



**Minutes of the Special Meeting of the Board of Trustees**  
Monday, October 16, 2017

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A meeting of the Cuyahoga Arts & Culture (CAC) Board of Trustees was called to order at 8:05 am in Miller Classroom, Idea Center, 1347 Euclid Avenue, Cleveland.

The roll call showed that Trustees Garth, Avsec, Sherman, Miller, and Gibbons were present. It was determined that there was a quorum.

Also in attendance were: CAC staff: Karen Gahl-Mills, CEO + executive director; Jill Paulsen, deputy director; Roshi Ahmadian; Dan McLaughlin; Jake Sinatra and India Pierre-Ingram.

Trustee Gibbons announced the purpose of the special meeting work session: to discuss and take action on a revised Allocation Policy, review 2018-2019 program allocations and learn about the formula used to determine grants for General Operating Support recipients.

**1. PUBLIC COMMENT ON MEETING AGENDA ITEMS**

Linus Vysnionis (Cleveland Museum of Art), Chanda Ford (Cleveland Inner City Ballet), and Fred Bidwell (Fred and Ruth Bidwell Foundation).

**2. DISCUSSION & ACTION**

**Revised Allocation Policy**

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Ms. Gahl-Mills explained that CAC did its annual review of policies at the annual meeting in April. At that time there was an agreement that the Allocation Policy needed to be updated to reflect the language around equity that the organization is striving for. Ms. Gahl-Mills continued that in September the Board and staff reviewed and revised a draft. The Board then had a chance to provide feedback into the final draft provided. Ms. Gahl-Mills stated that there were no fundamental changes: that General Operating Support was still the highest priority and will continue to receive the majority of funds, that Project Support is CAC's next priority, and that the only change was to the language from "growing" the program to "maintaining" the program.

Ms. Gahl-Mills opened up the table for any comments and suggestions before the Board moved to a motion for approval. Ms. Garth asked if the older allocation policy will still be available on the website. Ms. Gahl-Mills responded affirmatively.

Motion by Trustee Avsec, seconded by Trustee Miller, to approve the revised Allocation Policy. Discussion: None. Vote: all ayes. The motion carried.

### **3. WORK SESSION**

#### **Program Allocations**

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Trustee Gibbons introduced Ms. Paulsen to walk the Board through the General Operating Support allocation. Ms. Paulsen informed the audience and the Board that her comments are found on pages 3-5 of the [public packet](#) available for all attendees at the meeting and online on the CAC website.

Ms. Paulsen mentioned that from this work session CAC is hoping the Board will come to approve an annual allocation of \$10.2 million for the 2018-2019 General Operating Support program. Referencing Chart 1 on page 4, Ms. Paulsen noted how CAC had the first 10 years of revenue to collect data and with this data predict the available revenue for its next 10 years of operations. Ms. Paulsen continued that CAC anticipates 25% less revenue in its second 10-year period than its first. Going from \$173 million to \$132.5 million, which is roughly a \$40 million deficit. Ms. Paulsen said that this is not a surprise and that CAC has been forecasting this decline for several years.

Ms. Paulsen continued informing the Board how we got to this anticipated revenue loss: this number is based on a 2.6% average annual decrease. She mentioned that some of our cultural partners have been estimating only a 1% decline, that is not consistent with the the average decrease. One year we only went down about 1% but there have been annual dips as much as 7% as well, so the most reasonable estimate would be 2.6%. Ms. Paulsen stated that CAC hopes for modest decreases and that if there are smaller decreases and more dollars, staff will recalculate and invest as much as it can in operating and all its grant programs. CAC knows that isn't an easy nor pleasant chart to look at, and that CAC definitely does not take this lightly as it looks to support its over 250 cultural partners across all of its programs.

Trustee Miller acknowledged the decrease in smoking in Cuyahoga County due to a strong campaign to move towards ending smoking. Trustee Miller continued that larger organizations should expect decreases due to a slowing revenue stream.

Ms. Paulsen continued presenting the second graph, that reflected the policy decisions that the Board has approved over time, such as the Allocation Policy, the organizational planning the Board approved in December, a commitment to supporting artist, and the General Operating and Project Support guidelines that were approved in April. Ms. Paulsen reiterated that using the Allocation Policy as a guide, CAC is committed to and recommends continuing to invest the majority of funding into operating support. Ms. Paulsen then pointed out that with that commitment CAC expects to be allocating \$95 million over the next 10 years to said program.

Ms. Gahl-Mills stated that this isn't about big spending increases in other programs or using money to increase the size of administrative costs.

Ms. Paulsen continued onto the third chart, which explained how CAC exactly got to the \$10.2 million allocation as the recommendation for 2018-19. Ms. Paulsen explained that CAC could have divided the \$95 million for GOS over the next 10 years for even distribution, which would make it \$9.5 million each cycle. Ms. Paulsen explained that the staff felt that that sharp decrease would jolt the arts ecosystem. This brought us back to the question of the Board; what's the best, most mission-driven way to invest the operating support funds over the next 10 years so we can support the full ecosystem of arts and culture in our community. Ms. Paulsen informed the Board that this recommendation is something cultural partners have been made aware of over the last six years; CAC has always recommended that each organization plans for a 20% decrease each cycle. CAC has spoken with 30 out of 58 of GOS organizations who would be most impacted by this change and informed them how this change would affect them. Ms. Paulsen explained that this 20% decrease is not for all of the GOS organizations and that some organizations stand to gain or stay steady with this allocation.

Ms. Paulsen concluded that staff had previously recommend an allocation of \$10 million, but changed the amount to \$10.2 million to make up for the 4 new organizations entering GOS from Project Support. This allowed the money they would have received in Project Support to follow them into the General Operating Support. Ms. Paulsen then informed the Board that before they vote the staff wants to continue the work session to shift to a more technical focus with the General Operating Support funding formula.

### **General Operating Support (GOS) Formula Basics**

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Ms. Paulsen introduced Ms. Ahmadian to present the information on the General Operating Support formula. Ms. Paulsen noted Ms. Ahmadian's continuous help throughout the allocation process and her ability to interpret data and numbers.

Ms. Ahmadian started by explaining that staff decided to include this in the work session because we have new Trustees on the Board, and that having a background in the basics of the funding formula is pertinent and useful information for them to have. She continued that there will be no votes on the formula, since that was voted on and approved with the grant guidelines in the April Board meeting.

Ms. Ahmadian informed the Board that the formula is a mathematical one and is used to determine the best way to distribute and allocate the GOS funds to organizations in the pool. Ms. Ahmadian mentioned that this is the same formula that has been used since CAC's existence and that this formula was not created by CAC, but by the Ohio Arts Council. The calculation was developed and tested by statisticians. Ms. Ahmadian continued that two reasons why CAC uses the GOS formula are to provide a fair and impartial allocation amount and to make grant amounts meaningful for all organizations in the GOS pool within what we have to work with, because the biggest factor in each organization's grant is its budget size.

Ms. Ahmadian then began to break down the three major factors in the calculation of the formula. The first factor is the size of the organization, the second is the organization's size compared to everyone else, and third is how much money CAC has to work with. Ms. Ahmadian then went into further detail of how these factors work in the formula. She explained that staff looks at the adjusted operating budget of an organization from its past three years, which are 2014-2016 this cycle. CAC then averages those three numbers, to make sure the grant is not based on one particular year when an organization may have had a bad year or exceptionally large budget for a special event. This average number gives a good sense of the size of the organization. Next, Ms. Ahmadian explained that CAC sums up all the organization budgets for the organizations in the pool, and looks at how each one compares to the group as a whole. In other words, how much of the total pool of budgets does each organization take up, and how it relates to everyone else. Ms. Ahmadian explained how the third factor works; once CAC knows how each organization ranks among the group in terms of budget size, CAC plugs the allocation into the calculation to see how much of the total funds would go to each group. This way, CAC ensures that all the money allocated for the GOS program is awarded to our GOS cultural partners. Finally, in order to make the grants more meaningful for the entire group, CAC applies a curve, much like a professor would do to grade papers, to ensure the best outcome for the majority of students. CAC values all its cultural partners large, medium and small, so staff wants to ensure the amount they each get is meaningful and helps them be successful in their missions to benefit their community.

Ms. Ahmadian concluded that there are three things to take away from the conversation. That CAC uses a simple mathematical calculation to determine GOS grants each cycle that was developed by experts and is similar to formulas used around the country; CAC uses a formula because we value all the organizations in our GOS cohort: large, medium and small, and using a formula ensures a fair, impartial and meaningful distribution of grants to all; and there are three factors that contribute to each grant, the biggest being how each organization's budget size fares against all the other organizations in the pool. Her closing statements were CAC has spent the last few months gathering the information needed for our formula, namely budget

sizes from our GOS cultural partners. The last remaining element in the exciting work of determining grant amounts and giving the Board the opportunity to approve them at the November Board meeting is the internal financial decision of the allocation, which staff hopes the Board will vote on and approve today.

Trustee Gibbons thanked Ms. Ahmadian for her explaining to the Board how the GOS formula works. He then asked other Trustees if they had any questions.

Trustee Garth questioned whether the curve is equitable and urged CAC to make sure it's equitable in the process. Trustee Miller informed both the Board and the audience that he knows there is financial concern for some organizations, but that he also knows that allocation for the long term has to be decided.

#### **4. PUBLIC COMMENT**

Trustee Avsec wanted to have another public comment to allow a chance for audience members to respond to the information that they just learned about. Other Trustees agreed and wanted to hear from the audience.

Motion by Trustee Gibbons, seconded by Trustee Sherman, to have an additional public comment session. No discussion. Vote: all ayes. The motion carried.

Fred Bidwell (Fred and Laura Bidwell Foundation), Dr. Lawrence Baker (Artist), Linas Vysniunis (Cleveland Museum of Art), Megan Van Voorhis (Community Partnership for Arts and Culture), Kevin Moore (Cleveland Play House).

#### **5. APPROVAL OF GOS ALLOCATION AMOUNT**

After public comment the Board moved to vote on the General Operating Support allocation amount.

Motion by Trustee Miller, Seconded by Trustee Sherman, to approve the GOS allocation amount of \$10.2 million. No discussion. Vote: all ayes. The motion carried.

Next meeting: The next meeting will be held at 4:00 pm on November 13, 2017 at The Cleveland History Center, 10825 East Blvd., Cleveland, Ohio 44106.

#### **6. ADJOURNMENT**

Motion by Trustee Miller, seconded by Trustee Sherman, to adjourn the meeting. No discussion. Vote: all ayes. The motion carried. The meeting was adjourned at 9:54 AM.

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Joe Gibbons, President, Board of Trustees

Attest:

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Gwendolyn Garth, Secretary, Board of Trustees