

**Minutes of Public Meeting of the
Executive Committee of the
Board of Directors of the
Arizona Historical Society**

Mission: Connecting people through the power of Arizona's history.

Monday, September 21, 2020, at 12:00 p.m. virtual meeting.

Board Members and members of the public were able to register in advance of the meeting via a link provided in the agenda:

https://us02web.zoom.us/meeting/register/tZYtd-yggDsoEtxX6vsFUz4D_KKA4bvmV7qq

1. **Call to Order** – President Linda Whitaker – Meeting called to order at 12:04 p.m.
2. **Roll Call** – Bruce Gwynn – Present virtually: Linda Whitaker, Bruce Gwynn, Jim Snitzer, Kelly Corsette, Tom Foster, Colleen Byron, Voie Coy. Staff present virtually: Bill Ponder, Kim Bittrich, James Burns Executive Committee Members Absent: Robert Ballard, Jeff Horwitz
3. **Minutes** - Discussion and action, if any, to approve the draft Minutes of the August 17, 2020 Executive Committee meeting.

Motion to approve minutes as submitted by Gwynn; seconded by Coy. All voted in favor of approving minutes as submitted.

4. **Call to the Public** – Consideration and discussion of comments from the public. Members of the public wishing to address the Committee should identify their interest at this time via the chat box. Those wishing to address an item on the agenda will be called upon when that item is being discussed and given up to five minutes. Those wishing to address an item not on the agenda will be allowed up to three minutes. Such items may not be discussed by the Committee but may be directed to Staff for study and consideration at a later date.

No members of the public present for the meeting.

5. **Executive Director Update**

a. **AAM Reaccreditation** –With the approval of the code of ethics by the board at their August meeting, the only remaining document required for the self-study is the emergency/disaster preparedness plan. The plan is ready for graphic design; associated forms and worksheets are in the final stage of the process. Narrative questions in the self-study application have been circulated to pertinent staff for initial response. There are three more meetings of the reaccreditation task force; the narrative will be reviewed and revised. Project on-time completion and submission to AAM on October 31.

b. Sunset Review and Performance Audit –Work continues on the collections remediation plan. Staff traveled to Yuma last week and completed a rough inventory of all artifacts in the off-site storage. A similar project is planned for Flagstaff. Finance Committee discussed some sunset review issues relative to finances. Treasurer Snitzer will share more information.

c. Strategic Plan – progress report – Staff and board were asked to document and monitor progress on the strategic plan and the fundraising plan. Those documents are in place, though the strategic plan tracking is behind in some places as priorities shifted when the pandemic hit. Over the next month, that document will be updated further. Corsette asked for key highlights – accomplishments and sticking points.

d. Auditor General’s Communications - Whitaker, Ponder, and Burns met with representatives of the auditor general’s office regarding the sunset review and performance audit findings – all findings – to get a sense of where we stand in advance of the next review. A few findings bear follow-up. The auditor general offered to give a presentation to the board at their January 8, 2021 meeting; AHS accepted the offer.

Snitzer had several observations and comments from a treasurer’s perspective. He observed that the auditor general is our primary customer. They are a great ally. We should be paying attention. Compliance has been slow and minimal in certain areas, which could suggest that the organization is not following advice.

Byron spoke from experience as one who assisted with the Board of Regents Sunset review. She observed that regarding the recommendations, auditors will look at how the organization addressed them. The next review will end up being used for making future funding decisions. All recommendations matter. The report will either say the agency complied or didn’t; funders care very much what that report says. If there are too many findings in the report, funders will not be interested. The relationship with the AG’s Office is not adversarial. Auditors want to hear that we did everything we possibly could to comply.

Concerns persist about the way AHS has defined chapter roles and responsibilities (advisory, dispersal of 1107 funds, and representation on State Board). It has also been clearly stated that 1107 funds remain an issue. Byron observed that the audit looks at issues historically over time. While it is important to address everything now, it is also important to compile for every previous finding a document and index the documentation with every attempt made to address findings – whether considered closed or not. Present extremely well-organized data. Demonstrate attempts to address the findings and show continuous effort to work toward achieving the goals. Summarize and index by date. Cite pages and agendas etc. Discussion ensued about timely dispersal of Chapter funds and how to address carry-overs.

e. Reopening – COVID-19 Phased Plan – Several meetings with the Governor’s Office and Arizona Department of Health Services took place over the past few weeks. The reopening plan was reviewed and revised by ADHS. We were approved to move into Phase 2 of the reopening plan for the AZ Heritage Center and AZ History Museum. There are still executive orders in place limiting the number of people who can gather. Until CDC gating criteria are met allowing for easing of that executive order, attendance and revenue will be limited.

Pioneer Museum and the Sanguinetti House will remain closed in Phase 2 due to tight quarters.

f. **Aggregated leadership Q32020 goals** – Quarterly document –tracked progress toward strategic plan goals.

g. **Fundraising** – A staff revenue task force was formed to generate ideas for new revenue streams. Some existing revenue streams are proving resilient. AHS continues to far outperform peer organizations, with membership trending slightly upward again – whereas peer organizations across the country have lost 25-30% of their membership, or in extreme cases as much as 50%. In the first two weeks of the new license plate launch in August, more plates were sold than in any entire fiscal year since the first AHS plates were issued in 2006.

We are also seeing some success with the voluntary donation request during our virtual program as well as conversion of attendees from virtual programs to new members. Some new members have been citing the virtual program as the reason for joining. Received an LSTA grant for the mircographics equipment, an AZ Humanities grant for the Buffalo Soldiers project, an SRP grant for National History Day. For more information see monthly grant report.

h. **Friends Board recruitment** – Bob Anderson, Becky Jackson, and Dave Lyons, were elected to the Friends board. Fundraising board recruitment continues. Met with fundraising consultants.

i. **Communications with State** – Continue to be in regular communication with the Governor’s Office and are closely monitoring budget discussions.

j. **Partnerships** – An AZ Humanities grant was awarded to the ASU history department to work with AHS on digital and physical collecting to document the pandemic (part of the Journal of a Plague Year project).

k. **Compliance update** – Melba Davis – Unable to join the meeting. Will provide an update for the next meeting.

6. Board Mechanics

a. **Communication** – Whitaker advised that the board needs to follow protocols when the media contacts them. There is a media plan which includes which staff members are permitted to speak for the organization. There is nothing similar for the board. Whitaker asked if it should be the President; Coy agreed that it has been in the past. All agreed that the board President should speak for the board on behalf of the organization. Corsette advised it should be a policy. Whitaker stated that board members can speak as free citizens, just not on behalf of the board. Incumbent on that person to make it clear they are speaking as an individual, not for the AHS board. If the President is unable to perform those duties the Vice President may speak for the board.

b. **Functional Committees** – The Executive Committee and the Finance Committee are now fully assigned. Whitaker reported that certain committees such as Membership have not met or submitted reports in more than a year. Because much of membership is financial, it will be subsumed under the Finance Committee for now. Sunset Review will be absorbed by the Executive Committee. Byron, Whitaker, and Burns will meet to review the remaining non-financial issues.

Collections, Library and Archives is robust and continues to meet. Community Outreach and Property & Buildings will continue as currently assigned. Due to several resignations, Governance & Policy currently has no Board members. Note that now bylaws or policy changes/recommendations can arise from any committee and sent to the Executive Committee for review prior to Board action. The Nominating Committee is activated before the annual meeting. Publications Committee will continue as currently assigned.

c. Status of nominating committee recommendations – Corsette reported that he, Ballard, and Foster have met a couple of times. Will recommend a policy that more clearly outlines the process for nominations. Might be a bylaws revision. Haven't yet decided which way to go. Can have a draft for review as requested for the next Executive Committee meeting.

d. Action: Discussion and recommendation, if any, about removal of tabled items relating to operating agreements with the City of Tucson (Historic Fort Lowell), Arizona State Parks (Riordan Mansion State Park), and Wells Fargo (Downtown History Museum) so the full board can have a discussion and vote. Whitaker discussed the process for un-tabling a motion that has been tabled. Calls for a motion to un-table followed by a second, and a vote on that. Cannot table something indefinitely. Benefit of un-tabling demonstrates that the board is addressing the issue. These properties will be itemized separately and voted on separately.

7. State Board Update

a. **New Members** – Whitaker reported on three new board appointees:

Colleen Byron (At Large)– has accepted an open position on Executive Committee

DeNise Bauer (Cochise County) – committee assignment to be determined

Sharon Holnback (Pinal County)- committee assignment to be determined

b. **Reappointed Members** – Whitaker reported on four board reappointments:

Bruce Gwynn

Tom Foster

Kelly Corsette

Jim Snitzer

c. **Vacancies** –Seven vacancies remain, mostly for county seats.

d. **Roster** –Updated Board roster was circulated with the committee meeting materials.

e. **Required orientation and training** –orientation for new board appointees is slated for Oct. 1.

8. Finance Committee Meeting Outcomes

- a. **Report and summary** of discussion in Finance Committee meeting regarding the role of the treasurer and finance committee, financial forecasting, sunset review and performance audit findings relating to finances, and findings of research regarding the cost of state employees versus temporary employees. – Snitzer reported that the bylaws do not clearly define the role of the Treasurer and the Finance Committee. Their job is to assist staff and have oversight of finances. Need to simply and truthfully present very complex financial information and urge action. First example is the top-level financial overview. There is one number that the board really needs to focus on – the projected annual deficit. Finance committee reviewed the 2021 budget separated by state allocation, enterprise funds, trust, and restricted and unrestricted contributions. Projection is a loss of \$600,000,

which is a best-case projection, and it could end up looking worse; almost certainly will not look better. We have done a lot as an organization to save costs; those easy opportunities for further cost cutting are slim. Will have to look at more difficult things going forward. We are burning through the enterprise reserve funds at an alarming rate. Need to trim expenses further and/or raise additional revenue. We are currently talking about the small things.

There will be bigger things in the future. Forecasting different scenarios and will continue to do so. There is a lot in restricted accounts given for specific restricted purposes. Gwynn stated important the whole board can see the challenges we are facing. Snitzer presented a table of sunset review and performance audit findings that in his opinion have a substantial financial component. Snitzer asked staff to research the cost of employing staff vs. temporary workers following the last board meeting. He noted that there were a number of falsehoods stated during the call to the public at the last board meeting. He asked staff for a comparison – staff vs. temp vs. volunteers. Benefits % is higher for staff people than for temp workers. Snitzer also made the point that volunteers are not free. At some point you run out of staff to supervise the volunteers. It's a balancing act.

- b. **Discussion and possible action regarding recommendation** of Finance Committee to Executive Committee regarding operating agreements between AHS and the City of Tucson (Historic Fort Lowell), Arizona State Parks (Riordan Mansion State Park), and Wells Fargo (Downtown History Museum).

The Finance Committee recommends that AHS withdraw from the MOU's as soon as possible, and not enter into any such arrangements in the future. Resources should be focused on managing collections and operations on AHS-owned properties. For example, dropping all support of Riordan would provide an annual cost savings of \$200,000 from current levels.

Q - Over the years, what has AHS spent on the three MOU's?

A - Staff to provide for the October board meeting.

Q - Can the MOU's continue under AHS funding and operation?

A - No. Due to lack of funding, AHS could not re-open the facilities. They will only re-open if some local organization steps up and works with the MOU landlords to adopt and re-open them.

Q - What notice and timing is involved?

A - All three MOU's were informally notified in July - no response to date. Hopefully, putting everybody on official notice that AHS can no longer sustain the relationship will incentivize some local organization to step up and partner with the owners of these sites.

Q - Who are the landlords and what is the contact info?

A - AHS can provide that information.

Q - What is the approximate AHS current monthly cost for each **closed** MOU?

A - Riordan - \$17,000. Ft. Lowell - \$250. Downtown - \$250. Plus, substantial AHS Staff time has been devoted to these MOU's, reducing AHS ability to provide quality services and exhibits.

Q - If a local organization took over a MOU, what would their cost/revenue look like?

A - That would totally depend on what operating plan they adopt - e.g. hours of operations, number and type of staff, etc. In general, their operating costs would be lower, possibly much lower, than they were for AHS, because they would not have to operate under the State accounting rules. Realistically, in any case they would require some level of local support.

Q - Right now this looks like a stalemate. If the stalemate continues and no action is taken, what happens?

A - "No Action" is not an option. AHS is required to take certain actions.

- Some collections at each MOU belong to AHS and are State property. AHS would be required to properly care for those items, most likely by bringing into a controlled storage location owned by AHS. Ft. Lowell is a special concern due to condition of the building, security concerns and lack of climate control. Inadequate care of collections was a sunset audit comment.
- AHS would also be required to limit ongoing expenses to the absolute minimum - this would lead to further reductions at Riordan.
- Once AHS takes the required actions of removing and safeguarding collections and eliminating expenses, the MOU landlords will likely notify AHS and terminate the MOU agreements. Wells Fargo has already announced the closings of several of their museums

There are a lot of projects for AHS-owned properties that did not get funded over the years as AHS was spending money on these non-AHS-owned properties.

c. Discussion and possible action regarding recommendation of Finance Committee to Executive Committee regarding bequest left to the Arizona Historical Society

Snitzer reported on a bequest to AHS of real property that was recently sold. On an ongoing operational basis, AHS is running out of money. Must solve those ongoing problems, not just use this money to go broke slower - that rules out using it for ongoing operations. For example, we could give the Staff much-needed and much-deserved raises, but that would just add to the ongoing operational problems once the windfall money ran out.

We need to use this money to make more money, not just spend it down to zero. Further, even having it on our books is a problem in that it gives a false financial picture and might lead to further funding reductions. On our side, adding a large sum to our balance unfortunately lessens the pressure to solve our operational problems.

FINANCE COMMITTEE RECOMMENDATION:

Contract with the Friends of the Arizona Historical Society to conduct their Capital Campaign (i.e. audit, feasibility study, consulting fees, branding and marketing, donor relationships, etc.) Finance Committee recommends that the board direct staff to use the funds from the bequest to contract with the Friends of the Arizona Historical Society to run a capital campaign, including all necessary studies.

Our biggest need and our highest priority is - money! Hiring professional fund-raisers and supporting their activities has been a path to success for many non-profits. Raising money is a skill set and we need to hire professionals and put them to work.

The Friends can grow this money substantially, and then they can carefully return the money many times over to AHS to support our future growth.

9. Announcements and other matters for consideration in future board or committee meetings
None.

Executive Committee Schedule (virtual)

Monday, October 19, 2020

AHS Board meeting dates and locations:

October 23, 2020 – Arizona Heritage Center, Tempe (and virtual)

Adjournment at 2:01 p.m.

Dated this 23rd day of September 2020

Arizona Historical Society



Linda Whitaker, Board President

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