

## **MINUTES OF THE JANUARY 13, 2010, ADVANCEMENT COMMITTEE MEETING**

The Advancement Committee (“the Committee”) of the Board of Regents met on January 13, 2010, in the Regents’ Room of the Smithsonian Castle in Washington, D.C. Participating were Committee Chair Alan G. Spoon and Committee members Travis Engen, Sakurako Fisher\*, Phillip Frost\*, Robert Kogod\*, Adrienne Mars, and Patricia Stonesifer\*. Staff members present were Smithsonian Secretary G. Wayne Clough, Chief of Staff to the Secretary Patricia Bartlett, Director of External Affairs Virginia B. Clark, Director of Development Services Zully Dorr, Chief of Staff to the Regents John K. Lapiana, General Counsel Judith Leonard, Under Secretary for Administration and Finance Allison McNally\*, Campaign Director Jenine Rabin, and Office of External Affairs Manager of Communications Bill Tabor.

The agenda consisted of the approval of the minutes of the Committee’s November 3, 2009, meeting; updates on action items from the November 3, 2009, meeting; a progress report on campaign planning and the campaign planning calendar; a development IT system update; a discussion on campaign budget models; fund-raising results for fiscal year 2010 year-to-date; and a review of pending gifts. In advance of the meeting, Committee members were sent meeting materials.

### **Call to Order**

The Chair called the meeting to order at 10:33 a.m. In opening remarks, he said the strategic plan sets the vision for the Smithsonian, and the campaign will provide resources to fund the vision. He reported that he had briefed the Board of Regents’ Executive Committee on the campaign’s progress the week prior to this meeting.

### **Approval of the Minutes of November 3, 2009**

The minutes of the November 3, 2009, meeting were sent to members in advance. The Chair asked for comments. There being none, it was moved that the minutes be approved. The motion was seconded, and the minutes were approved by unanimous vote.

### **Comments on the Campaign Planning Process by the Secretary**

Secretary Clough spoke to the Committee about the campaign planning process. He said that the strategic planning process completed last year provides a model that demonstrates the importance of engaging stakeholders. With the strategic plan completed, the Secretary expressed his desire to now focus more fully on planning and executing the national campaign. He noted that because this is the first Smithsonian-wide campaign, it is important to spend time within the Smithsonian community talking about the purpose and impact of the campaign, as well as highlighting everyone’s role in assuring its success. In addition, he noted that he was looking forward to talking with the Regents more fully about his vision for the campaign and its impact.

*\*participation by phone*

### **November 3, 2009, Meeting Actions**

Ms. Clark reviewed and answered questions about seven follow-up actions from the November 3, 2009, meeting. She reported that the format of the internal campaign planning calendar will be revised with the assistance of a Committee member to make it more useful to the Committee and staff. The Committee reviewed the Campaign Funding Stakeholders Review Matrix, which showed the due diligence being done in preparation for the September 2010 Board of Regents' vote on the Campaign Budget. Ms. Clark noted that the Matrix had been revised so that the Finance Committee will review of the campaign budget when it is completed. Regarding a list of "dashboard" reports, she said that several examples would be presented to the Committee at its next meeting. There were no comments or questions in response to her review of Smithsonian policies on gifts of insurance and gift fee disclosure practices. Ms. Clark said that Marts & Lundy's internal assessment final report would be completed in February 2010 and will cover capacity, staffing, performance, volunteers, and policies. She added that Marts & Lundy will undertake a feasibility study in the summer.

### **Campaign Planning Progress and 2010 Campaign Planning Calendar for the Regents**

Ms. Clark outlined the campaign planning progress and the campaign planning calendar for the next several months. Following the Marts & Lundy internal assessment final report, work will begin on institutional needs and campaign press messages. A communications consultant is being selected and will assist in this work. In the summer, the feasibility study will test the messages. In the fall, work will begin on volunteer leadership. Secretary Clough said that in June 2010 the Board of Regents will receive a substantive presentation about the national campaign and in September 2010 will vote on the campaign plan. The campaign's "quiet phase" will begin with the Regents' approval of the campaign plan; the value and duration of the quiet phase will be determined by the initial outreach work. The public phase will follow.

### **Development IT System Update**

The Chair, who noted that an IT system that provides for the collection and monitoring of financial data is a backbone for campaigns, asked the Secretary to lead off the discussion with his thoughts on the IT system requirements for the campaign. The Secretary said the present system will not serve the Smithsonian's campaign needs. The campaign IT system must provide good, timely information to all users; manage donor contacts well; and provide accurate financial reporting, including quarterly updates, which the existing system does not do. Because a new system will require data conversion and staff, a project leader with fund-raising database expertise will be hired to run the system and its implementation, as well as to manage the team. This manager will work in the Office of Development and indirectly report to the Office of the Chief Information Officer.

Ms. Dorr made a detailed presentation on the IT system requirements. She said that the Smithsonian is outgrowing its present system, the vendor has not kept up with industry developments, the system's interfaces are cumbersome, and the decentralized nature of the system is inefficient for the campaign. Ms. Dorr said that the new system needs to be scalable,

interface with the financial system, and be capable of monthly, weekly, and even daily reconciliation with the Smithsonian's financial system. A team drawn from the Office of the Chief Financial Officer, the Office of Development, and unit-based development offices will be assembled to assist in the selection of the new system. Benchmark system and conversion cost information has been gathered from organizations that are conducting or have completed billion-dollar fund-raising campaigns. According to this data, the average purchase and conversion cost is \$7.5 million. This figure includes software, data conversion, staffing, and training. Ms. Dorr said that the installation of the new system will not be completed until after the campaign's silent phase. Mr. Spoon asked for a report for the Committee assuring that campaign reporting over the next two to three years (before the new system is ready) will be adequate. He said that the report should consider donor management, receipts, forecasted receipts, and frequency of reconciliation.

### **Campaign Budget Model Review**

Mr. Spoon introduced the discussion of campaign budget models, continuing a discussion begun at the November 3, 2009, Committee meeting. He noted that the focus of the discussion should be on the principles of financing the campaign, not specifics or financial numbers. Ms. Clark led the discussion and answered a number of members' questions. She said that an outcome of choosing a campaign budget model will be that the Smithsonian will have uniform and consistent funding for the Smithsonian's development program for the first time ever. The benchmarking data presented in the November 3, 2009, meeting was expanded to include 14 public institutions and will continue to grow. A confidential study of 11 private institutions was added that demonstrated that, of the 11 surveyed, all have funded their campaigns by applying fees to their endowments. Mr. Spoon commented that the data regarding public universities was the most directly relevant data set, and other members concurred with this comment. The many funding options considered by management and reviewed by the Committee were summarized in the Committee's materials. The Committee agreed that the options it reviewed represented the universe of those available. At a member's request, each option was reviewed in turn. Mr. Spoon said that a gift fee and an endowment fee cannot be avoided as ways to fund the campaign. A member commented that the same funding model might not be used in each year of the campaign. There was discussion about other cultural institutions' funding practices. Ms. Clark noted that cultural organizations typically fund development activities through membership events and admission charges, and noted that Marts & Lundy's survey showed that cultural organization boards contribute substantially to campaigns—the range being as high as 90–95 percent and the low about 70 percent.

## **Fund-Raising Results as of November 30, 2009, and the Fiscal Year 2010 Revised Goal**

Ms. Clark reported on Smithsonian year-to-date fund raising for the first quarter, October 1 through December 31, 2009. She said that the \$130 million fiscal year 2010 goal, which was presented at the last Committee meeting, had been revised to \$142 million to reflect pan-Institutional fund-raising opportunities coming out of the strategic plan and those associated with the National Museum of African American History and Culture. She characterized the revised goal as a “stretch goal” but said that it is achievable. Funds raised in the first quarter were \$18.2 million, or 13 percent, of the new goal. Ms. Clark said she is optimistic about the year as the Smithsonian’s pipeline of potential gifts is strong.

## **Review of Pending Gifts**

Ms. Clark presented two pending gifts for the Committee’s review: approval to direct \$3.25 million in realized bequests from four donors to meet a challenge grant of \$1.75 million made by the Andrew W. Mellon Foundation, whereby the resulting \$5 million would establish an endowed directorship for the Museum Conservation Institute (MCI); and approval to establish a wildlife care quasi-endowment at the National Zoological Park (NZN). The MCI action will establish the Institution’s third endowed directorship. The NZN endowment is the first such endowment at the Zoo and may be added to in the future. Mr. Spoon asked for the Committee to review and recommend the gifts for the full Board’s approval. A member questioned whether all gifts listed for meeting the challenge grant fell into the required time frame. Ms. Clark agreed to review the challenge grant gift list and comment if needed. Mr. Spoon called for the Committee’s approval of the two actions, and the Committee approved the following proposed motions:

**VOTED** that the Advancement Committee recommends that the Board of Regents permits \$3.25 million in unrestricted realized bequests to the Smithsonian be directed to meet a challenge grant by the Andrew W. Mellon Foundation and, using these bequests and the Foundation’s \$1.75 million challenge grant, create an endowment to support the director’s position for the Museum Conservation Institute.

**VOTED** that the Advancement Committee recommends that the Board of Regents creates a quasi-endowment for the National Zoological Park to support “the proper preservation, care, treatment, and study of wildlife. For administrative purposes the quasi-endowment will be known as the Animal and Plant Care, Conservation, and Study Fund. Further, the Board authorizes the transfer of funds identified for this purpose.

## **Other Business**

Mr. Spoon discussed with members the date of the next meeting and asked that all consider attending in person. The Committee agreed that it would continue its discussion about the role of advisory boards in the upcoming campaign at that meeting. There being no further business, the meeting was adjourned.