aside to renovate our current stage 2 theater. We cannot take a single dollar from that fund to construct the new theater, but we can use that money to transition the existing space. We hope to turn that into a new educational space but must verify that we can change the project's scope. If we cannot, we could shift that into a black box theater, which would still function as a multi-purpose room. It should be noted that working with the city will not be a swift process. However, we plan to start the design in January or February, then demolition in June, and the construction of the new face from June through October. Then, the project will be completed in late spring 2026. Deferring the timeline also allows us to hang onto our capital for a longer time and will enable it to generate additional money. Linda Peterson asked why we would wait until next January on the design phase. Gerd responded that we don't have to spend money until we sign a contract. Since we are amending a city asset, the city will still be involved, which will take some time. Steve Biddle asked if we would lose programs in the main theater during construction. Gerd stated that we don't believe so since we can sequence the phases with minimal impact on programming. Alison Lewis asked if there is a precedent for someone putting their money into a city building. Gerd shared several precedents, including the current expansion of the Museum of the West, which he mentioned earlier. In addition, that is what occurred when we built SMoCA. While the city bought the old theatre, we raised the money for the design and construction of the museum and then essentially gave that asset to the city. Linda Peterson asked what the timeline is for the current stage 2 renovation. Gerd replied that the hope would be to concurrently do the new build and stage 2 renovation. The renovation must go through city procurement because the funding is bond money. However, we would like the architect to be the same for both projects. Stephanie Lyon noted that there are many details here with this project and asked what could go wrong. Gerd responded that this is a design-build, which means that the build is quicker as it is a package deal, which mitigates a lot of risk for us. The biggest concern is that you are working in an existing building and infrastructure, and things can go wrong there.

The motion to support negotiations with the architect and the city to move the project forward was made by Priscilla Nelson-Johnson and seconded by Dr. Jackie Sheinkein. Motion passed unanimously.

6. Strategic Planning Breakout Session

Gerd Wuestemann

Gerd stated that we had found a great facilitator named Kathy Bollinger, who Alison Lewis introduced us to. Kathy Wills has worked with her before, and several other board members are familiar with Kathy. Earlier today, she hosted a session with our Senior Management Team (SMT), which included great conversations to kick off this process. We want to continue this conversation tonight. We will also host an additional session for board members and SMT in May. If you haven't yet responded on your availability and preferences for dates on future sessions, please do so, and we will finalize the meeting sessions and send those out. We recognize that not everyone can make the session, so we have structured the process to include drafts that will be sent out along the way. We will have a variety of access points for participation along the way. Gerd shared that we will echo the question posed to SMT in the morning session. Group discussion at each table, and a request for one person at each table to take notes to be shared with us at the end of the session.

Question 1: We are in year 5 of a ten year cycle, so we know what we have done and are established. If you were to envision our progress at the end of year ten and you were preparing to retire, what would you think Scottsdale Arts should look like? What is our stature and reach? What would make you feel the proudest

Question 2: If you had to pick four pillars for us to champion, what would that look like? Please provide one-word goal posts for each of those pillars.

7. Other Business

Stephanie Lyon

None

8. Adjourn

Stephanie Lyon

The motion to close the meeting was made by Stephanie Lyon and seconded by Cathy Long. Motion passed unanimously

Meeting Adjourned at 5:38 p.m.

Respectfully submitted,
Andria Sheridan
Recording Secretary

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