

MINUTES OF THE AUGUST 8, 2011, FACILITIES COMMITTEE MEETING

The Facilities Committee (“the Committee”) of the Board of Regents of the Smithsonian Institution conducted a telephonic meeting on August 8, 2011, at 10:00 a.m. The meeting was previously scheduled for August 1, 2011, but was postponed because the Committee’s congressional members were in final discussions over the national debt ceiling. Participating were Committee Chair Robert Kogod and members George Hartman and Representative Sam Johnson*. Committee members Senator Patrick Leahy and Representative Xavier Becerra were unable to participate. Staff present in the Regents’ Room of the Smithsonian Castle in Washington, D.C., were Office of Facilities Engineering and Operations (OFEO) Office of Planning and Project Management Acting Director Walter Ennaco; Office of the Regents Senior Writer-Editor Barbara Feininger (recorder); Assistant to Representative Becerra Melody Gonzales**; Assistant to Representative Johnson Dave Heil**; Office of Facilities Engineering and Operations Director Bruce Kendall; Chief of Staff to the Regents John K. Lapiana; Liaison for Senator Leahy Rachel Pelham; General Counsel Judith Leonard; Under Secretary for Finance and Administration Alison McNally; and Government Relations Officer Cheryl Johnson.

Mr. Kogod called the meeting to order at 10:04 a.m. The minutes of the Committee’s March 7, 2011, meeting were approved when a quorum was achieved.

FACILITIES CAPITAL AND MAINTENANCE REQUIREMENTS UPDATE

Mr. Kogod reminded the Committee of the 2007 report of the Government Accountability Office (GAO) and its determination that the Smithsonian’s facilities capital and maintenance requirements accounts were insufficient. He said that the implications of the report would be discussed with regard to the Smithsonian’s proposed fiscal year 2012 Federal budget and concerns about inadequate funding for the Smithsonian’s facilities capital and maintenance accounts.

In response to the GAO report, OFEO projected facilities capital and maintenance costs over a 10-year period (fiscal years 2008–2017). OFEO determined that, excluding funding for new facilities and security requirements, \$2.5 billion in annual Federal funding is necessary to address the Smithsonian’s basic facility requirements. The Committee reviewed estimated costs by building or campus, as well as prioritized project summaries. Also reviewed were additional capital funding requirements that have been identified since the release of OFEO’s original projections. Totaling \$1,215,300 from all funding sources, the additional requirements also were prioritized by project. Mr. Kogod explained the ranking criteria and said that OFEO will soon update the Smithsonian’s projected facilities capital and maintenance costs. He added that delays in addressing facilities capital and maintenance issues will increase project schedules, facility failures, and associated costs.

* *Representative Johnson joined the teleconference at 10:15 a.m.*

** *participated by teleconference*

FISCAL YEAR 2012 FEDERAL BUDGET AND POTENTIAL IMPACTS

Mr. Kogod asked Ms. McNally and Mr. Ennaco to review the Smithsonian's Federal budget for fiscal year 2012. Context for the fiscal year 2012 revitalization program was provided by a chart of the Smithsonian's fiscal year 2011 Federal appropriation, fiscal year 2012 Federal budget request, most recent House mark and its anticipated impact on the Smithsonian, and the results of scenario planning efforts in the development of the fiscal year 2013 Federal budget submission to the Office of Management and Budget (OMB), which will be submitted September 2011. The Finance Committee's August 2011 review of the proposed Federal budget submission will be informed by the Facilities Committee's input regarding facilities capital strategies for fiscal years 2012 and 2013. Reaction to the previous week's congressional action on the Federal debt ceiling also may influence the final Federal budget submission.

Ms. McNally reported that planning is under way for the Smithsonian's response to a Continuing Resolution (CR), which is anticipated for the beginning of fiscal year 2012. Although the overall impact of a CR or the current House mark would be somewhat manageable because Federal salaries will remain fixed and utility savings have been realized, the Smithsonian's facilities capital program would suffer. A CR would create challenges with regard to accessing funds for the National Museum of African American History and Culture (NMAAHC). A \$75 million facilities capital base, the worst-case scenario, would be very challenging and would have a severe impact on the facilities revitalization program.

Mr. Kogod discussed the negative impact of each budget planning scenario on the development of the Smithsonian's newest museum, NMAAHC. Representative Johnson stated that decreases in overall Federal funding will present severe challenges for the Smithsonian, that increases in Federal appropriations for new museums such as NMAAHC should not be anticipated, and that the development of NMAAHC must be slowed. He acknowledged that delays in the museum's development would result in cost increases, but stated that maintaining the Smithsonian's older buildings should receive higher priority. Mr. Kogod thanked Representative Johnson for his guidance.

Details on alternative scenario plans to address the impact of fiscal year 2012 cuts were provided by Mr. Ennaco. If the Smithsonian were to receive its fiscal year 2012 Federal budget request it would be able to maintain all Priority One (life safety and critical maintenance) projects, maintain continuing contracts with certain units, and keep donor commitments. With regard to the House mark-up, three scenarios were reviewed. Under the first scenario, the Smithsonian would hope to maintain certain continuing contracts and donor commitments, but a number of projects would be delayed. The second scenario would result in maintaining specific continuing contracts but certain donor commitments could not be kept and project delays would increase. Under the third scenario, specific continuing contracts would be maintained but, in addition to the loss of certain donor commitments, significant project delays would result. Mr. Ennaco noted that many of the delays include life safety and critical maintenance projects. In addition, maintenance costs would be increased and facilities capital accounts would be reduced to 2002 levels, before the Smithsonian acquired an additional 1 million square feet of new or renovated space. Ms. McNally emphasized that, unlike prior

years, the Smithsonian has not received any guidance from OMB about the development of its fiscal year 2013 Federal budget.

Mr. Kogod said that, unless funding for the Smithsonian's facilities capital and maintenance is specifically earmarked in its Federal appropriations, the Smithsonian must be prepared to make decisions that are difficult and not desirable. Ms. McNally agreed and stated that, absent OMB guidance for the development of the fiscal year 2013 budget and absent a bill in 2012, the Smithsonian will need to continue to support its fiscal year 2012 Federal budget request, put forward a modest requirements budget for fiscal year 2013, and be prepared to rapidly move to alternative, less-desirable scenarios. In response to a question about an off-site storage facility, Ms. McNally said that Mr. Ennaco and the director of Smithsonian collections are leading an effort to analyze the Smithsonian's collections storage space to consider how to most effectively revitalize and maximize the use of those spaces. The study will be completed in about six months.

Committee reviewed four scenarios that would hopefully allow the Smithsonian to maintain the scheduled opening of NMAAHC in fiscal year 2015. The new museum will be funded with both Federal and Trust monies. In the worst-case scenario, overall costs would be increased and Trust monies would be secured and applied at a more accelerated rate than Federal appropriations. Ms. McNally noted that NMAAHC Director Lonnie Bunch has raised or secured written pledges for \$70 million in private funds, as well as received an additional \$10 million in verbal pledges.

The minutes of the Committee's March 7, 2011, meeting were approved prior to the discussion of the next agenda topic.

APOLLO DRIVE LEASE

Mr. Ennaco reminded the Committee that at its last meeting it had directed OFEO to investigate the potential purchase versus long-term lease of the Artex Apollo Drive facility in Landover, Maryland. Using the Committee's guidance, staff negotiated a 10-year base term with one 10-year renewal option and one five-year renewal option, with right of first offer to purchase the building. The long-term lease agreement would reduce total rent from \$1.56 million in fiscal year 2011 to \$1.38 million in fiscal year 2012 and \$1.4 million in fiscal year 2013. A service contract also was converted to achieve an estimated savings of \$232, 522 in fiscal year 2012. Mr. Kogod noted his approval of the terms of the lease agreement and the Committee approved a motion to recommend that the Board of Regents authorize the Secretary to lease approximately 70,000 square feet of collections space at 9601 Apollo Drive in Largo, Maryland.

MAJOR CONSTRUCTION PROJECTS UPDATE

Mr. Ennaco provided updates on five major capital projects: the Arts and Industries Building; Cooper-Hewitt, National Design Museum; the National Museum of African American History and Culture; the National Postal Museum; and the education facility at the Smithsonian Conservation Biology Institute.

Arts and Industries Building

Mr. Ennaco reported that the revitalization of the building's shell and interior space is on budget and on schedule to be completed by March 2013. He reported that the project is anticipated to be 25 percent complete by September 30, 2011. When complete, the building's roof, walls, and windows will be installed and the entire building will be protected from the elements.

Cooper-Hewitt, National Design Museum

Cooper-Hewitt improvements are also on budget and on schedule for completion by May 2013. Work on the Miller and Fox Houses, which is about 50 percent of the entire project, is about 95 percent complete and staff will begin to relocate there from the Carnegie Mansion at the end of August 2011. Proposals for the renovation of the museum were received on August 4, 2011. The majority of the \$57.71 project will be funded through Trust monies, of which \$28 million has been raised and an additional \$1 million has been pledged to date.

National Museum of African American History and Culture

At this time, the development of the new museum is on budget and on schedule. The pre-construction services contract was awarded in July 2011, and architect, engineer, and design reviews are under way. The design of early excavation and foundation packages are almost complete, and the relocation of a 24-inch gas line is about 95 percent complete.

National Postal Museum

Renovation of the museum's new program space will be achieved at a cost of \$18 million. Exhibit and infrastructure designs are 100 percent complete, solicitations will be coordinated in September 2011, and contracts will be awarded by October 2011. The museum has already raised \$16 million and the contract solicitation process has been structured to accommodate any unanticipated delays in raising the remaining \$2 million. Mr. Kogod noted that the expansion will support a greater presence for the National Postal Museum.

Smithsonian Conservation Biology Institute in Front Royal, Virginia

Mr. Ennaco reported on the renovation of building 701-0116 into an education facility for the partnership program with George Mason University. The Smithsonian is on budget for a total cost of \$37.47 million. The same contractor was awarded contracts by both the university and the Smithsonian, and the entire project is 15 percent complete. Anticipated completion is June 2012.

Mr. Kogod thanked Mr. Ennaco for his report, and noted the encouraging news that the Smithsonian's major construction projects are on time and on budget.

SMITHSONIAN TROPICAL RESEARCH INSTITUTE FACILITIES ISSUES

Potential Purchase of Housing in Gamboa, Panama

Ms. Leonard reported that the government of Panama has offered the Smithsonian the right to

purchase 17 properties (land and housing) to address the insufficient housing options for Smithsonian Tropical Research Institute (STRI) staff in Gamboa. She noted that the Executive Committee had already been briefed on this issue and that significant progress has been made since that time. Ms. Leonard also conveyed Under Secretary for Science Eva Pell's regrets that she was unable to attend this meeting and participate in this discussion.

STRI research assistants and scientists currently inhabit the properties. Upon acquisition by STRI, the properties would be transferred to the individuals at a fair price to both parties, with stated tax and maintenance obligations, and with repurchase options that ensure the properties remain available to STRI should the occupant's affiliation with STRI end. Final approval from the Panamanian government for the transfer of the properties to the Smithsonian is imminent. An environmental assessment is needed and must be conducted before the properties are acquired or resold. An agreement that addresses the retransfer of properties between the Smithsonian and STRI staff are detailed and include contingency clauses. A final draft of the sales agreement was received on August 5, 2011, from the Panamanian government. Although no action was required by the Facilities Committee, final approval of the sale could be asked of the Executive Committee at its August 23, 2011, meeting.

An internal short-term loan will support the properties until they are retransferred. Mr. Kogod said that this process will limit exposure to the Smithsonian. He added that the Committee should be aware that sale process could occur rapidly. The Committee was unanimous in its support for the purchase.

Coibita/Rancheria Island Bequest

Ms. Leonard updated the Committee on the status of Coibita/Rancheria Island, which has been the subject of long-term litigation over a disputed bequest to the Smithsonian. The island's access to both the Pacific Ocean and the Caribbean offers unparalleled research opportunities.

Ms. Leonard reported that the Panamanian government has indicated it will take the island by eminent domain. Because the Smithsonian owns 20 percent, if not all, of the island, Panama will likely propose that STRI serve as the island's custodian as payment for the Smithsonian's portion of the island. Approval of such an agreement would be required of the Board of Regents should the Panamanian government propose such an agreement. Ms. Leonard noted that Panamanian Vice President Varela is interested in resolving this issue prior to the January 2012 visit of the Smithsonian National Board to STRI.

ADJOURNMENT

There being no further comments or questions, Mr. Kogod thanked the Committee for their participation and adjourned the meeting at 11:02 a.m.

Respectfully submitted,

Robert P. Kogod
Committee Chair