

Pratt Board of Trustees Minutes

Meeting of June 28, 2017

Presiding: Jenny Pohlman

Attending: Lee Campbell, Susan Edelheit, Brian Flock, Preston Hampton, David Hensel, Terri Hiroshima, Len Lewicki, Ronda Miller, Piper O'Neill, Anna Skibska, Fletch Waller, Richard Wortley

Staff: Steve Galatro, Ryan Davis, Laura Hammarlund, Karina San Juan

Advance Materials: Agenda, May 2017 meeting minutes, May 2017 Finance Committee meeting minutes, FY17 financials as of May 31 2017, FY18 proposed operating budget, 2017-18 board calendar, Racial Equity Task Force materials, board self-assessment form.

Regular meeting of the Board convened at 5:58pm at Black Zone with a quorum present; minutes of the June 2017 board meeting were approved as submitted.

Welcome and Venue Introduction: Preston Hampton welcomed board members to Black Zone and provided an overview of its mission and work, then introduced the work of various artists on display throughout the venue. More information is available at blackzonesseattle.com.

Governance Committee: Fletch Waller gave an update on the status of board membership and a reminder that four trustees will be leaving the board at the end of this fiscal year. He noted that there are currently four nominees to the board, each of whom will need to be endorsed by the governance committee before the full board votes at its September meeting. Fletch also stressed that more nominees are needed for a robust board, and encouraged current members to seek other candidates; Steve Galatro reminded the board that only 16 of the current trustees will remain after the four departures mentioned above, and that the organization's goal is to have 25 trustees on the board.

Fletch also identified key skills and expertise desired from new nominees, including government and politics, social services, and law.

Finance Committee: Ronda Miller began her report to the board by noting that "it is always a joy to present robust numbers" on behalf of the finance committee. Highlights of her report include:

Company Snapshot

- *Operating cash:* Pratt currently has over \$391K in operating cash, "a really good, strong number."

- *Cash on hand:* The 4.67 months cash on hand includes unrestricted investments since this cash is available to Pratt but is only withdrawn when needed.

Budget to Actual

- *Tuition revenue:* As of May 31, 2017, tuition income is down \$111K/14% against budget. Ronda noted that this number is overstated by \$39K due to a “glitch” in the registration system, and that the actual shortfall is closer to 9%. This overstated shortage is also reflected in the Education Revenue.
- *Total development revenue:* FYTD variance is approximately +50% (\$404,053), due primarily to overages from the auction and Access Campaign.
- *Total operating expenses:* Total operating expenses are under budget by \$16,774, or approximately 1%.

Balance Sheet

- *Unrestricted cash:* Over \$389K currently banked in Pratt’s Pacific Continental account.
- *Klorfine funds:* Now over \$1.4 million thanks to an increase in the account’s interest rate.
- *Deferred Revenue:* The \$253K number is currently overstated and should be approximately \$39K lower as per above.

Executive Director’s Report: Steve presented his report on the following key topics:

- *40th Anniversary Exhibit @ BAM:* All artist submissions are due this Sunday. Steve praised the education committee for “an amazing job,” collecting 240 pieces from 90 artists. Steve anticipates another 100 to 150 artists to submit within the next few days. The exhibition opens on November 98 and runs through mid-April.
- *Board Calendar:* Steve shared the board calendar for 2017–18. He suggested a change: rather than five meetings plus one retreat, the board should instead add a March meeting and hold its retreat in February so that “we can have more touchpoints.” He also noted that the fall open house will be held on September 9, and that there will be no spring open house in 2018. April 28 has been set as the date for the 2018 auction, which will be held again at Magnuson Park.
- *King Country Elections/Proposition 1:* Steve encouraged all board members to vote in the August election in favor of Proposition 1, noting that its passage would bring a six-figure sum in annual funding to Pratt, “likely in the \$200,000 range.”
- *Campus Development:* Not much movement to report. Steve has not seen an updated schedule, but expects that there will be a delay, with a groundbreaking likely to be in the fall rather than in the spring. Early design guide meeting will likely be pushed back to August.

FY18 Proposed Budget Review: Steve began his review of the budget by noting the following:

- At a high level, this budget reflects tremendous growth by Pratt over the past 5 years – e.g., in earned revenue
- Operating expenses have not grown tremendously over that same time
- His strategy has been to “invest in people” – and in FY18 Pratt will “double down” on that strategy.

In reviewing details of the budget proposal, Steve also noted the following with regard to FY18 revenues:

- Tuition revenue reflects an overall 6% increase from FY17: 3% enrollment growth +3% price increase (compared to 4% overall this year).
- Pratt is investing in data and data analysis with a new registration system.
- Supply fee revenues will increase due to higher fees (related to inflation) and the increasing number of students.
- Studio access revenues will increase primarily due to full-year realization of new pricing in hot glass studio (\$200 K in hot glass alone).
- Though it may not look like it, contributed revenue is actually relatively conservative; considered without the \$1 million Adams contribution, this figure looks more consistent with previous years.
- The projected auction revenue is also relatively conservative; while he has no reason to believe we will not do as well as this year, Steve wants to be conservative about this figure.
- “Other revenue” is mostly comprised of earnings from investments. FY18 increases are based on projected additions to that fund, as well as a projected combined return of 4%.

With regard to expenses, Steve highlighted that the “key investment here is in staff and wages,” and that the 8.4% increase is driven by a 5% raise pool and additional “adjustments and alignments” for salaries. There will also be a restructuring among the development and marketing teams that will expend development in order to “solve inefficiencies.” He also expects benefit costs to continue to rise. Even with these increases, the projected net operating profit is over \$930K for the year.

With regard to reserves, Steve noted that 10% of the \$1.08MM will be released from restricted reserves throughout the year, leaving a balance of \$973K by year’s end. This money will go, along with the \$930K surplus from above, to unrestricted reserves – added to the current \$320K for an FY18 year-end projected total of \$1.358MM in unrestricted reserves.

Following Steve’s presentation, Fletch moved that the board accept the proposed operating budget for FY18, Ronda seconded, and the motion was passed with unanimous approval.

Racial Equity Task Force Update: Princeton review to the organizational continue them and how the organization was rated last March. He noted that the initiatives in and training and data collection is “all about moving the organization over along the continuum.” The task force will be working to update the continuum sometime within the next 1 to 2 months.

Adjourned 7:56pm

Respectfully submitted,
David Hensel