

MINUTES OF THE AUGUST 27, 2015, FINANCE COMMITTEE MEETING

The Finance Committee (“Committee”) of the Board of Regents of the Smithsonian Institution (“Smithsonian”) held a meeting on August 27, 2015, at the Smithsonian Castle in Washington, D.C. Participating were Committee Chair David Rubenstein and Committee members Representative Xavier Becerra*, John Fahey*, John W. McCarter, Jr.*, John Fahey*, and Roger Sant*. Committee members Senator David Perdue and David Silfen were unable to participate.

Also present by invitation of the Committee were Secretary David Skorton; Acting Chief of Staff to the Secretary Greg Bettwy; Smithsonian Enterprises Vice President of Finance and Administration Bruce Dauer*; Office of the Regents Senior Researcher and Writer Jennifer Ehlinger (recorder); Director of the Office of Finance and Accounting Jean Garvin; Under Secretary for Finance and Administration and Chief Financial Officer Albert Horvath; Deputy Under Secretary for Finance and Administration John Lapiana; General Counsel Judith Leonard; Smithsonian Enterprises President Chris Liedel; Deputy Chief of Staff to the Regents Rachel Parker; Director of Planning, Management, and Budget David Voyles; and Chief of Staff to the Regents Porter Wilkinson.

CALL TO ORDER

Committee Chair David Rubenstein called the meeting to order at 10:00 a.m.

APPROVAL OF THE MAY 14, 2015, COMMITTEE MEETING MINUTES

Upon motion duly made and seconded, the draft minutes of the May 14, 2015, Committee meeting were approved without modification.

FISCAL YEAR 2015 FINANCIAL RESULTS

Under Secretary for Finance and Administration and Chief Financial Officer Albert Horvath updated the Committee on the Smithsonian’s fiscal year 2015 performance, based on financial data gathered through June 30, 2015. Revenues remain stable and are on target to reach projected goals outlined in the fiscal year 2015 budget. The Smithsonian received \$819.5 million in federal appropriations for fiscal year 2015. Additional sources of revenue include \$153.2 million from gifts and grants; \$57.6 million from government grants and contracts; \$42.7 million from the Endowment Payout; and \$131.8 million from business operations. Expenses remain below budget as there have been no material unanticipated expenses during the course of fiscal year 2015.

FISCAL YEAR 2016 FEDERAL AND TRUST CONSOLIDATED BUDGET

Mr. Horvath presented the preliminary budget for fiscal year 2016. The Smithsonian requested \$935.8 million in federal appropriations, including \$735.8 million for Salaries and Expenses and \$200 million for Facilities Capital. The increased request is due to the need for more funding for Facilities Capital. Mr. Horvath discussed anticipated Trust revenues for fiscal year 2016, which are projected to total \$545 million, indicating a slight increase from fiscal year 2015.

**participated by telephone*

Upon duly made and seconded, the following action was approved for recommendation to the Board of Regents:

VOTED that the Finance Committee recommends that the Board of Regents approves the budget of appropriated funds for fiscal year 2016 when signed into law by the President, the institutional budget for Trust funds for fiscal year 2016 reflected in this report, and authorizes expenditures by the Secretary in accordance therewith. Any material changes in program plans incorporated into this budget shall be made only with the approval of the Board of Regents or its Executive Committee.

FISCAL YEAR 2017 FEDERAL BUDGET REQUEST TO OMB

The Committee was asked to recommend that the Executive Committee, on behalf of the full Board of Regents, approve the Smithsonian's budget request for fiscal year 2017, for presentation to the Office of Management and Budget ("OMB"). Mr. Horvath reviewed the fiscal year 2017, federal budget process and commented on the current federal budget environment. The Smithsonian will submit three options to OMB per its guidance: a full requirements budget, a base guidance budget, and a reduction guidance budget. The full requirements budget request reflects the full needs of the Smithsonian, totaling \$990.8 billion, which includes \$790.8 million for Salaries and Expenses, and \$200 million for Facilities Capital. This amount represents a \$55 million increase in Salaries and Expenses over the fiscal year 2016 request.

Mr. Horvath reviewed key areas of increase in the full requirements budget request, which includes \$14.2 million for anticipated salary increases and other mandatory cost escalations; \$13 million increase in maintenance funding; \$9.1 million increase for facilities operations and security. The budget request of \$200 million for Facilities Capital will be used to address the critical funding needs of the National Air and Space Museum ("NASM") renovation project, and the continued revitalization of the National Zoological Park ("NZP"), and the National Museum of American History ("NMAH").

Mr. Horvath presented the Committee with alternative funding plans, each of which re-evaluates and re-distributes funding priorities, if the full requirements budget is not met. The plans are based on the assumption that the budget will be funded at the same level as fiscal year 2016.

Upon duly made and seconded, the following action was approved for recommendation to the Executive Committee on behalf of the Board of Regents:

VOTED that the Finance Committee recommends that the Executive Committee, on behalf of the Board of Regents pursuant to Board Bylaw 3.01, approves the Smithsonian Institution's budget request for appropriated funds for fiscal year 2017 for presentation to the Office of Management and Budget. Any material changes in program plans incorporated into this budget shall be made only with the approval of the Board of Regents or its Executive Committee.

SMITHSONIAN ENTERPRISES UPDATE

Smithsonian Enterprises (“SE”) President Chris Liedel provided the Committee with a brief update on SE performance for fiscal year 2015. Mr. Liedel reported that SE operations are running smoothly and that net revenue is trending ahead of budget. He noted that the retail stores continue to do well, with the three largest revenue-generating stores located in NMAH, NASM, and the National Museum of Natural History.

ADJOURNMENT

There being no further business to consider, the meeting was adjourned at 10:44 a.m.

Respectfully submitted,

David Rubenstein, Chair