

CHAUTAUQUA INSTITUTION BOARD OF TRUSTEES
Friday, November 1 & Saturday, November 2, 2013
Bellinger Hall, Chautauqua Institution, Chautauqua, NY
MINUTES

Members Present

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|---------------------|--------------------------|
| Jim Pardo – Chair | Candace Littell |
| Karen Arrison | Bob Metzgar |
| Jill Bellowe | Dorothy Trefts McEvoy |
| Don Boswell | Greg Miller |
| Jim Brady | John Milos |
| Christine Brueschke | Sheila Penrose |
| Carolyn Byham | Steve Percy – ex officio |
| Laura Currie | Jason Phillips |
| Jennifer DeLancey | Tim Renjilian |
| Bonnie Gwin | David Rosen |
| Bob Jeffrey | John Viehe |
| Ron Kilpatrick | |

Members Absent

Jack McCredie
Jim Groninger

Others Present

Sherra Babcock
Sebastian Baggiano
Rindy Barmore
Tom Becker
Hugh Butler
Joan Campbell
Doug Conroe
Matt Ewalt
Geof Follansbee
Marty Merkley
Deborah K. Moore
George Murphy
Sam Price
John Shedd
Bruce Stanton
Linda Steckley

I. Opening

Mr. Pardo opened the meeting with a word of prayer. On motion made, seconded, and carried, the Board moved into Executive Session, asking Mr. Percy and Mr. Price to remain present and participate. Subsequent to the conclusion of the Executive Session, the Board meeting resumed and took up the following matters.

II. Minutes

The minutes of the August 24, 2013 Board of Trustee meeting were approved as presented.

III. Report of Chairman

Mr. Pardo thanked the members of the Board for responding to the survey distributed this past season and asked the Board to review the summary and identify issues that should be addressed by the Board in their strategic discussions. The Board's agenda for this meeting includes in-depth discussions on the role of programming as it relates to the strategic plan's goal of sustainability, the hotel's strategic plan (including the unbundling of lodging and food service), and the Promise Campaign's strategy, timing and goals. The new format for the committee's and the Board's meetings is a work in process, and Mr. Pardo asked for comments and suggestions on the formats going forward. The goal is to provide more time to discuss strategic issues in greater depth. The Board was asked to complete the Conflict of Interest, Code of Ethics and Confidentiality Statements and return them to Ms. Barmore. Mr. Pardo noted that the retreat in February will be chaired by Jason Phillips, with John Milos and Tim Renjilian assisting and will focus on the current strategic plan and a review at its midway point.

IV. Report of President

Mr. Becker discussed the collaboration with Colonial Williamsburg in 2014 and its focus on Egypt noting that there may be potential to bring Egyptians to the grounds during that program. Colonial Williamsburg is conducting a program on history, citizenship and democracy in February 2014 and Chautauqua is serving as a partner in that program. The February program will serve as a pointer to Chautauqua's 2014 program and provide cross-marketing opportunities. The evaluation of the Romeo & Juliet project is in progress and work has begun on the 2014 Inter-Arts Collaboration. Mr. Becker referred to the Community Communications Plan, which outlines the various avenues for communication and the timing of some of those communications. The intent is to standardize the communication process and timing for key issues. In terms of the budgeting process, there will be some staff reductions (positions that will not be replaced based on pending retirements) and collaboration among departments to consolidate the work processes. There is also a focus on "right" sizing the programming to address revenue and expense.

V. Committee Reports

Asset Policy

The Asset Policy Committee met by telephone four times in the last few weeks to develop the budget and related material for the Board meeting. Mr. Kilpatrick referred to the Strategic Approach to Financial Sustainability, which included the strategic goals outlined in the strategic plan and the financial results at midpoint of the plan. The levers identified in that plan include gate price increases, attendance increases, philanthropic growth, identifying new revenue sources and reducing and controlling expenses. In this plan, the focus has been on the expense lever with an approach of flat to 1% over the period 2014 to 2016.

Upon the recommendation of the Asset Policy Committee and on motion, made, seconded and carried the Board approved the 2014 Capital and Operating Budgets.

Upon the recommendation of the Asset Policy Committee and on motion made, seconded and carried the Board approved the 2014 Ticket and Pricing Fee Schedule.

Upon the recommendation of the Asset Policy Committee and on motion made, seconded and carried the Board approved the Standard Resolutions, a copy of which is attached to the official minutes.

Program Policy

The Program Policy Committee met by telephone on October 17. Ms. Bellow reported that at the committee meeting they discussed the status of possible additional denominational houses; the currently on-going evaluation of the Romeo & Juliet Inter-Arts Collaboration; Mr. Renjilian's work with the staff in that evaluation process and his development of a matrix to be used in connection with that evaluation; the process for the selection of the CSO Conductor, including the formation of a selection committee that will assist in identifying a candidate; the positive results contained in the survey of last season's piano students and related piano program; and the process to be undertaken for the selection of a piano director. The committee received reports from the staff on the evaluation process for the 10:45 lectures; the updated statistics for the 2013 Department of Religion Program; and the potential

speakers for 2014. The Program Policy Statement is being reviewed further and will be brought to the Board for approval once the committee has finalized the document.

Development Council

Mr. Brady reported on the results of the Chautauqua Annual Fund, which as of September 30 had received gifts and pledges of \$2,589,176 toward its \$3,610,000 goal. The Board was asked to participate in solicitation calls to significant donors that have not given this year. The Board will conduct a deep-dive discussion on the Promise Campaign and its goals at its Board meeting.

The invested endowment now stands at over \$71 million, with total Foundation net assets (including receivables) of more than \$80 million. Mr. Percy discussed the current payout policy to the Institution and noted that the Foundation's Investment and Finance Committees will discuss the policy in light of the endowment's current market values, historic performance, and expectations. Mr. Percy discussed the Foundation's portfolio in detail.

Architectural Review Board

Mr. Pardo stated that the report from the Architectural Review Board will be at a general level and will not address specific cases, noting that the Board's Executive Committee sits as the appellate committee for decisions by the Architectural Review Board and needs to preserve its objectivity in that role. Mr. Jeffrey reported that Christine Brueschke and David Rosen are new members of the Architectural Review Board and that Donna Zellers' status on the Architectural Review Board is now that of a community member. The new ALU Regulations are accessible to the Chautauqua community, including the contractors who regularly work on the grounds. Several workshops will be conducted next season for the community and contractors to learn more about the new regulations.

Hotel Board

The Hotel Board has been expanded to ten members and conducted its first meeting with the expanded Board on Thursday, October 31. The Hotel Board is considering a new business plan which includes the bifurcation of food services and lodging and related issues of pricing. The Board of Trustees will conduct a deep-dive discussion on the Hotel and its goals later in today's meeting.

VI. Role of Programming within the Strategic Plan's Goal of Sustainability

Mr. Becker discussed the role of programming within the strategic goal of sustainability. The discussion included a PowerPoint presentation and focused specifically on the 2013 program and the Institution's strategic goals. Mr. Becker referred to the Romeo & Juliet Project and showcased a behind the scenes video of the performance. *The American West* in 2014 and *Carmina Burana* in 2015 are two more examples of the types of innovative programming under development. WQED will show a one hour documentary on four Chautauqua music students on April 10, 11 and 13, 2014. This documentary was funded by Chautauqua, filmed during the 2013 season, and followed the routines of the students. Mr. Becker highlighted the various art forms and specific programming initiatives for 2014 that tie directly to the Institution's strategic goals.

Planning for the 2014 programming has been a collaborative effort, bringing together program, marketing and fundraising staff in weekly meetings. The goal is to establish an integrated strategy to

reach volume targets in key weeks; challenge programming to promote the weeks to both new audiences and returning Chautauquans; and answer the “so what” question: why does the week’s programming matter, what makes it important, and what can Chautauquans take away from the week.

The focus of all activities (grounds, programs, etc.) is on innovative programming, marketing, branding, enhanced engagement and increased recognition and volume growth. Programming’s success will be measured by people coming, returning, advocating and giving.

Discussion focused on marketing opportunities with the organizations with whom we are collaborating. There are no contracts with the various organizations and therefore the discussions of cross marketing are part of the conversations as the programs are developed.

VII. Hotel Strategic Plan

Mr. Kilpatrick discussed several important strategic ideas relating to the Hotel through use of a PowerPoint presentation, including the pricing for Hotel packages and bifurcation of food service and lodging. Mr. Baggiano discussed the financial model for the Hotel, which includes increased attendance, increased occupancy and providing for on grounds foods service. In 2013, Hotel occupancy stood at 73% with 11,924 in-house guests. Mr. Baggiano reviewed the new Hotel plan, which included the categories of the rooms available, room charges per category and available food/lodging packages. Mr. Murphy presented the 2014 Hotel Marketing and Communication’s Plan which calls for increasing occupancy to 80%, repositioning and communicating to on ground guests availability of affordable meals (growing outside guests by 20% in food service), growing in season group business, expanding marketing to the Washington, D.C., and southern Ontario markets, and improving customer satisfaction metrics. He shared the room rates for the American Plan (all meals included), the European Plan (includes breakfast only) and room only fees. Mr. Stanton shared specific food service options available in the new plan.

The overall metrics for success of the plan call for the Hotel to break even, increase attendance higher than 80%, integrate food service in the structure, and provide financial sustainability to produce \$500,000 profit to address capital needs.

Mr. Shedd discussed the capital needs for the Hotel, noting that approximately half of the rooms have been renovated. From 1985 to 2012, approximately \$7 million has been spent on capital projects for the Hotel. Since 2005, average capital spending has increased and has totaled approximately \$458,000 annually. A comprehensive building study was conducted on the Hotel in 2005 and has been used as the basis for the renovations and capital maintenance/improvements. Parts of that study were updated in 2013 based on immediate capital needs. Capital needs for the Hotel for 2014 are projected at \$5,350,000

The Board adjourned the meeting at 5:15 p.m.

The Board reconvened its meeting at 8:30 a.m. on Saturday, November 2, 2013. Members Absent: Don Boswell, Jim Groninger and Bob Metzgar.

Mr. Pardo called the meeting to order.

VIII. Promise Campaign

Mr. Brady shared a six minute video highlighting the goals and initiatives in the Promise Campaign. The Strategic Plan adopted by the Board in 2010 included the following initiatives: The Chautauqua Mix, The Community, Leadership, Financial Sustainability and Brand Management. The Promise Campaign is directly linked to the approved strategic goals and focuses on the philanthropic support to achieve those goals. Mr. Follansbee discussed the process for the development of the campaign, the initiatives within the campaign and the amounts raised to date toward those initiatives. He discussed the capital projects in detail and specifically the potential Bellinger Hall project. Mr. Merkley noted that Bellinger Hall is home for the various artistic students that come to Chautauqua each season. The biggest issues for the students include the need for air conditioning in the student's rooms and connectivity to internet (increased bandwidth). Mr. Shedd discussed the construction issues related to the building, noting that Bellinger is made up of two buildings, north and south. Structurally the buildings are in good condition, but need updating, including new windows, foodservice/kitchen areas and bath rooms. Mr. Stanton stated that Bellinger Hall provides lodging and food service for approximately 300 students per week over the nine week period. Total projected need for Bellinger is \$5 million.

Discussion focused on the Amphitheater project noting that the public phase of the campaign will be focused toward the endowment of the facility. It was recommended that the funds raised toward the Amphitheater be fungible and that the smaller donors have the opportunity to support the Amphitheater as a whole.

The summary of the Promise Campaign totals was presented: Leadership at \$2,500,000; The Grounds at \$10,250,000; The Experience at \$47,868,931; and Keeping the Promise at \$37,572,912; for a total Promise Campaign goal of \$98,191,843. The summary included the specific initiatives within each of the areas.

Mr. Brady discussed the process and timeline for the implementation of the public phase of the campaign. The Development Council and the Chautauqua Foundation unanimously approved the launching of the public phase of the campaign in early February, 2014, for the public phase of the campaign to run through December 31, 2016, and for the total length of the campaign to last for six years. The campaign volunteers will be recruited this spring and are anticipated to total approximately 40. A communications plan for the kick-off of the public phase has been developed and will be launched with letters to key volunteers and prospects, the development of a campaign video for distribution by email and on the website, and notifications in the Winter Chautauquan. The prospect pool includes approximately 170 in the lead gift phase and 400 in the public phase campaign.

Upon the unanimous recommendation and approval of the Development Council and the Foundation Board of Directors, and on motion made, seconded and carried, the Chautauqua Institution Board of Trustees approved the goals and initiatives of the Promise Campaign. (A copy of the goals and initiatives of the Promise Campaign are attached to the official minutes.)

Executive Session

On motion made, seconded and carried, the Board went into executive session inviting Mr. Percy and Mr. Becker to remain present and participate.

There being no further business the meeting was adjourned.

Respectfully submitted,

Rindy S. Barmore
Corporate Secretary
Chautauqua Institution Board of Trustees