

MINUTES

Edmonds Public Facilities District Board of Directors Special Meeting November 17, 2022

The Edmonds Public Facilities District Board special hybrid meeting convened at 7:31 a.m. in the Edmonds Center for the Arts Green Room, 410 4th Avenue North, Edmonds, and via Zoom.

EPFD Board Members Present

Ray Liaw, President

Bill Willcock Vice President

Suzy Maloney (joined at 7:37 a.m.)

David Brewster

EPFD Board Members Absent

Robert White

ECA Board Members Present

David Schaefer, President

Rick Canning, Secretary/Treasurer

ECA Staff Present

Joseph Mclalwain, Executive Director

Lori Meagher, Director of Finance and Operations

City Staff Present

Dave Turley, Admin. Serv. Director (Ex-Officio)

Other Guests Present

Dave Teitzel, City Council Liaison

1. **Call to Order**

Board President Liaw called the meeting to order.

2. **Land Acknowledgement & Equity Statement**

Board VP Willcock read the Land Acknowledgement Statement and the Equity Statement.

3. **Board President's Comments**

- **Agenda Review**

BOARD MEMBER BREWSTER MOVED TO REMOVE THE OCTOBER 27, 2022 MINUTES FROM THE CONSENT AGENDA. BOARD VP WILLOCK SECONDED THE MOTION. MOTION CARRIED UNANIMOUSLY. (Board Member Maloney was not present for the vote.)

- **Leadership Transition Update**

Board President Liaw reported the Leadership Transition Team (LTT) has been working on hiring a search firm. An RFP was issued a few weeks ago and three proposals were submitted. The LTT will review the proposals this week and schedule interviews in early December with a goal of making a selection by the second week of December and having the search firm under contract by January. Once the search firm is under contract, both boards will be provided a schedule for selecting and onboarding a new executive director. Board Member Brewster recognized Board President Liaw for her leadership and guidance on the LTT.

4. **Public Comment**

There was no public comment.

5. Consent Agenda

- **EPFD Disbursement Report – October 2022**

BOARD MEMBER BREWSTER MOVED TO APPROVE THE CONSENT AGENDA AS AMENDED. BOARD VP WILLCOCK SECONDED THE MOTION. MOTION CARRIED UNANIMOUSLY. (Board Member Maloney was not present for the vote.)

6. Old Business

- **Prior Action Items Review**

Ms. Meagher reviewed progress on action items from the previous meeting and identified outstanding items (see Action Items below).

Ms. Meagher and Mr. McIalwain responded to a question regarding whether the roof is included in the building envelope assessment.

- **November Staff Report – Questions/Comments?**

7. PFD Board Business

- **Co-Executive Director Model Proposal**

Board President Liaw explained Mr. McIalwain and Ms. Meagher approached her with a request to discuss an alternate model in conjunction with hiring a new executive director. She suggested bringing it to the LTT as well as the Steering Committee. A decision to change the ED position is the responsibility of the EPFD Board who is the owner, operator and employer. She reviewed a proposed schedule and invited the board's input.

- November: LTT make recommendation to Steering Committee
- Dec 1: EPFD special meeting (budget discussion only, last meeting of 2022)
- Dec 2: Steering Committee make recommendation to PFD or continue discussion into January
- Dec 14: Leadership Transition Team select an executive search firm
- After Jan 1: Planning process with executive search firm and LTT launches
- Jan 6 (if necessary): Steering Committee provide recommendation to EPFD
- Jan 26: EPFD regular meeting – decision to advertise for either an ED or co-ED

Discussion followed regarding the schedule, potential delay in informing the search committee whether hiring an ED or co-ED, holding a special EPFD meeting as soon as the Steering Committee makes a recommendation, inviting the Steering Committee to join the EPFD's special meeting, what the EPFD wants to see between now and a special meeting, EPFD Board having the ultimate responsibility for the decision of whether to hire an ED or co-ED, and the process for making recommendations.

Discussion continued regarding having pros and cons and considerations in writing versus just chatting; if a decision is made to hire a co-ED looking for someone who has worked under that model; the LTT seeking direction from the Steering Committee and EPFD Board; providing the Steering Committee's recommendation including written pros and cons, history, what other organizations are doing, etc., in advance of the EPFD Board meeting; and providing the EPFD

Board the materials/proposal that Mr. McIalwain and Ms. Meagher provided the LTT well in advance of the meeting.

A special EPFD Board meeting was tentatively scheduled for January 11.

8. Finance & Operations Update

- **Finance Update**
 - October Financials

Ms. Meagher thanked ECA Secretary/Treasurer Rick Canning for his help preparing the October financials and for his and ECA Board Member Matt Cox's help preparing the draft 2023 budget.

Ms. Meagher reviewed the Income Statement, explaining the operating loss is due to anticipated grants that were not received and lower than budgeted Gala revenue. Expenses are below budget in most categories except presented events and facility maintenance. The sales tax revenue payment was received earlier than budgeted and is reflected in the October Income Statement. ECA Secretary/Treasurer Canning added a planned initiative for major donors did not occur due to the absence of a development director.

Questions and discussion followed regarding anticipation the Snohomish County ARPA funds will not be received until 2023, potential amendment to the City's budget to add a \$50,000 contribution, the lower than budgeted Gala revenue, lessons learned from the 2022 Gala, and forecast for 2023.

Mr. McIalwain explained contributions are underbudget because it is difficulty for a director to be an expert in everything, the Gala was not well planned or executed, and the EPFD/ECA did not receive a Working Washington Five Grant. A written request has been submitted to Rick Steves regarding his contribution, and the yearend giving campaign is underway. Plans for the future include changing the leadership to a development manager and/or major gifts officer, adding staff to development such as a contract grant writer, hiring an event planner (employee or contract) to plan Center Stage, a summer event and the Gala/fall fundraiser. The 2023 budget reflects additional expenses/investments in that team and the expected ROI.

Discussion continued regarding the difficulty hiring a development director, Gala shortfall, developing a solution for meeting the development budget, and who will lead the development team. Staff was asked to make a presentation to the EPFD Board regarding a development strategy that includes how the department will be staffed, who will do what, what will be contracted and what will be internal, strategies to be employed in the future, the ECA and EPFD boards' responsibilities, and the anticipated budget outcome as a result.

Discussion continued regarding why no one wants to do development/fundraising work; complexities and stress of that work; ability for development directors to make more money in education and healthcare fields; casting the development net differently; engaging, energizing and supporting development's work; and concern with the contributions forecast in 2022 and 2023 budget.

Ms. Meagher reviewed the Balance Sheet, highlighting current assets, amount restricted to debt payments, accounts payable, payroll and benefits, compensated absence liability, and ticket revenue. ECA Secretary/Treasurer Canning reviewed Cash Flow Projections through October.

- FY 2023 Draft Organizational Budget

Ms. Meagher reviewed challenges and assumptions used in preparing the 2023 budget:

	Operating Revenue	Operating Expenses
Challenges	<ul style="list-style-type: none"> • Ticket Sales slower • Increased need for new and increased revenue. • Contributed revenue and seeking grant opportunities • Current staff capacity for new revenue streams. 	<ul style="list-style-type: none"> • Increased inflation is driving increase in salaries and many other categories of expense. • Need to increase human and expense resources in some areas in order to produce increased revenues.
Assumptions	<ul style="list-style-type: none"> • Increase marketing and education outreach efforts • For 2023 budgeting for 32 Presented Events (including special engagements) plus limited summer series (3 events). • Securing a season sponsor for 23/24 season. • Rental rate increase of 10% eff. Oct 2023 • Increase HPF fee increase by \$0.50 per ticket Jan 23 (rentals Sept 23). • Emphasize contributed revenue by increasing grants and major donor giving (a 0.5 FTE grant writer (Jan 1) and 1.0 major gifts specialist (April 1), added • A third fundraising event added (summer) with revenues net of expense of \$50,000 . 	<ul style="list-style-type: none"> • FTE's will be increased by 3.5 FTE to resource support in development(.5), grants(.5), education coordinator (1.0), HR coordinator (0.5), and other misc. increases • Increasing payroll and benefits cost with a 5% COLA increase effective Jan 1, 9% increase in health benefits and a 10% increase in WA State exempt salary. • Other areas of expense increasing 2-4%, Insurance up 10%. • Increased focus on staff and management professional development (\$50,000 budgeted) • Contract event planner to assist development in fundraising events added (\$25,000). • Executive Director search fee (\$50,000) and relocation package (\$10,000) included.

Ms. Meagher reviewed the Income Statement Summary–Operating, highlighting operating revenues for presented events, rentals and leases, facility leases, concessions, advertising, historic facility preservation fee, education and outreach, and contributions & operating grants.

Mr. McIlwain described plans for education and outreach programming for student matinees and Windows to the Arts. Questions and discussion followed regarding how EPFD Board members can help with development, involving EPFD board members with development and marketing, and a call to action regarding contributed revenue.

Ms. Meagher reviewed operating expenses, highlighting presented events; rentals; concessions and merchandise; advertising and marketing; education and outreach; development; payroll & benefits; facilities, maintenance and utilities; insurance, audit and legal, all other expenses, and operating loss with and without the ARPA grant. She reviewed Income Statement Summary–Non-Operating and Key Metrics related to revenues, expenses, non-operating, and financial margins; and 2023 capital projections.

Questions and discussion followed regarding the budget for the executive director position, items in the capital projections, whether performance revenues in 2023 are based on the current calendar, assumptions that include booking three special engagements for 2023, timing of hiring new employees and/or contract staff, being laser focused on staffing in 2023, creating clear benchmarks for new staff, tracking return on investment for new hires, calendar for budget

approval, whether there is enough time for the board to approve the budget by yearend, and the ability to amend the budget in 2023 if necessary.

Board members identified information they needed to approve the budget on December 1:

- Development strategy regarding how will reach projections
- Understanding of 24.8 FTEs listed in the key metrics with the org chart and the budget
- Return on investment for new hires and how that will be tracked

Board Pledge

ECA Secretary/Treasurer Canning explained 11 EPFD, ECA and Emeritus board members pledged to make an additional donation if board pledges reached \$40,000. Although giving trends are down, the goal was increased to \$50,000. He requested board members make an additional pledge.

- **Human Resources**
 - Hiring Update
 - Updated Organization Chart
 - Employee Handbook – Update
 - IDEA - Update
- **Facilities**
 - RFQ for Architectural & Engineering Services for Building Envelop Project - Update
 - L&I Accident Prevention Program

9. Executive Report / Steering Committee

- **Marketing & Business Development**
 - Ticket Sales Update
- **Programming/Outreach**
 - General Update
- **GALA Update on Revenue/Expenses**

Mr. Mclalwain reviewed revenue, expenses, total gross revenue, total expenses, and net revenue for the 2023 Gala. He relayed the Philanthropy Committee is discussing whether or when to hold the GALA. The budget includes funding for the GALA, but how that fundraising goal is met may look different. Board members requested staff forward the slide with the details regarding GALA revenue and expenses and to invite leadership of the Philanthropy Committee to discuss the future of the GALA or another event with the EPFD Board.

10. New Business

11. Adjourn

The meeting was adjourned at 9:23 a.m.

Next EPFD Board Meeting: Thursday, December 1, 2022 - 7:30 AM

ACTION ITEMS:

1. Provide GALA information to EPFD Board
2. December 1 agenda items
 - a. Staff presentation to EPFD Board regarding development strategy that includes how the department will be staffed, who will do what, what will be contracted and what will be internal, strategies employed in the future, ECA and EPFD boards' responsibilities, anticipated budget outcome, etc.
 - b. Staff explain correlation between the 24.8 FTEs listed in the key metrics, the org chart and the budget
 - c. 2023 budget approval
3. Schedule special EPFD Board meeting on January 11, 2023 to consider Steering Committee's recommendation regarding co-executive director model
 - a. Invite Steering Committee members to attend meeting
 - b. Provide the following to EPFD Board well in advance of special meeting:
 - i. Written Steering Committee recommendation that includes pros and cons, history, what other organizations are doing, etc.
 - ii. Original proposal presented to Leadership Transition Team
4. January 26, 2023 agenda items
 - a. Final version of updated L&I Accident Prevention Program
 - b. EPFD Board approval of updated Employee Handbook
 - c. EPFD Board review and approval of amount to move from restricted debt service into board designated fund prior to fiscal yearend
 - d. Approval of October 27, 2022 meeting minutes
5. February or March EPFD Board meeting: report to EPFD Board how Employee Handbook is received by staff
6. Philanthropy Committee leadership discussion with EPFD Board regarding the future of the GALA or other event
7. In 2023, consider return on investment for new hires and how that will be tracked