

MINUTES OF THE JANUARY 9, 2015, FINANCE COMMITTEE MEETING

The Finance Committee (“Committee”) of the Board of Regents of the Smithsonian Institution (“Smithsonian”) held a meeting on January 9, 2015, in the Smithsonian Castle in Washington, D.C. Participating were Committee Chair David Rubenstein and Committee members John W. McCarter, Jr.*, and Roger Sant*. Committee members Representative Xavier Becerra and David Silfen were unable to participate.

Participating staff included Acting Secretary Albert Horvath; Office of the Regents Senior Writer-Editor Barbara Feininger (recorder); Director of the Office of Finance and Accounting Jean Garvin; Inspector General Cathy Helm*; Acting Under Secretary for Finance and Administration and Chief Financial Officer John K. Lapiana; General Counsel Judith Leonard; Smithsonian Enterprises President Christopher Liedel; Deputy Chief of Staff to the Regents Rachel Parker; and Office of Planning, Management and Budget Director David Voyles.

CALL TO ORDER

The Chair called the meeting to order at 10:00 a.m.

APPROVAL OF MINUTES

Upon motion duly made and seconded, the draft minutes of the August 26, 2014, meeting were approved without modification.

REPORT OF THE ACTING SECRETARY

Mr. Horvath reported that the Smithsonian’s external auditor, KPMG, is finalizing the audit of the Smithsonian’s fiscal year 2014 financial statements and results. The fiscal year concluded without any significant issues or problems. The draft statements will be presented to the Audit and Review Committee on January 22, 2015, and to the full Board on January 26, 2015.

Mr. Horvath noted that the Smithsonian recovered from the impact of the October 2013 government shutdown, Federal appropriations were finalized in January 2014, and fiscal year targets were exceeded in fundraising and Smithsonian Enterprises (“SE”) revenue. SE activity in the first months of fiscal year 2015 was strong. SE will benefit from the oversight of the new Smithsonian Enterprises Subcommittee, which is chaired by Regent Michael Lynton and comprised of members of the Finance and Strategy, Innovation, and Technology committees.

Former Secretary Wayne Clough and Mr. Horvath met with Office of Management and Budget (OMB) Director Shaun Donovan and OMB Associate Director Ali Zaidi, who is responsible for the Smithsonian’s budget, in December 2014. The meeting occurred a few days after the Smithsonian received its fiscal year 2016 passback. Both Mr. Donovan and Mr. Zaidi attributed the Smithsonian’s credibility and transparency as a major factor in recent budget results.

With regard to the Smithsonian’s external debt, the Smithsonian’s AAA credit rating was

** participated by telephone*

reaffirmed by Standard & Poor's. (Moody's previously affirmed the AAA rating.) The ratings were positively impacted by private fundraising progress for the new National Museum of African American History and Culture ("NMAAHC") project. The next Finance Committee meeting will include a full update on the status of the Smithsonian's debt.

FISCAL YEAR 2015 FINANCIAL UPDATE — ACTUAL RESULTS

Mr. Lapiana presented a revised format for the Smithsonian's financial update report. The majority of indicators were strong. December 2015 results will positively impact the report, moving three of the four indicators from yellow (neutral, with about 50–90 percent certainty that that goal will be achieved) to green (positive, with about 90 percent certainty).

FISCAL YEAR 2015 FEDERAL BUDGET UPDATE

Mr. Voyles reported that Congress passed, and the President signed, an omnibus bill providing \$819.5 million in fiscal year 2015 Federal appropriations for the Smithsonian. The Smithsonian's appropriation provides \$675.3 million for Salaries and Expenses and \$144.2 million for Facilities Capital. The total reflects a \$14.5 million increase from the fiscal year 2014 appropriation.

A total of \$7.7 million was provided for Salaries and related costs, and \$2.6 million were provided for utilities, rent, telecommunications, and other fixed costs. Facilities maintenance funding increased by \$1.5 million. Mr. Voyles noted that the \$144.2 million provided for Facilities Capital includes \$24 million to complete the Federal government's responsibility for the construction of NMAAHC; \$97.6 million for facilities revitalization; and \$22.6 million for planning and design. Funding for NMAAHC program requirements was less than requested, as was the amount provided for digitization. Fiscal year 2015 funding was not received for the Science, Technology, Engineering, and Mathematics (STEM) Initiative and the President's Opportunity, Growth and Security Initiative.

FISCAL YEAR 2016 FEDERAL BUDGET REQUEST TO CONGRESS

Mr. Horvath reported on the final settlement on the fiscal year 2016 Federal Budget Request from OMB in December 2014. The \$936 million passback reflects a 14.1 percent increase over the fiscal year 2015 settlement, and will be included in the President's fiscal year 2016 budget submission to Congress.

The settlement includes, among other things, a \$60.7 million (9 percent) increase in Salaries and Expenses. Specific increases include \$10.5 million for NMAAHC operations and maintenance; \$11.1 million for other maintenance funding; \$2 million for 11 curator positions across six museums; and \$5 million for the STEM Initiative.

The passback also includes \$200 million for Facilities Capital, reflecting OMB's recognition of the Smithsonian's facilities infrastructure needs, such as the unanticipated revitalization requirements of the National Air and Space Museum.

The Committee then considered a motion to recommend that the Board of Regents authorize the submission to Congress of the fiscal year 2016 Federal budget. Upon motion duly made and seconded, the following motion was approved:

VOTED that the Finance Committee recommends that the Board of Regents authorizes the Acting Secretary to submit to Congress a Federal budget request for appropriated funds for fiscal year 2016 as part of the President's budget in the amount of \$936 million, as negotiated with the Office of Management and Budget (OMB), and authorizes the Secretary to inform OMB and Congress fully about the implications of the President's budget for the mission and priorities of the Smithsonian.

COMMITTEE CHARTER AMENDMENTS

Mr. Rubenstein discussed proposed amendments to the Committee charter. He reminded the Committee that the Board previously voted to recommend that each Regent committee revise its charter before January 2015 to reflect changes to committee term limits. Recommended changes include extending term limits for Regent committee members to 12 years, maintaining term limits for non-Regent committee members at six years, and maintaining term limits for all other non-Regent and Regent emeritus committee members at three years. Upon motion duly made and seconded, the following motion was approved:

VOTED that the Finance Committee recommends that the Governance and Nominating Committee recommend to the Board of Regents the approval of the proposed amendments to the Governance and Nominating Committee Charter.

ADJOURNMENT

Mr. Horvath reminded the Committee that the March 5, 2015, Finance Committee will now be held from 2:00 to 4:00 p.m. The meeting was adjourned at 10:25 a.m.

Respectfully submitted,

David Rubenstein
Chair