

**CALIFORNIA CULTURAL AND HISTORICAL ENDOWMENT
BOARD MEETING
MINUTES**

**Thursday, July 7, 2005
10:10 A.M.**

Location: Secretary of the State Building - Auditorium
1500 11th Street
Sacramento, California

Members of the Board in attendance:

Susan Hildreth, Chairperson
Tom Campbell, represented by Anne Sheehan
Cynthia Campoy-Brophy
Michael Chrisman, represented by Walter Gray
Suzanne Deal Booth
Senator Christine Kehoe, represented by Ms. Deanna Spehn
Georgette Imura
Arabella Martinez
Bobby McDonald
Betsy Reeves
James Irvine Swinden
Assembly Member Hector de la Torre, represented by Juan Torres

Staff in attendance:

Diane Matsuda, Executive Officer
Rachel Magana, Executive Secretary
Marian Moe, Staff Counsel
Frank Ramirez, Research Program Specialist
Oshi Ruelas, Research Program Specialist
Susan Takeda, Research Program Specialist
BranDee Bruce, Graduate Student Assistant
Michele Itogawa, Student Assistant

1. Roll Call

Chairperson Hildreth called the meeting to order at 10:10 a.m. and acknowledged the hospitality of Ross McGuire for use of The California Museum for History, Women and Arts as the meeting location.

She also welcomed new board members, Arabella Martinez, who has been appointed by Senator Perata, and Anne Sheehan, who will be representing the Department of Finance. She noted that Ms. Martinez will be replacing Marie

Acosta, former board member. Board members introduced themselves and a quorum was established.

The new Board members were sworn in by Counsel Moe.

2. Approval of Minutes from May 18, 2005

Delegate Spehn stated that questions she asked during the prior meeting were not mentioned or included in the minutes. It was explained that the minutes are a summary of the proceedings and they are sent out to all Board members to either make comments and/or make changes. Ms. Matsuda noted for the record that there is some wording that needs to be changed as well as the inclusion of four of the summaries that she gave as part of the agenda.

Given the fact that Senator Kehoe's staff has not responded before today's meeting with their corrections, Mr. Swinden moved to table this item for action at the next board meeting; seconded by Ms. Sheehan. Motion carried unanimously.

There were no comments from the public.

3. Chairperson's Report

Chairperson Hildreth offered the following:

- Because of the full agenda at today's meeting she may entertain taking a late lunch instead of breaking for lunch and reconvening.
- Ms. Matsuda and her staff have been extremely busy working with the projects that were recommended and identified for funding in December. In addition, staff continues to work with other projects in trying to get them to the point of actual approval and this will be discussed at today's meeting.
- At the Board's May meeting there was clear direction given to staff regarding the next grant cycle. Ms. Matsuda and staff have been taking the Board's comments into consideration and the new grant application will be discussed at today's meeting.
- Discussion of a Board calendar will be presented today in order to determine generally when the Board will be meeting.
- A proposed timeline for the future application cycles will be discussed in order to have a better idea of when applicants need to be prepared to submit their applications.

There were no comments from the public.

4. Executive Officer's Report

Ms. Matsuda reported as follows:

- The Board requested, at its last meeting, that staff contact all applicants who applied for funding during the first cycle to inform them that staff

reports are available for their review. A letter did go out and 125 requests have been received so far.

- Matching Funds – Discussed in detail under agenda item #5. Ms. Matsuda pointed out that the matching fund requirement will allow projects to start spending their matching fund resources from the Board approval date of funding.
- Some projects indicated that they would like to have the Endowment consider either a line of credit or loan to help fulfill the matching fund requirement.
- Resources Agency – It was earlier believed that Prop. 40 language had a specific sunset date for the Endowment. However, through meeting with the Resources Agency, clarification was made to that language and it does not apply to the Endowment. What does apply to the Endowment is a 5 percent cap on all Prop. 40 projects for administrative needs. Ms. Matsuda met with the Resources Agency Budget Department to discuss various alternatives and plans to monitor projects that are recommended for funding.
- Ms. Matsuda conducted research to better improve the grant application for uniformity and equity to all applicants. She discussed the creation of four divisions based on annual budget size of an organization (i.e., \$25,000 up to \$250,000), organizations with an annual budget from \$250,000 to \$1.5 million, and consideration of applications with annual budgets exceeding \$1.5 million with no limit. The fourth division would specifically address public agencies.
- She went on to talk about implementing a panel system and recruiting people to serve as panelists. These panelists would provide written comment, a numerical score, and a cumulative numerical score per grant application. This information would then be provided to the Board for recommendations based on predetermined review criteria.
- Ms. Matsuda suggested dividing the grant application process into several areas such as, administrative, submittal process, finances and sustainability. Currently a consultant is looking at the body of the grant application and will submit it to her for review. Various samples are being created that grant recipients will be able to use to aid in filling out their work plan, budget and timeline.

Mr. Gray inquired if the grant agreement had been finalized since the last meeting. Ms. Matsuda stated that none of the grant agreements had been signed. He further asked if any of the applicants approved at the last meeting have draft grant agreements. Ms. Matsuda said they have not.

Ms. Brophy asked when this might occur and Ms. Matsuda said that she has a sample summary but that it requires revamping and it should be completed within a week to week and a half.

Mr. Booth asked about exceptional need applications that required a quick or emergency response. Ms. Moe responded that awards are granted on a competitive basis and all applications need to be handled in that manner.

Ms. Reeves commented that smaller projects appeared to be set to the side and using a panel system would be better. However, the use of CD ROMS

would enhance the application process as sometimes the verbiage in the application does not do the projects justice.

Mr. Gray, returning to the grant agreement, asked if an opinion has been formed, from an administrative standpoint, as to how long it would take for the applicants to fulfill requirements. Ms. Matsuda responded that there would be a very detailed section that would clearly explain the work plan. However, smaller nonprofit organizations may be faced with a challenge due to the auditing requirements and the kind of money it is dealing with. Another challenge for all applicants would be putting together a work plan, budget, and timeline. Even though they have already submitted these documents, they did not provide the detail that is needed to have an invoice approved for reimbursement of funding. Sample documents would be provided.

There was no public comment.

5. Matching Funds Report

Information was made available and is posted on website. Staff is recommending that the Board allow projects that have received an approval of funding to be allowed to start spending money held to fulfill their matching fund requirement retroactive to the date of their approval of funding by the Board. This recommendation is based on research supplied to the public about the requirement of a matching fund.

Proposed language to be considered by the Board as to how a grant recipient has been approved for funding is set forth on the second and third page of the memo, *CCHE Board Request for Further Research and Clarification Regarding Matching Fund Requirement*. Also loans and lines of credit to fulfill the match requirement are covered on the third page of this memo. Understanding the Board's reasoning for instituting a match requirement, staff would like the Board to consider situations where funds are delayed and extenuating circumstances occur. In these cases, if guarantee of matching funds is provided, the projects would then be allowed to use a line of credit to fulfill up to a maximum of 30 percent of their matching fund requirement.

- Clarification of in-kind contributions – Ms. Matsuda stated she would like to limit the definition to not include things such as the equity of an already existing resource, yet still remain with the examples set forth in the policy adopted by the Board as to what is considered an in-kind contribution.

Public Comment:

- Mr. Hager stated that they have had to stop their project at the San Diego Natural History Museum due to delay in getting a contract. The stoppage is costing them \$500,000. He implored the Board to pass the resolution to allow a cash match as of May 18, 2005, and get a contract to his organization as soon as possible.
- Mr. Kohlmetz from Bay Area Electric Railroad Association comments that he finds himself in a similar situation as Mr. Hager. Their project has been stopped and they are \$40,000 over budget. Fundraising efforts have also

been slowed as their supporters are expressing concern about the status of the project, though he has assured them that they have been granted the money by CCHE and are only waiting on a grant agreement. He thanked the Board and staff for their hard work and expressed delight that Ms. Matsuda would shortly have draft agreements out to the organizations.

- Beverly Grova from the National Steinbeck Center stated that, though they have not yet applied, they would be doing so during the next cycle. She questioned the proposed language for a motion regarding Board action and whether the 30 percent limit was a loan against money that was nonobligatory. She also suggested that a larger percentage of a line of credit be allowed.

Comments from the Board:

Ms. Brophy had several questions regarding what Ms. Matsuda would need to expedite the process. She asked if temporary staff or additional staff hours might be needed. She asked if applicants could be working on, and assembling their information now, and she wanted to know how the 30 percent was determined.

Ms. Hildreth suggested that all questions except the one related to the 30 percent be held over as the current topic was strictly on matching funds.

Ms. Matsuda responded that a loan or line of credit takes money away, and if the project cannot meet the deadline and pay off the loan, it would be subject to foreclosure. So it is a Board decision that 30 percent would be a reasonable point to not totally go against the philosophy of why the matching fund requirement was imposed.

Ms. Reeves questioned if the time line could be shortened from next cycle. She felt a 30 percent loan could pose a liability to the Board should a project go in the red, and that a criterion should be developed. Ms. Matsuda stated the next cycle of funding would be shorter because now there is an actual grant agreement document in place. Applicants will now be able to see the main provisions of the grant application, clearly understand the requirements, and be better prepared to expedite the process. In response to the question of the 30 percent loan, she felt it should be the Board's decision.

Mr. Swinden stated that this Board started from scratch; there were no employees, no forms, and no loan agreements. The first round has been an exercise in learning and he commended Ms. Matsuda and her staff on what has been accomplished. He believes that the process will become shorter in the future because documents and forms will be in place. It is his opinion that future applicants should know upfront that it could take six to nine months before they actually receive their money.

Mr. Swinden moved adoption of the matching fund document (retroactive back to May 18, 2005) as presented by staff; seconded by Ms. Sheehan.

Mr. Gray commented on a "mild inconsistency" in the staff report under proposed language for motion regarding Board action. He stated that applicants were asked to do three things: segregate their match or at least distinguish their

matching funds, confirm what the specific funds were used for as part of the work plan, and recognize that, should a final grant not be negotiated, their ability to expend grants doesn't have any bearing on that. However, earlier it was stated that applicants seek approval from staff prior to making expenditures under these provisions. He feels that applicants might inadvertently be put in a position of violation and suggests recognizing appropriate expenditures that have occurred since first approval.

Ms. Hildreth asked Mr. Swinden when his motion was made was it to incorporate the proposed language or was it to simplify it? He responded he was trying to simplify it and felt it would not interfere with points one through three.

Ms. Hildreth went on to inquire if the proposed motion including grandfathering in funds spent between May 18 and July 7, 2005. Ms. Matsuda agreed that this was the case, though Ms. Hildreth indicated for the record, and the purpose of the motion, that May 18, 2005 would be the date which expenditures could be made.

Mr. Swinden stated that his proposal was to apply to those retroactively and cover the stopgap for this particular group of projects that were approved on the 18th. Motion carried, approved unanimously.

Regarding loans and lines of credit, Mr. Gray asked how many applicants this applied to and how many proposed to use this option. Ms. Matsuda responded that there is currently one to be discussed today that is seeking funding and would also be using a certain percentage of a line of credit to fulfill their match.

Ms. Martinez questioned two application packets that had loans from Northern California Loan Fund, but were called donations. Ms. Matsuda responded that one application, which would be discussed under agenda item #6, was the Julia Morgan Center for the Arts. They would be using a line of credit of \$52,000 for their \$303,000 project. The second applicant, Brava! For Women in the Arts/Brava Theatre, provided information from Northern California Loan Fund which is a grant to the organization.

Ms. Sheenan asked if Ms. Matsuda surveyed other grant-making bodies or public or private agencies to determine how they handled lines of credit. Ms. Matsuda responded that she had talked to other entities, however CCHE was entering new territory and it seemed 30 percent would be a reasonable amount for projects to repay using aggressive fund raising.

In response to Ms. Hildreth's request to simplify the conditions under which an applicant can request a waiver or a lessening of the 50/50 match, Ms. Matsuda stated that the grant application made available in September 2004 indicated that if a project could not meet the 1-to-1 match, they could request a reduction in their match with an explanation of why they felt this was warranted. She stated there was one applicant present who had such a situation.

Mr. Gray commented that applicants should exercise reasonable judgment in pledging their properties against a security of loans and as there was no grant-making basis for comparison, 30 percent is an appropriate number.

Ms. Hildreth felt that more discussion was needed because though she felt the board was comfortable with the concept of allowing a bridge loan or line of credit to help with cash flow, she did not feel that there was a consensus on using the value of that asset.

Ms. Martinez felt it would give the staff greater flexibility in working with grantees if each applicant was looked at individually as to their specific need, not using a fixed 30 percent. Perhaps it could be less, but not more than the proposed 30 percent.

Mr. Swinden proposed a motion that the line-of-credit language be stricken and replaced with appropriate loan type. The motion was tabled.

6. Continuation of Round One-Cycle Discussion of Applicants

Ms. Matsuda summarized the projects as follows:

- In December 2004 the Board reserved funding in the amount of \$37,391,009. In May 2005 \$11,326,726 was approved. The current projects total \$7,130,658, leaving a balance of \$18,933,625 of projects outstanding.
- The topic of over budget was discussed during the last meeting and it was determined that approved language be included in all resolutions to have a 10 percent reduction in the overall budget.
- Autry National Center for the American West – request for \$936,000 to rehabilitate the southwest museum (upgrades to electrical, plumbing and mechanical areas, installation of security system, restoration of sky lighting, and interior painting). Mr. McDonald moved to approve funding; seconded by Mr. Swinden. Motion carried, approved unanimously.
- Brava! For Women in the Arts/Brava Theater Center – request for \$1,338,024 to be used to construct a second story, upgrade a studio theater and the performer's room. Matching funds of \$400,000 will be from the Northern California Community Loan Fund, and an in-kind match from the institution itself, which is of the salary from staff. There is also an in-kind match of \$374,000 from contractors, a grant from the San Francisco Art Commission of \$35,000, and an in-kind donation of \$142,010.

Ms. Gavin, of the Brava! Theater, explained in response to the Board's concerns of lack of private funds that the Northern California Community Loan Fund is brokering a grant from the Hewlett Foundation of \$400,000, which is private money. She also suggested that the Board consider having someone with construction management and financing expertise on hand for applicant questions. She expressed her gratitude to the Board. Ms. Martinez moved to approve funding; seconded by Mr. Booth. Motion carried, approved unanimously.

- Madera County Resource Management Agency Project – request for \$1,403,234 for Paleontology Museum. The fund will be used for land stabilization and exterior construction for the creation of a portable museum. A waiver for a reduction of match was submitted with a request for 36 percent. Information regarding this request is outlined on page 3 of the findings of fact. Matching fund sources include \$750,000 from California's Prop. 12 Urban Recreational Cultural Center Grant, and \$165,021 are from the Institute of

Museum and Library Services. Ms. Sheehan moved to approve funding; seconded by Ms. Imura. Motion carried, approved unanimously.

- Julia Morgan Center for the Arts – request for \$303,900 to be used for major repairs to the building, specifically roof replacement, drainage, runoff containment, and interior repair. Operating funds will be \$37,419.19. They have a donation from the Fleishhacker Foundation of \$5,000, a donation from Wayne & Gladys Valley Foundation of \$25,000, board and private individuals of \$46,345, in-kind labor of \$10,036 dollars, and a line of credit with East West Bank of \$52,992. The line of credit to be used will secure the building. Public Comment – Sabrina Klein, Julia Morgan Center for the Arts – She states that the line of credit is in order to demonstrate that the project can be completed. They expect to raise an additional \$200,000 before the process is completed, therefore do not anticipate having to utilize the line of credit. The matching fund they currently have is more than the amount owed, therefore, amount to be borrowed would be less. They have tenants that occupy the building and 70 percent of their annual operating budget is earned revenue. Project was set aside for further discussion.
- Fox Theater Restoration/Oakland Redevelopment Agency – request for \$2,887,500 to restore the interior of the Fox Theater. Matching funds come from a bond allocating \$44,360,000, completely matched with public money. Ms. Sheehan moved to approve funding; seconded by Ms. Martinez. Motion carried, approved unanimously.
- Discovery Science Theater – requesting \$262,000 to be used to restore and install Delta III Rocket on the Center's grounds. Matching funds of \$112,000 come from the center itself, and \$150,000 came from Boeing in the form of a cash donation. Ms. Perovich, of the Discovery Science Theater, stated she had a letter from Boeing specifying that the Delta Rocket cost \$12.9 million to build and it has a residual value of \$4 million and she would like to include this amount as a part of their match. After much discussion, Mr. McDonald moved to approve funding as presented with the cash contribution; seconded by Ms. Brophy. Motion carried, approved unanimously.

Ms. Hildreth, prior to breaking for lunch, asked if there were public comment on any of the projects that were not being funded.

- Ms. Spehn asked for a status report on the Latino Theater Company to which Ms. Matsuda stated that she had contacted Mr. Miller, Acting Director for the Chief Legislative Analyst's Office for the City of Los Angeles to inquire about the proposal. He indicated that there was a deadline of July 8 for submission of proposals. Thereafter, candidate recommendations would be made and submitted to the Los Angeles City Council for ratification. Ms. Spehn asked if the City Council was making the decision for the Board, to which Ms. Matsuda replied that was not the case. It was an unresolved area, as the contract was never ratified with the City of Los Angeles due to various issues. An agenda item was suggested for the next meeting to determine how long the Board would wait on this particular project.
- Ms. Reeves requested the status of all the reserved or recommended applicants that were on the list. Ms. Hildreth referred her to "*Status Report on 14 Remaining Projects Considered for Funding – Round One-Cycle One*". Ms. Spehn questioned what would happen with these 14 unresolved projects as

they affected the projects that had already been approved. Ms. Hildreth recommended that it be agendaized for a future meeting.

AFTERNOON SESSION

Ms. Hildreth reopened the meeting and discussion began on the topic of the line of credit/bridge loan and its definition to fulfill the matching fund requirement.

- Ms. Martinez commented that the source of repayment of the line of credit needed to be addressed and that the staff should assess the track record of the organizations and their history of support, both public and private.
- Ms. Sheehan proposed that language tracking on Page 4, No.1 remain the same. However, she suggested a new No. 2 that would require copies of audited financial statements in order to determine the organization's financial standing. She also recommended changes to No. 3 and to move the current verbiage for No. 3 to the No. 4 position. She questioned the need for No's 4 and 5.
- Mr. Gray asked for the Board's feelings on organizations pledging or encumbering the capital asset for which CCHE funds would be used as the security for loans.
- Ms. Kehoe expressed her appreciation for the Board's work. She went on to express her understanding of Mr. Gray's concerns and shared her opinion that if the organization's assets are generating income and other financial means to make the activity viable, then it should be considered.
- Ms. Martinez stated that there are many nonprofits that have loans on their assets and many funders that extend grants to organizations with loans on their assets. She emphasized that the focus should be on risk assessment since the goal is for the organizations to succeed.
- Ms. Sheehan moved to adopt a policy allowing for lines of credit or bridge loans or other financing pursuant to the four previous points covered; seconded by Ms. Hildreth with the opportunity to revisit the policy within 12 months. Motion carried, approved unanimously.
- Ms. Kehoe shared her thoughts on the critical issue of supporting the bond measure and urged the Board to make a fair and timely allocation of funds for the first cycle, and begin the second cycle process. She offered her assistance and thanked the Board for its efforts.
- Mr. Gray inquired of in-kind contributions and asked the staff to be more specific as to what constitutes an in-kind contribution. Ms. Brophy shared his concerns and also suggested that they be careful in the wording. Mr. Gray offered his time to work with staff in expanding the definition and creating a set of categories.
- Ms. Imura asked that "donation of services and labor" be clarified to reflect volunteer services.
- Ms. Hildreth asked Ms. Matsuda to return to the next meeting with expanded definitions of in-kind contributions.
- Ms. Hildreth moved to approve the Julia Morgan Center for the Arts; seconded by Ms. Sheehan. Motion carried, approved unanimously.

7. Public Comments

- Mr. Hamaguchi commented that as a real estate consultant he was in attendance to determine how his project would fit into the program. He expressed concern regarding the elimination of the concept paper, as it would prove a hardship to smaller organizations due to the money required to get the full grant application. He asked that the Board reconsider and restore the concept paper for smaller organizations.
- Ms. Martinez asked if a category could be added for planning and predevelopment as opposed to capital grants for smaller organizations. Ms. Moe responded that as long as it was a specific concrete capital asset and, and they had a concrete place, plan and organization is in place, then it would be permissible under the Bond Act.
- Ms. DeWald, Director of the California Association of Museums, shared her appreciation for the work that was being done and concurred with the proposal to have different budget divisions, peer-reviewed panels, and uniformity in the application process.
- Mr. Dufty, Member, San Francisco Board of Supervisors, introduced his project of renovating the Harvey Milk Library in the Castro, mecca of the gay and lesbian, bisexual and transgender community. Additionally the vacant parking lot next door invited the concept of a permanent home for SF's Gay, Lesbian, Bisexual and Transgender Historical Society. He explained that the city is behind the effort and has allotted them one year to find funding sources.
- Gordy de Ne Cochea, City of Calexico, shared that the city would be submitting an application for historical restoration of the Carnegie Library's conversion to a museum.
- Mr. Fowler, Project Manager of Mission San Miguel, implored the Board to consider the desperate need for funds of all 21 missions in the state and to allow application for funds, despite the argument of separation of church and state. He indicated that he had been discouraged from applying through the Attorney General's office.

8. Board Member Comments

- Ms. Reeves inquired that if the Board met in September for the second round application process, how long would it take to get those applications out? Ms. Matsuda stated that if there were further research required by the Board it might take additional time. However, she recommended that it be made an agenda item for the next meeting as to a calendar deadline date for resolution of the first round of projects and how to proceed with the 14 unresolved projects.
- She shared that the next cycle of funding is projected to be \$15 million, and two cycles would follow for \$36 million each. She proposed that the Board decide if they want to propose another year long cycle to ensure funds are allocated within the cycle budget or divide the remaining funds among three cycles. Ms. Hildreth suggested staff return with recommendations.
- Ms. Brophy asked if an online meeting could be conducted should the Board be unable to gather. Ms. Moe stated that the Bagley-Keene Act allows a meeting to take place in such a manner as long as there was a 10-day notice and the meeting is made available to the public.
- Ms. Martinez asked how the time could be reduced as the applicants felt that they had to keep adding or make reiterations to their proposals. She felt more

time should be allowed and a means to reduce unresolved issues be identified.

- Mr. Torres suggested that the Board consider if there are funds remaining from Cycle 1 they should be reverted to Cycle 2.
- Ms. Spehn expressed her concern that three candidates were being treated dissimilarly from other candidates as they were essentially being gifted staff costs to proceed as a lead agency. Ms. Moe stated that an introductory class on California Environmental Quality Act, which provides specific definitions for who can act as a lead agency demonstrates that the Endowment would be the lead agency when there is no other public agency to act as lead. Ms. Sheehan explained that if the Endowment were not acting as lead agency, these projects would not qualify. As lead agency, the Board will be certifying the environmental document. Ms. Moe stated she would attempt to get, but could not guarantee, a response from the Department of Finance in terms of allowable costs of the 5-percent administrative costs issue on this matter.
- Ms. Reeves asked if there were a way to expedite the approval process for projects that might become compliant prior to the September meeting. Ms. Hildreth felt that logistically it would be a challenge to set up such a meeting and that the Board select a date prior to the September meeting and alert the projects to the meeting date and time.
- Ms. Matsuda offered an alternative to keep the Board abreast of project status on a weekly basis, and then at that time, determine the necessity of a meeting or conference call. She also agreed to keep the Board aware of the status of the grant agreement negotiation process; however finalizing would be on a case-by-case basis.
- Ms. Brophy encouraged Ms. Matsuda not to require work plans to be so specific in detail. However, Ms. Matsuda emphasized that for bond and auditing purposes the invoices required such detail. Ms. Hildreth stated that even though this is time consuming, it is important that documentation be accurate in order to go through the auditing process with “flying colors”.

Public Comment:

Mr. Kohlmetz again expressed his concerns regarding the timelines and the delays his project has incurred. He offered his assistance in any manner necessary to help expedite the process.

9. Administrative Matters

- Ms. Matsuda shared that she would do additional research on division of funding and panel review. She suggested the Board meet four times a year allowing each meeting to focus on something different (mid-September, November and March).
- She emphasized the importance of having technical people check off what is required of Form 990 and would be looking into hiring panelists.

10. **Adjournment:** Meeting was adjourned at 3:35 p.m.