

MINUTES OF THE JANUARY 15, 2013, FINANCE COMMITTEE MEETING

The Finance Committee (“the Committee”) of the Board of Regents of the Smithsonian Institution held a meeting on January 15, 2013, beginning at 2 p.m. Participating were Committee Chair David Rubenstein and Committee members France A. Córdova, Roger W. Sant, and David Silfen. Senator Thad Cochran was unable to participate.

Staff participating for all or part of the meeting included Secretary G. Wayne Clough; Treasurer Sudeep Anand; Chief of Staff to the Secretary Patricia Bartlett; Smithsonian Enterprises Chief Financial Officer Gregory Bokman; Inspector General Scott Dahl; Deputy Under Secretary for Finance and Administration Bruce Dauer; Under Secretary for Finance and Administration and Chief Financial Officer (CFO) Albert Horvath; Acting Director, Office of Planning, Management and Budget Ken Johnson; Chief of Staff to the Regents John K. Lapiana; General Counsel Judith Leonard; Smithsonian Enterprises President Chris Liedel; and Director of Government Relations Nell Payne.

CALL TO ORDER

The Chair called the meeting to order at 2:00 p.m.

APPROVAL OF MINUTES

The draft minutes of the August 27, 2012, meeting were approved without comment.

FEDERAL BUDGET UPDATE: FISCAL YEARS 2013 AND 2014

Continuing Resolution. Mr. Horvath began his overall budget update noting that the Smithsonian is currently operating under a continuing resolution (CR) that expires on March 27, 2013. Under the CR, the Smithsonian is receiving pro-rated Federal appropriations at fiscal year (FY) 2012 levels. On the positive side, he noted, no cuts have been necessary thus far, but any action on new initiatives proposed in the Smithsonian’s FY 2013 budget request has been precluded. Specifically, the Smithsonian lacks funding to hire staff in anticipation of the opening of the National Museum of African American History and Culture or to repair earthquake damage at the Museum Support Center or National Air and Space Museum.

Dr. Clough and Mr. Horvath also described the anticipated scope of Smithsonian operations should the CR expire or the Federal debt ceiling not be raised in March. In general, Dr. Clough explained, museums would close and only emergency staff (e.g., animal and collections care) would be required to report for duty.

Sequestration. Mr. Horvath explained that, as part of the “fiscal cliff” resolution, sequestration was postponed until March 1, 2013. Sequestration will trigger automatic reductions totaling \$24 billion across the Federal government, including approximately \$45 million from Smithsonian FY 2013 appropriations. Mr. Horvath summarized the steps contemplated by the Smithsonian in the event of sequestration. The overarching goal of the response plan is to

minimize the impact on staff, turning to furloughs as a last resort. To achieve that, among other steps, management plans on implementing a hiring freeze as soon as the reductions are enacted, reducing discretionary travel and training, reducing pool and pool-like funds, and delaying maintenance and revitalization projects.

FY 2014 Federal Budget Summary. Mr. Horvath noted that the Committee usually considers approval of the Smithsonian's Federal budget submission to Congress at its January meeting. However, the passback settlement by the Office of Management and Budget (OMB) on the Smithsonian's request remains pending as a result of the "fiscal cliff" negotiations. Mr. Rubenstein noted that the Committee will be asked to reconvene after the passback is received.

FINANCIAL UPDATE: FISCAL YEARS 2012 and 2013 OUTLOOK

Mr. Horvath noted that the meeting materials contained a new format of the CFO Dashboard for use at full Board of Regents' meetings. He asked members to review the format and suggest any improvements.

DEBT PLANNING UPDATE

Mr. Horvath noted that staff is considering the merits of issuing debt to provide financing for specific, continuing Trust-funded capital projects, particularly the National Museum of African American History and Culture. He said the Smithsonian has hired JPMorgan Chase & Co. as its investment advisor to help identify a variety of options and structures to provide funding, including whether to issue taxable or tax-exempt bonds; the term of issue (from 10 years to 100 years); the affordability of debt service; and the potential impact on the Smithsonian's credit rating.

Mr. Rubenstein noted current opportunities for issuing debt created by low market interest rates. Dr. Clough and Mr. Horvath added that the Smithsonian is currently rated "AAA" by ratings firms, but with a "negative outlook" due to its reliance on Federal funding.

OTHER BUSINESS

Mr. Horvath said a prototype quarterly financial report has been developed and would be shared with interested Committee members.

EXECUTIVE SESSION AND ADJOURNMENT

The Committee conducted an executive session and adjourned the meeting at 2:40 p.m.

Respectfully submitted,

David Rubenstein, Chair