

**OHIO ARTS COUNCIL
FINANCE COMMITTEE MEETING
APRIL 8, 2013**

The meeting was called to order by Committee Chair Ginger Warner at 9:15 a.m. at the Ohio Arts Council office on the 33rd floor of the Rhodes State Office Tower, Columbus. The Finance Committee members in attendance were: Louisa Celebrezze, Sharon Howard (arrived at 9:25 a.m.), Monica Kridler, Jeff Rich and Sara Vance Waddell. Also present were OAC board members Karen Bell; Legislative Aide Damien Hardy for Senator Eric Kearney; and Legislative Aide Goran Babic for Senator Gayle Manning. OAC staff members in attendance were: Julie Henahan, Mary Campbell-Zopf, Karine Aswad, Carla Oesterle and Elizabeth Weinstein.

Budget Process Overview

Executive Director Julie Henahan reported on the ways in which board members might contribute to the agency's biennial budget proposal prior to its submission to the Office of Budget and Management (OBM). Included in the Council Book was a draft of one possible approach that addresses the budget development process from the setting of board policy through proposal writing.

Ms. Henahan reminded board members that the budget process begins when members establish or amend the *OAC Guidelines* to reflect priorities established through the agency's strategic planning process. Typically, any changes to *OAC Guidelines* have been made in the fall of even-numbered years. Long before OBM issues their biennial budget guidance, the board has a clear idea of what will go into the budget proposal because the board's policy priorities are reflected in the grant guidelines and the subsequent annual budget recommendations.

Ms. Henahan walked the board through the example and highlighted key tasks to consider while reviewing this proposal. She stated that if the *OAC Guidelines* are changed prior to knowing what the next biennial budget is going to be, it could create confusion and difficulties for our constituents. As an example, if a new grant program is approved by the Council to be included in the biennial budget proposal to OBM (FY2016/2017), the Council would need to begin discussions of new the *Guidelines* starting in the fall of 2013 and complete those decisions by June 2014. From July through mid-September 2014, Council and staff would then work on the biennial budget proposal and, at the same time, write new *Guidelines* in preparation for their release to our constituents in the fall of 2014. Ms. Henahan stated that the problem enters the equation if we do not get the budget we had hoped for in June 2015 and do not have adequate funds to support the new program.

Committee Chair Ginger Warner stated that the OAC has had to do that in the past -- the OAC has held panel meetings, announced award amounts then had to make cuts due to the economic decline and budget cuts the agency received. Ms. Henahan stated that, yes, we can do that for existing programs but it is not the best way to work. It is not advisable to incur the costs associated with working with constituents, changing the agency website, and organizing panel meetings and then not be able to fund the grants. Ms. Warner responded that if the board wanted to change the programming or distribute funds differently, why wouldn't we base our decision

on the agency's current operating budget? Why wouldn't the board work within the current budget and not add an additional 10 percent?

Ms. Henahan responded that it can be done that way but would mean that the funds would have to come from somewhere else and it would be the board's decision to determine what other programs these new funds would come out of. Ms. Henahan added that current practice regarding new grant programs has been as follows: if Council wanted to initiate a new program, it has typically been launched in the second year of a biennium when our financial resources are, for the most part, more certain. Using this timeline has allowed staff time to prepare *Guidelines* for a new initiative and to educate constituents on the initiative in the first year of the biennium, launch the initiative in the second year and include it in the next biennial budget proposal development when the proposed outcomes of the new program can be described with more detail and accuracy to OBM.

Ms. Warner inquired if the board would have to wait until 2017 to make any changes to programming. She stated that 2017 is too far especially since the Governor has recently recommended an additional \$2 million dollars to the OAC budget for FY2014/2015 and the House of Representatives might recommend an additional increase. It would be a shame to receive additional funding and distribute it across current programs if the board would like to see the agency do something else. Ms. Henahan responded that the board could recommend a new program for 2015. She added that this timeline is based on the next biennial budget cycle; FY2016/2017. Deputy Director Mary Campbell-Zopf emphasized that the proposed timeline was created in order to address problems if *Guidelines* changes need to be made as well as give staff and board members lead time to work on the next biennial budget. Ms. Henahan stated that the timeline will allow staff and board time to address changes and, most importantly, educate the field on the changes being made.

Ms. Warner thanked the staff for preparing the timeline.

Ms. Henahan directed the member's attention to the timeline and highlighted the following dates:

- **June/July 2014**—Office of Budget and Management (OBM) FY2016/2017 Budget Guidance released. OAC staff begins preparing FY2016/2017 budget proposal. Public work sessions with OAC Finance Committee scheduled (*announced and open to the public*).
- **Late August/early September 2014**—OAC Special Board Meeting held for full board to approve FY2016/2017 OBM budget proposal (*announced and open to the public*).

Ms. Henahan reported that any time the Finance Committee meets with staff it requires notice to the public and a public meeting. Committee member Sara Vance Waddell noted that during the January 2013 board meeting, members discussed whether the Finance Committee chair would work with the OAC staff on the budget preparation so that the entire board doesn't have to meet. Ms. Henahan responded that even if only one member from the Finance Committee participates in the preparation of the agency budget, a public meeting will still need to be held in order for that individual to present to the committee/board what work has been done. As part of the Open

Meeting Act, the board is required to conduct its business in a public meeting. Ms. Warner expressed that this is one of the most important things that the OAC board has been charged with and is worth a special meeting even if numbers might change as we go through the budget process. It is important for the board to become more familiar with how funds are allocated. Committee member Jeff Rich added that the budget is the most important policy position that the OAC board will take as it sets our priorities. He agreed with Ms. Warner that the OAC board members need to understand and be involved in the budget preparation process.

Board member Karen Bell affirmed that all members agree that the fiscal responsibilities of the board are critical to the agency's work. But she questioned whether being more involved was advisable and could actually slow the process down for the OAC staff. From our discussions it appears that the board has two different philosophies about how to sequence the budget development preparation process: there is a micro- and macro-level of thinking on this issue. Ms. Bell expressed that she is more comfortable with the macro-level and is concerned that if the board gets more involved in the day-to-day process of preparing the budget it would complicate and slow down the budget's preparation and that is not in our agency's best interest to work at that micro level.

Ms. Warner agreed stating that the intention is not to "move nickels and dimes around" but it is to know where the money is being spent before it is presented to OBM. Ms. Bell stated that some board members are interested in understanding through the bigger picture of the strategic plan and some need to know the details through the OBM budget proposal. Ms. Warner reiterated that fiscal responsibility is the most important task that the Council will participate in and it is the staff's responsibility to oversee the grant administration once the money is budgeted for each program. She added that approving a budget proposal after it has been completed and approved is not exercising the board's fiduciary oversight. We need to have a role in that and the board will exercise that role by meeting with the staff and hearing a presentation of how they are going to put the budget together. The budget will then be approved after it is returned from OBM with possible changes.

Committee member Louisa Celebrezze stated that she is concerned that the board will siphon off some of the staff's time and energy that need to be allocated to actual hands-on work they need to perform in a short time frame, if the micro-level philosophy is implemented.

Ms. Henahan reiterated that when OBM distributes the budget guidance, the budget forms we fill out are dictated by what OBM wants and how they want information presented. This information does not include grant program specific allocations, which are part of the annual budget spreadsheet the board receives and approves. Ms. Henahan stated that the budget tables are generated through the COGNOS and the OAKS financial system and do not look like anything the board and staff use. Once the budget has been signed into law, we take what the agency has been awarded and turn it into the spreadsheet distributed during each board meeting, and it is also reflected in the board's quarterly reports. Ms. Henahan informed the members that if they would like to make changes to the budget spreadsheet, which is also a part of the *Guidelines* development, they would need to do this in advance of the OBM proposal process.

Ms. Bell reiterated that the budget spreadsheet that reflects how the money is spent across program lines is the board's fiscal responsibility and not the OBM budget proposal development. Ms. Campbell-Zopf added that the forms in the OBM proposal are aggregates of four areas – 1) programs (grant subsidies), 2) program services (salaries and constituent services), 3) Riffe Gallery and 4) Percent for Art. They are only lump sums for subsidy, salaries, Percent for Art, and the Riffe Gallery. Staff uses the previous year appropriation figures to create the proposal. The board approved that detailed budget for FY2013 during the June 2013 board meeting. Per OBM's instructions we then used 90 percent of that budget to develop the FY2014/2015 proposal. There is no leeway when creating the proposal; staff works with 90 percent of what the board had approved for the prior fiscal year.

Ms. Warner expressed that she feels that the OAC board is primarily a "rubber stamp" and doesn't have the opportunity to change or address much of anything. Members receive grant recommendations, budgets, etc. and just put the stamp of approval on them. She added that since the board's primary responsibility is fiscal oversight, it is important for the members to begin to understand more about the budget process. In the course of things, there will probably be no suggestions or changes but she, as a board member, would like to know how much we are allocating for administrative costs, Riffe Gallery, subsidies, etc. Ms. Bell interjected that the board does know that information. Ms. Warner expressed that there is so much push back on this issue and on other things and questioned why the board is in existence if the members don't have oversight about what the staff is doing and what is being prepared. She added that it's not about the staff, the OAC has a fantastic staff, it is about the board and what the board is responsible for.

Ms. Bell stated that the board needs to talk about vision, new programming and strategic planning. That is the responsibility of this board. Ms. Warner stated that this is what we should do with the entire board during the June 2013 meeting.

Committee member Sara Vance Waddell inquired if the staff can distribute necessary information to the board prior to the June meeting. Ms. Warner stated that the information needs to come from the board and what the board would like to talk about during the June 2013 meeting. Ms. Henahan asked for clarification on what information Ms. Vance Waddell and the board would like prior to the meeting. Mr. Rich stated that the idea of the vision is to look at the big picture and each new or old idea has to be funded. He agrees with Ms. Warner; because all these visions need to be funded, they arise from how we allocate our scarce resources. Having a combined impact in the creation of the budget and a new program will fulfill the vision of the board. If the board wants to look at a different program, we need to make sure that we have the adequate resources to fund it. Ms. Warner added that we need to make sure that if the board decides to implement a new program that might be staff-intensive then we need to increase the administrative budget line so we can take care of that.

Ms. Bell stated that the board is now talking about two different things. The detailed budget (spreadsheet) that the board approves is where we need to make these visionary changes. The OBM budget proposal then uses what the board has already approved in the detailed budget. By the time we receive the forms from OBM for completion, the board would have already determined where the money should be allocated. Mr. Rich stated that if we haven't convinced the legislature that we need increased funds in the administration line then it wouldn't be

reflected in the OBM budget or the agency budget spreadsheet. Ms. Warner stated that if we need to add more money in either the administrative or subsidy line, we need to be able to direct staff to make those increases. Ms. Bell stated that we are just talking about timing.

Ms. Henahan agreed stating that it is the sequencing and how the work intersects each other. Staff can forward the OBM guidance to the OAC board as soon as they receive it. Ms. Henahan expressed regret that there is a feeling that this board is rubber stamp. The policies that have been made by the board have been critical to the forward motion and programming of the agency. The board is an important part of helping the staff look at things beyond the day-to-day tasks. She added that she conducted research and found that the board has approved some aspects of the budget at every board meeting for the last four years. The staff will continue to make every effort to assure that the board receives information about the budget proposal as early as possible.

Ms. Warner thanked Ms. Henahan for her comments adding that the board has not been involved in policy or changing programs for a while. Ms. Henahan responded that the members were very involved in the strategic planning process in 2010. Ms. Warner stated that the strategic plan is a big document and is difficult for the board to pick out what the changes recommended are. Ms. Bell responded that the board members who were involved in creating the strategic plan understand it and feel like it's a good read. Ms. Henahan noted that there has not been a major re-write of the guidelines for five years. There have been some adjustments to different programs over that period and all of those changes were presented and approved by the Policy and Planning Committee (now known as the Programs and Public Policy Committee) and then to the full board for approval. Ms. Henahan affirmed that the board has been an important policy guide for the staff and the agency.

Ms. Henahan asked that the committee make a recommendation to go before the full board, if they would like to adopt the proposed timeline.

MOTION by Jeff Rich, seconded by Sara Vance Waddell, to adopt the proposed budget development timeline for FY2016/2017.

Committee member Monica Kridler expressed concern that this motion doesn't reflect what the conversation this morning has included. There are two parallel conversations at the table: fiduciary responsibility at the macro-level or micro-level. The board has ideas of visionary programs and it is into those programs that Ms. Kridler would like to see the Finance Committee take a closer look into structure and fiscal resources. Some members on the committee want a stronger presence at the staff level for all budgetary issues and other members don't feel like that is necessary. She expressed concern that this motion reflects the micro level of managing the budget.

Ms. Warner stated that it would be good for the staff to distribute OBM budget guidelines as soon as they are received so that the board has a better understanding of what is required. The budget cycle proposal that Ms. Henahan has prepared addresses fiscal oversight and allows for visionary planning as well.

Ms. Bell inquired if any committee could call a meeting any time throughout the year. Ms. Henahan responded, yes, as long as we give the appropriate public notice. Ms. Bell asked if this timeline needs to be adopted. If we can call a meeting when necessary, do we need this timeline? Ms. Warner answered, yes; this timeline enables us to respect the time and needs of the staff and constituents.

Ms. Warner stated that a need for a special Finance Committee meeting could be necessary to talk about the visionary ideas as we don't have enough time during a regular meeting to discuss those issues.

Ms. Henahan shared that her only concern about this proposal is the issue of a new program being introduced before the biennium starts. Ms. Kridler inquired if this timeline would unduly encumber the staff and whether the timeline will allow the staff to have a fluid approach to drive staff efforts forward. Ms. Henahan stated that there will be a lot of work due during the summer of 2014. Every six years the OAC has to prepare the OBM and the National Endowment for the Arts proposals at the same time which will happen in 2014. Not only that, staff must also prepare for the fall board meeting.

Ms. Warner asked if the easiest thing would be that the programs remain the same and that there is no vision implemented. Ms. Bell stated that it's just about timing. Ms. Warner stated that the staff prepared this timeline; is the staff comfortable with it. Ms. Henahan expressed that it's not going to be easy but this timeline was the best way to address the concerns from the January 2013 board meeting.

Ms. Bell summarized that everyone on the committee agrees that it would be helpful for the staff to forward materials from OBM, as soon as they are received.

Committee member Sharon Howard stated that she doesn't get the feeling that everyone is comfortable with the motion or the proposed timeline. The committee has not reached a happy medium. There is disagreement about the degree to which the board should be involved. In regards to the timeline proposed and what Ms. Howard has understood from Ms. Henahan, she stated that the timeline was created as a solution to the needs of the board and staff. It will be tough to implement but the staff has expressed that they can do it.

Motion carried with one abstention; 6-1.

FY2014-2015 Budget Update & OAC Quarterly Reports

Ms. Warner directed the committee members' attention to the FY2014/2015 budget spreadsheet and quarterly reports and asked for questions. There was no discussion.

Finance Committee Descriptions

Mr. Rich reviewed that during the January 10, 2013 board meeting, the members reviewed and voted on the proposed structure and related committee descriptions for five of the six standing committees: Awards, Executive, Nominating, Panel Selection, and Programs and Public Policy. The Finance Committee description was discussed in great detail and a motion to amend the following language was carried without dissent:

The Finance Committee typically meets at each board meeting or **AT LEAST** three (3) times per year.

A vote to approve the following suggestion, made by OAC Board Chair Jeff Rich, was postponed until the spring board meeting.

The Finance Committee reviews **WORKS WITH** staff **TO PREPARE** budget recommendations before they are presented to the board. These recommendations address state and federal subsidy and administrative budgets and are typically approved by the board at its June meeting before the start of the new fiscal year. If there are state budget reductions during the fiscal year, the **FINANCE COMMITTEE WOULD WORK WITH STAFF TO PREPARE A REVISED BUDGET FOR THE** board's **APPROVAL** ~~would approve a revised budget~~ at a regular or special board meeting.

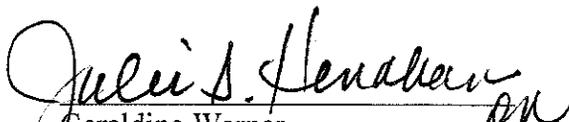
Ms. Warner recommended that the Finance Committee Descriptions discussion be postponed until the June 19, 2013 board meeting and asked the members to be prepared to vote on the language.

Ms. Kridler inquired if the new language will require a special public meeting or just a meeting between Ms. Henahan and a member of the Finance Committee. Ms. Henahan responded that a public meeting will be required. One of the concerns expressed during the January 2013 meeting was whether one member of the committee will be an accurate representation of the entire committee's opinions.

Motion by Sara Vance Waddell, seconded by Sharon Howard to table the discussion about the Finance Committee Descriptions. **Motion carried without dissent.**

The meeting adjourned at 10:07 a.m.

An audio recording of this session is available upon request.


Geraldine Warner
Finance Committee Chair

on behalf of Geraldine Warner


Sara Vance Waddell
OAC Board Secretary