

MINUTES OF THE JULY 28, 2014, FACILITIES COMMITTEE MEETING

The Facilities Committee (“the Committee”) of the Board of Regents of the Smithsonian Institution conducted a meeting in the Regents’ Room of the Smithsonian Castle on July 28, 2014. Participating were Committee Chair Robert Kogod and members Roger Sant* and Representative Tom Cole*. Committee members Senator Patrick Leahy, Representative Sam Johnson, Sakurako Fisher, and George Hartman were unable to participate.

Staff present included Secretary G. Wayne Clough; Chief of Staff to the Secretary Patricia L. Bartlett; Director of the Office of Facilities Engineering and Operations (OFEO) Nancy Bechtol; Deputy Director of OFEO Walter Ennaco; Office of the Regents Senior Writer-Editor Barbara Feininger (recorder); Director of the Office of Facilities Management and Reliability Kendra Gastright; Assistant to Representative Johnson Dave Heil*; Inspector General Cathy Helm; Under Secretary for Finance and Administration and Chief Financial Officer Albert Horvath; Under Secretary for Finance and Administration John K. Lapiana; General Counsel Judith Leonard; Assistant to Senator Leahy Kevin McDonald*; Assistant to Representative Cole Sean Murphy*; Deputy Director of the Office of Planning, Design, and Construction Debra Nauta-Rodriguez; Director of Government Relations Nell Payne; Associate Director for Real Estate Edward Rynne; and Chief of Staff to the Regents Porter N. Wilkinson.

CALL TO ORDER

Mr. Kogod called the meeting to order at 11:04 a.m.

APPROVAL OF THE FEBRUARY 11, 2014, COMMITTEE MEETING MINUTES

A quorum was not available. The draft minutes of the February 11, 2014, Committee meeting were later approved by email ballot.

UPDATES ON SPECIFIC INITIATIVES

Facilities Capital and Maintenance Investment Requirements and Appropriations—Fiscal Years 2014–2020

The Smithsonian’s fiscal year 2014 Federal budget includes \$103 million for facilities revitalization (versus \$150 million requirements level), \$55 million for new construction, and \$69 million for facilities maintenance (versus \$100 million requirements level). The funding for new construction is primarily directed to the construction of the National Museum of African American History and Culture (NMAAHC).

Mr. Horvath and Ms. Payne discussed the House markup of the fiscal year 2015 Federal budget request. The \$139 million markup for facilities capital was lower than requested. The final piece of capital funding for NMAAHC is included. The fiscal year 2015 Federal budget will likely be established late in the calendar year as a continuing resolution (CR) is anticipated for the

* *participated by telephone*

beginning of the fiscal year. It is unlikely the Senate will mark up the bill but instead will move directly to a CR.

Strategic Facilities Investment Plan

Mr. Horvath provided an executive summary of the strategic facilities investment plan presented to the full Board at the June 23, 2014, Regents' meeting. Three overarching challenges drove the development of the plan: the age of the Smithsonian's facilities, the heavy use of public spaces, and consistent shortfalls in Federal funding.

The unanticipated need to replace the facade of the National Air and Space Museum (NASM) prompted the development of plans to advance the Smithsonian's facilities investment strategy and make a compelling case for increased Federal funding. The funding strategy has three elements: double Federal funding for facilities maintenance by fiscal year 2019 (from \$75 million to \$150 million); double Federal facilities capital funding for major renovations (from approximately \$100 million to \$200 million) beginning in fiscal year 2016; and make a one-time request for special Federal funding for the replacement of the NASM facade.

It is essential that the Smithsonian's facilities investment priorities are reflected in the President's budget. There have been increased efforts to communicate the Smithsonian's needs. Staff in the Office of Management and Budget (OMB) have been briefed, and a meeting is scheduled with OMB Associate Director Sally Ericsson. Leadership also will reach out to the newly confirmed OMB Director. Congressional outreach has included meetings with strategic congressional appropriations staff.

Representative Cole stated that the Smithsonian has a compelling case for increased Federal support for its facilities. He noted, however, that the Smithsonian is seeking an increase in funding during a time when the Federal budget is shrinking and another sequester will soon occur. He applauded Smithsonian leadership's efforts to build relationships and make compelling case statements with key congressional constituents.

In the face of inadequate Federal funding, coupled with unsafe facility conditions, Mr. Sant encouraged developing a "Plan B" to address facilities maintenance needs. Mr. Kogod advised the development of a strategic position statement regarding the responsibility of the Federal government for the maintenance of Smithsonian facilities, and asked that the statement be presented to the Board of Regents for endorsement.

UPDATE ON LEASING STRATEGY

Mr. Horvath updated the Committee on the Smithsonian's long-term leasing strategy and efforts to achieve potential cost savings and administrative efficiencies. He reviewed administrative spaces currently leased by the Smithsonian. The Smithsonian expends nearly \$23.6 million each year on leased space. Federal appropriations cover 75–80 percent of those costs. These costs are anticipated to grow to approximately \$32–35 million by 2021.

Over the past 18 months, staff analyzed several options to offset anticipated rent increases, including consolidating expiring leased spaces into more economical space; acquiring consolidated administrative headquarters; and pursuing a third-party lease/leaseback with a reversion clause. Maintaining the status quo is probably the most costly option, but action on the other options will require significant lead time. Ownership would convey several benefits because of the Smithsonian's tax-exempt status. The Smithsonian has conducted preliminary reviews of potential consolidation sites, including surplus buildings owned by the General Services Administration (GSA).

Next steps include discussing different approaches with the OMB. The Smithsonian also will continue to discuss viable options with the GSA and conduct due diligence on currently identified options. The potential financial impact of each option will be closely examined. Smithsonian leadership, said Mr. Horvath, suggest issuing a Request for Proposal (RFP) for purchase option in fall 2014. The non-binding information from the RFP will inform a discussion with the Committee in February 2015.

MAJOR PROJECT UPDATES

National Air and Space Museum

Ms. Nauta-Rodriguez updated the Committee on the revitalization of the National Air and Space Museum (NASM), which will include replacing all major systems and the building's exterior envelope. An architect has been selected and a concept design will be presented in November 2014, after which the new exterior cladding material will be selected and the building's connection to GSA steam and water lines will be determined. The fiscal year 2016 Federal capital budget request includes \$30 million for the NASM renovation, of which \$20 million will provide for detailed design and \$10 million will support early artifact preparation. The museum aspires to keep about half of its public space open during the renovation.

National Museum of African American History and Culture

The building's steel frame now reaches the roof level of the new museum and a milestone steel topping-out event will occur in about six weeks. The canyon space around the foundation has been backfilled. OFEO is awaiting a permit to surface-cut across 14th Street to create data back-up connections with the National Museum of American History. Major HVAC systems are in place, freight elevators are being installed, and escalators will soon arrive.

South Campus Master Plan

The South Campus Master Plan is being introduced to Smithsonian donors. Cost and implementation strategies are being developed. Improvements to the Castle Great Hall will soon begin, allowing the Smithsonian to enhance the visitor experience while testing design ideas for the ultimate renovation of the Castle.

Arts and Industries Building Shell Revitalization and Interior Stabilization

The shell revitalization phase of the project is complete, providing a structurally sound and waterproof envelope to the building. The roof, walls, and windows have been repaired,

replaced, or updated. Work will begin on the interior of the four great halls and the rotunda to prepare for use for special events.

Cooper Hewitt, Smithsonian Design Museum

The mansion work is essentially complete. Exhibit cases are being installed. Modified designs for the shop, café area, and garden are nearly complete. The reopening of the museum is planned for early December 2014.

Secretary Clough also noted that the opening of the LEED-platinum Mathias Laboratory at the Smithsonian Environmental Research Center will occur on September 19, 2014.

ADJOURNMENT

An executive session was not requested, and the meeting was adjourned at 12:17 p.m.

Respectfully submitted,

Robert P. Kogod
Chair