

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

August 16, 2022

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

1. **Call to Order** – Meeting called to order at 9:35am by Committee Chair Jim Snitzer
2. **Roll Call** – Jim Snitzer
 - a. Committee Members Present: Gene Kunde, Colleen Byron
 - b. Committee Members Absent: Richard Powers
 - c. Staff Members Present: David Breeckner, Carole McQueen
 - d. Ex-Officio Members Present: Linda Whitaker
3. **Minutes** - Discussion and action, if any, to approve the draft Minutes of the July 19, 2022 Finance Committee meeting.
 - a. No comments or discussion.
 - b. Motion to approve by Gene Kunde
 - c. Second by Colleen Byron
 - d. Unanimously approved.
4. **Call to the Public** – Consideration and discussion of comments from the public.
 - a. No members of the public present.
5. **AHS Financial Overview** – Jim Snitzer and Carole McQueen
 - a. June/July Report
 - June report is nearly finished and will be ready for the Executive Committee meeting on August 22.
 - July report is the 13th month for FY22. The only business conducted in July was the closeout of FY22 and should be completed fairly quickly. The budget for FY23 was loaded after August 1.
 - b. FY22 Report

- No End-of-Year report ready to be shared (see June/July reports).
- **Jim Snitzer:** This must be ready for the Executive Committee meeting on August 22, as it is necessary for informing Board decisions in FY23.
- **David Breeckner:** AHS does have updates to provide on upcoming state audits of the FY22 materials.
- **Carole McQueen:** PCI Audit report is due on September 2. AHS will upload all data by 10am that Friday.
- **Gene Kunde:** Is this an audit of the last 12 months, or any of the new budget proposals, etc? Is it this audit routine in this sense? Is it common to all agencies? A 30-day turnaround of all state agencies seems ambitious.
- **Carole McQueen:** The audit only covers the last 12 months (FY22). Budgetary matters for FY23 and FY24 are a separate matter. I believe it is universal to all agencies, but I will check and confirm this.
- **David Breeckner:** This audit is a standard and annual procedure conducted on all state agencies. This is not a broad, agency-wide review, but rather targeted to a specific type of expenditure (P Card) and its tracking. This is used as a bellwether to assess agency health and whether additional review is required.
- **Linda Whitaker:** In the past, this has been an in-house, staff-only exercise. It has only been reported to the Board in the event of irregularities. This year's notice is new to the Board's knowledge, including to the Finance Committee.
- **Colleen Byron:** This would be beneficial to report to the Finance Committee in the future. More frequent updates of these annual procedures and their results would be appreciated.
- **Linda Whitaker:** Agreed.
- **David Breeckner:** AHS is happy to start doing this.
- **Gene Kunde:** What are the results of these audits? Will AHS receive recommendations and be provided a period in which to respond or make changes?
- **Carole McQueen** will review past years' reports and provide an answer to the Committee.

6. **FY24 Budget Review** – David Breeckner

a. ADOA Update

- The Arizona Department of Administration (ADOA) oversees the allocation/disbursement of state appropriated funds for agency budgets.
- AHS first worked with ADOA to request an increase to appropriated funds, meeting with the head of ADOA and his CFO. Both expressed support for AHS, indicating their previous lack of awareness of AHS' budgetary needs.
- This request was denied. ADOA does not have additional funds within their own appropriated budget to award. They did explore shared services to offset AHS budgetary costs, but were unable to identify anything in the immediate.

b. OSPB Update

- The Office of Strategic Planning and Budgets (OSPB) operates under the Governor's Office. This is the agency which first receives Arizona agencies' annual budget proposals, before sending them to the Governor for approval, and then review/approval by the Legislature.
- AHS met its assigned OSPB Budget Analyst, Blake Tonn, to continue the conversation begun with ADOA, and to better define the FY24 budget submission process. AHS received guidance on the temperature and interest by OSPB and the Legislature to entertain budget increase requests.
 - Talking points and evidence developed by AHS were shared, but rejected as non-effective to OSPB and the Legislature.
 - The Governor expects agencies to cover gaps in the 10% payroll increase from nonappropriated funds. Overall, the State expects Agencies to be able to take care of themselves.
 - The State sees AHS' Operational Reserves as a continuing answer to budget deficits. This must be otherwise addressed to remove it from future consideration.
 - Directives and guidance provided by the 2013 Sunset Review are respected and AHS' best argument moving forward.
 - OSPB is cautious in its budget requests this year, indicating uncertainty about administrative priorities in the next legislative session.
 - **Linda Whitaker:** A summary of AHS' full conversation with OSPB has been shared with the Finance Committee via email.

c. Updated FY24 Budget Proposal

- There are two submission phases for FY24 budgets:

- September 1 – Budget with baseline increases (bare minimum)
- November 1 – Budget with “initiative” proposals (growth)
- **Gene Kunde:** After submission, does AHS have any additional role in the review/determination of its budget?
- **David Breeckner:** No. Afterward, we will only be notified of the results/determination by the Governor and Legislature. OSPB did not impart confidence that the November 1 budget was likely to be accepted or considered.
- **Carole McQueen:** AHS can justify its budget through attached documents in its original submission, advocating through line-item commentary.
- AHS will submit its “Scenario 1” budget to OSPB on September 1, with minor changes.
 - **Jim Snitzer:** No approval is needed for this updated budget; it was approved at the July meeting.
 - Total appropriated funds for FY23 were \$3,214,700 – an increase from \$2,906,000 in FY22. This is our new “baseline” for FY24.
 - Justifications added to demonstrate financial need, as well as AHS’ work to-date to reduce expenses and increase non-appropriated revenue. AHS expects FY24 to still be a year of recovery, especially surrounding earned revenue like admission and gift shop sales.
 - **Linda Whitaker:** Did Blake accept this argument?
 - **David Breeckner:** Acceptance will be case-by-case in the legislature, due to tensions surrounding the pandemic and regardless of available statistics or studies. We can only defend it to the best we’re able.
 - **Colleen Byron:** Agreed.
 - **Jim Snitzer:** We can hope it will be recognized that certain industries are naturally inclined to a slower recovery.
- AHS is requesting a \$181,300 increase to its appropriated funds in FY24 to resolve its deficit. AHS has reduced costs to meet the Governor’s directive for agency self-support, but is still short on funding.

- This deficit should not be resolved with Operating Reserves, per guidance from the 2013 Sunset Review; those funds are better served to address other Sunset recommendations. The Sunset Review guidance was the only argument which drew support from OSPB for a budget increase.
- These funds should be defined and restricted for specific purposes that align with the 2013 Sunset Review to remove them from consideration (e.g. matching grant funds, major capital projects like a new Tucson facility and deferred maintenance, etc).
- This proposed refocus requires support of the Finance Committee and State Board.
- This is good preparation for a similar discussion AHS will face with the Capital Campaign.
- **Jim Snitzer:** Can we leverage this fund and our funding needs to “trade” this fund for state support on these projects (e.g. new Tucson building)?
- **David Breckner:** Tucson is a great example which demonstrates long-term goals/financial need in excess of our annual budget, and that this fund is an investment solution to help resolve it later.
- **Jim Snitzer:** This was already demonstrated during COVID, during which AHS had zero layoffs, thanks to this fund. Deferred maintenance is another good example of this.
- **Linda Whitaker:** The location, description, and use of these funds needs to be clarified by both staff, this Committee, and the Board.
- **Colleen Byron:** Vision should not be made into written policy, but is essential to driving our Capital Campaign. We need to develop and clarify our vision of these funds in their impact for institutional growth – to explain why we have this standing pool/pots of money (multi-year agency need).
- **David Breckner:** This “vision” (allocation and uses of reserve/investment funding) might be best clarified within the

Strategic Plan. A vision is already being developed for the Capital Campaign, which breaks down funding activities and development goals (within the funds raised).

- **Jim Snitzer:** There is a distinction between an “Operational Reserve” and a “Capital Reserve.” These funds should be shifted in their understanding from the former to the latter. Recommended categories: Operational Reserve, Restricted Funds, Reserves for Matching Grants, Capital Campaign. To be avoided: Facility Capital Improvements. “Operational Reserve” should be reduced to only 3 months operating capital.
- **Gene Kunde:** Terminology is essential. Is this a surplus or a reserve? “Reserve” suggests savings for a restricted and dedicated purpose; they are often placed in dedicated/separate accounts.
- **David Breckner:** “Operational Reserve” may be a problematic label, as it is also an expense category within the budget and could be subject to state review/oversight. The definition and use of AHS’ Operational Reserves will be introduced to the Executive Committee next week for its approval. It would benefit AHS to better identify, label, and present funds in a way different from the “Balance Sheet” on the current Year-End Financial Report.
- **Gene Kunde** recommended the use of a “Statement of Financial Position.” Does the state require budgetary reserves?
- **David Breckner:** No.
- **Linda Whitaker:** This is a difference between a State agency and non-profit. Non-profits require 6 months to 1 year of funding in operational reserves. This is at odds with state philosophy. How are these financial reports submitted to the state each year?
- **David Breckner, Jim Snitzer, and Carole McQueen:** The report provided to the Committee is one of several that’s submitted. This provides a total overview of all funding types; others submitted forms detail specific funding sources and category types.

- Questions were submitted concerning specific line-items with the updated FY24 Budget, and answered by David Breeckner, Linda Whitaker, and Carole McQueen.
- For the November 1 submission, AHS anticipates having already been notified of the status of its September 1 budget.
 - If the September 1 budget is not accepted, AHS will resubmit it as-is on November 1.
 - If the September 1 budget is accepted, AHS will restore cut expenses from the FY23 budget for its November 1 submission.

7. **Announcements** and other matters for consideration in future board or committee meetings.

- a. No announcements

Finance Committee Schedule: 9:00 a.m. and Virtual unless announced otherwise

Click the date to register for the meeting

All meetings are hosted are live-streamed via Zoom

[September 20, 2022](#)

[October 18, 2022](#)

[November 22, 2022](#)

[December 20, 2022](#)

Adjournment at 11:15am.

- a. Motion to approve by Gene Kunde
- b. Second by Colleen Byron
- c. Unanimously approved.

Dated this 22nd day of July 2022

Arizona Historical Society

Jim Snitzer

James Snitzer, Finance Committee Chair

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