

MINUTES OF THE JUNE 8, 2020, VIDEOCONFERENCE MEETING OF THE BOARD OF REGENTS

ATTENDANCE

This scheduled meeting of the Board of Regents (“Board”) of the Smithsonian Institution (“Smithsonian”) was held on Monday, June 8, 2020. Due to the evolving threat of COVID-19 (Coronavirus), the Board conducted the scheduled meeting, business, and executive sessions via videoconference. Chancellor John G. Roberts, Jr. welcomed Regents and staff and called the meeting to order at 9:30 a.m. Participating were Regents:

Senator John Boozman
Senator Patrick J. Leahy
Representative Doris Matsui
Representative Lucille Roybal-Allard
Representative John Shimkus
Mr. Steve Case, Chair
Mr. John Fahey

Mr. Roger W. Ferguson, Jr.
Mr. Michael Govan
Dr. Risa J. Lavizzo-Mourey, Vice Chair
Mr. Michael Lynton
Ms. Denise O’Leary
Mr. David M. Rubenstein

Mr. Franklin D. Raines, Nominated Regent
Ms. Kathryn Hall, Investment Committee Chair
Mr. Dennis Keller, Smithsonian National Board Chair
Mrs. Christine Udvar-Hazy, Advancement Committee Chair

Vice President Michael R. Pence and Senator David Perdue were unable to participate in the meeting.

Smithsonian and Regent staff present by invitation of the Board were:

Lonnie G. Bunch III, Secretary
Greg Bettwy, Chief of Staff to the Secretary
Roger Brissenden, Acting Under Secretary for Science and Research
Victor Castillo, Office of Representative Roybal-Allard
Michael M. Crow, President of Arizona State University¹
Kate Forester, Deputy Chief of Staff to the Regents
Mallory Gianola, Special Assistant to the Regents (recorder)
Kevin Gover, Acting Under Secretary for Museums and Research
Cathy Helm, Inspector General
Toni-Marie Higgins, Office of Senator Boozman
Judith Leonard, General Counsel
Stephanie Lightfoot, Office of Senator Perdue
Julissa Marenco, Assistant Secretary for Communications and External Affairs and Chief Marketing Officer

Era Marshall, Director for the Office of Equal Employment and Minority Affairs
Mike McCarthy, Under Secretary for Administration
Kevin McDonald, Senior Adviser to Senator Leahy
Jeffrey P. Minear, Counselor to the Chief Justice
Ruki Neuhold-Ravikumar, Acting Under Secretary for Education
Meroë Park, Deputy Secretary and Chief Operating Officer
Craig Roberts, Office of Representative Shimkus
Vernon L. Simms, Director of the Office of Government Relations
Robert J. Spiller, Assistant Secretary for Advancement
Porter N. Wilkinson, Chief of Staff to the Regents

¹ Participated in strategic discussion only

BUSINESS MEETING

REPORT OF THE CHAIR OF THE BOARD AND EXECUTIVE COMMITTEE

Welcome

Board and Executive Committee Chair Steve Case began his report by welcoming the Board to its first meeting held via videoconference. He also welcomed Denise O’Leary to her first meeting of the Board of Regents following the confirmation of her appointment.

Proposed Announcement of a Gift

Mr. Case introduced the first business item for the Board’s consideration: the proposed announcement of a \$25 million gift from Bank of America. The Board of Regents is responsible for approving gifts of \$10 million or more. Mr. Case noted that the Smithsonian is requesting the Board approve a policy exception to allow the Institution to recognize Bank of America as the founding donor to the “Race, Community and Our Shared Future” initiative. Upon motion duly made and seconded, the Board unanimously voted to approve the recognition of Bank of America’s \$25 million commitment to support the “Race, Community and Our Shared Future” initiative.

See attached Actions 2020.06.01 (*Minutes of the Board of Regents, Appendix A*).

Recognition of Retired Regent

Mr. Case then presented the second action item on the agenda: the formal recognition of retired Regent John W. McCarter, Jr. as a Regent Emeritus. Pursuant to Board bylaw 2.11, the Regents may confer the title of Regent Emeritus on former Regents “who accept responsibilities for continuing activities in the interests of the Smithsonian Institution.” Mr. McCarter served with distinction as a Regent and remains involved with the Smithsonian in a meaningful capacity. Upon motion duly made and seconded, the Board unanimously voted to confer the title of Regent Emeritus on Mr. McCarter.

See attached Actions 2020.06.02 (*Minutes of the Board of Regents, Appendix A*).

Executive Committee Action

In conclusion, Mr. Case briefed the Board on one action taken by the Executive Committee on behalf of the Board, pursuant to Board Bylaw 3.01, between the April and June meetings. The Executive Committee approved the 2020 Regent committee member assignments for Denise O’Leary, as proposed by the Governance and Nominating Committee. He noted that the Executive Committee’s approval was requested on behalf of the Board to enable Denise to begin service on the assigned committees prior to the June Board meeting.

APPROVAL OF THE CONSENT AGENDA

Mr. Case turned the meeting over to Dr. Risa J. Lavizzo-Mourey, Vice Chair of the Board of Regents, to present the Consent Agenda (“Agenda”) for the Board’s consideration. Mr. Case recused himself from the Board’s discussion and vote

Consent Agenda

because of his relationship to a donor of one of the gifts included on the Consent Agenda. Action items listed on the June 8, 2020, Agenda included: recognition of former Regent and Congressman Sam Johnson; the approval of minutes from the April 6, 2020, Regents' meeting; the appointment and reappointment of candidates to six (6) Smithsonian Advisory Boards; bylaw amendments to the Smithsonian Science Education Center Advisory Board; and gifts and naming recognitions. Upon motion duly made and seconded, the Board voted to adopt the Agenda, constituting the approval of all action items listed therein.

See attached Actions 2020.06.03 (*Minutes of the Board of Regents, Appendix A*).

QUESTIONS ON WRITTEN COMMITTEE REPORTS

Questions on Written Committee Reports

Next, Mr. Case provided an opportunity for Regent committee chairs and Smithsonian staff to answer questions on the written reports distributed in advance of the meeting by the Advancement Committee, Audit and Review Committee, Compensation and Human Resources Committee, Facilities Committee, Governance and Nominating Committee, Smithsonian National Board, and Office of Government Relations.

Written Report of the Advancement Committee

Written Report of the Advancement Committee

The Advancement Committee conducted a videoconference meeting on April 28, 2020. During the meeting, the Committee reviewed notable gifts and grants received since the February 2020 meeting, and voted to recommend one gift action and two administrative actions to the Board of Regents. The Committee also received an update on planning for the next Smithsonian fundraising campaign and discussed the impacts of COVID-19 (Coronavirus) on Smithsonian fundraising strategies. The Assistant Secretary for Advancement briefed the Committee on the progress of fiscal year 2020 fundraising. As of March 31, 2020, the Smithsonian had raised \$125.52 million towards its \$230 million goal.

Written Report of the Audit and Review Committee

Written Report of the Audit and Review Committee

The Audit and Review Committee reported on an action taken between its January and July meetings. The Committee voted via electronic ballot to approve a one-year extension for lead audit engagement partner, Rosemary Meyer, with the Smithsonian's external auditor KPMG.

Written Report of the Compensation and Human Resources Committee

Written Report of the Compensation and Human Resources Committee

The Compensation and Human Resources Committee conducted a videoconference meeting on May 7, 2020. During the meeting, the Committee received an update on ongoing personnel searches, the approved Smithsonian organizational change, and the settlement between the Smithsonian and American Federation of Government Employees regarding the re-classify certain employees from exempt to non-exempt under the Fair Labor Standards Act. The Committee also discussed pursuing Direct-Hire Authority for the Smithsonian and the continuing development of an alternative executive compensation pay band approach for Trust market-based positions.

Written Report of the Facilities Committee

Written Report of the Facilities Committee

The Facilities Committee held a teleconference meeting on April 22, 2020. During the meeting, the Committee was consulted on and approved the final negotiated terms for the purchase of the Capital Gallery Building for the Smithsonian's consolidated administrative headquarters. The Committee also received updates on the impact of COVID-19 and the facilities capital and maintenance programs. The Committee reviewed the Smithsonian's real estate portfolio and the progress of major capital projects, including the funding strategy for the National Air and Space Museum rebuilding, which is expected to exceed the original contingency by approximately \$64 million.

Written Report of the Governance and Nominating Committee

Written Report of the Governance and Nominating Committee

The Governance and Nominating Committee met on March 4, 2020. During the meeting, the Committee voted to approve appointments and reappointments to six (6) Smithsonian advisory boards and proposed amendments to the bylaws of the Smithsonian Science Education Center Advisory Board. Additionally, the Committee approved its recommendation to the Board for the 2020 committee assignments for new Regent Denise O'Leary and reviewed the current Board of Regents Bylaws and discussed potential amendments related to the new organizational structure.

Written Report of the Smithsonian National Board

Written Report of the Smithsonian National Board

The Smithsonian National Board ("SNB") held its virtual spring meeting April 23-24, 2020. The meeting centered on the Smithsonian's Earth Optimism Summit ("Summit"). SNB members participated in the Summit's panel discussing *Climate Change and Coastal Cities*, and then broke out for a conversation with environmental scientists moderated by Anson "Tuck" Hines, Director of the Smithsonian Environmental Research Center. The SNB meeting also included working group and committee meetings, segments of the Earth Optimism Summit, and the SNB business meeting.

Written Report of the Office of Government Relations

Written Report of the Office of Government Relations

The Office of Government Relations (“OGR”) reported that appropriations staff continue to work on spending bills for fiscal year 2021. The Smithsonian’s fiscal year 2021 request includes \$820 million for Salaries and Expenses, and \$290 million for Facilities Capital. The Smithsonian was also provided an additional \$7.5 million for enhanced museum cleaning protocols, security, and information technology as part of the emergency funding resulting from the Coronavirus global health crisis.

Smithsonian Introduced Legislation

In addition, OGR reported on legislation introduced by the Smithsonian. On May 5, 2020, H.J.Res.87 and H.J.Res.88 were introduced by Representative Regents Doris Matsui, Lucille Roybal-Allard, and John Shimkus. H.J.Res.87 provides for the reappointment of Michael M. Lynton as a citizen Regent for a second term, while H.J.Res.88 provides for the appointment of Franklin D. Raines to a first term on the Board of Regents. Both bills have been referred to the Committee on House Administration. On May 11, 2020, Senator Regents John Boozman, Patrick Leahy, and David Perdue similarly introduced identical legislation as S.J.Res.72 and S.J.Res.73. The bills were both referred to the Committee on Rules and Administration.

Smithsonian Related Legislation

OGR was informed that the Department of Treasury delayed the printing of Women’s Suffrage Centennial Coins until August 2020. The coins were meant to celebrate the passing of the 19th Amendment to the U.S. Constitution and be issued January 1, 2020, through December 31, 2020, with proceeds supporting the Smithsonian’s American Women’s History Initiative.

Congressional Briefings and Engagement

Despite telework for most Congressional staff, OGR has maintained its regular oversight meetings with the Senate Rules and Administration Committee and the House Administration Committee. Congressional briefings and hearings focused on the Pod 6 collections storage facility; Smithsonian Education Newsletter; Congressional Suffrage Testimonial Project; Clotilda and Africatown and the National Museum of African American History and Culture Slave Wrecks Project; and the Smithsonian’s pandemic prevention and response related to COVID-19.

REPORT OF THE FINANCE COMMITTEE

Report of the Finance Committee

Chair of the Finance Committee Roger Ferguson gave the Committee’s report and presented two action items for the Board’s consideration: (i) the fiscal year 2022 federal budget priorities, and (ii) the fiscal year 2021 Endowment Payout.

Fiscal Year 2022 Federal Budget Priorities

Mr. Ferguson noted that the fiscal year 2022 budget request is due to the Office of Management and Budget (“OMB”) on September 9, 2020. He highlighted the Institution’s priorities for the fiscal year 2022 federal budget, which include: non-discretionary cost increases such as salaries and expenses, facilities maintenance and security, major capital projects, and strategic priorities such as post COVID-19 requirements, education initiatives consistent with a Virtual Smithsonian,

collection digitization, collection scholarship, and research initiatives. Upon motion duly made and seconded, the Board approved the fiscal year 2022 federal budget priorities proposed by the Secretary

See attached Actions 2020.06.04 (*Minutes of the Board of Regents, Appendix A*).

**Fiscal Year 2021
Endowment Payout**

Next, Mr. Ferguson presented the fiscal year 2021 Endowment Payout recommendations. The Smithsonian has historically paid out five percent of the trailing average market value per share over the previous five years in order to support programs and activities. Since 2012, the Regents have also approved an additional annual payout of up to one percent to support advancement activity. Mr. Ferguson noted a lesser payout has been recommended and approved since the conclusion of the Institution's Capital Campaign. The projected payout to support programmatic activity for fiscal year 2021 is \$78.1 million and the payout to support advancement activities is estimated at \$3.3 million. Upon motion duly made and seconded, the Board approved the fiscal year 2021 endowment payout recommendations.

See attached Actions 2020.06.05 (*Minutes of the Board of Regents, Appendix A*).

REPORT OF THE INVESTMENT COMMITTEE

**Report of the
Investment Committee**

Chair of the Investment Committee Katie Hall gave the Committee's report and previewed the June 9, 2020, Investment Committee meeting. The Committee will review the portfolio actions taken due to the significant volatility in the equity, credit, and energy markets over the past quarter. Ms. Hall shared a preliminary performance report and noted that the Smithsonian Endowment's one-year return as of March 31, 2020, over the trailing one-year, three-year, five-year, and ten-year periods, generated returns against the policy benchmark of 3.9% versus -5.1%, 8.1% versus 1.8%, 6.7% versus 2.2%, and 7.8% versus 4.2%, respectively.

UPDATE ON MAJOR FACILITIES PROJECTS

**Consolidated
Administrative
Headquarters**

Under Secretary for Administration Mike McCarthy updated the Board on the status of the purchase of the Smithsonian's Consolidated Administrative Headquarters. At the June 2019 meeting, the Board approved moving forward with the purchase of the Capital Gallery Building, provided that the Facilities Committee and Finance Committee were briefed on and approved the final negotiated terms. Final consultation was held with the Facilities Committee on April 22 and the Finance Committee on May 11. Mr. McCarthy reviewed the final terms of the purchase including language provided by Congress in the fiscal year 2020 federal appropriation for purchase of the building, environmental and due diligence procedures, terms of financing and bonds, and final negotiations with the seller. A June 2020 date is targeted for the close of purchase.

Pod 6 Collections Storage

Mr. McCarthy also reported on the “Pod 6” collections storage facility at the Museum Support Center (“MSC”) in Suitland, Maryland. In June 2015, the Board approved the acting Secretary’s request to seek Congressional authorization to construct a new collections storage facility at the MSC. Mr. McCarthy shared that the Smithsonian is planning to seek an update to the previously approved Congressional authorization to design, build, and construct an additional collections storage facility, which would incorporate necessary changes to authorizing legislation to reflect the proposed partnership with the National Gallery of Art (“NGA”), as encouraged by the Office of Management and Budget. The Smithsonian and NGA signed an initial Memorandum of Understanding in April 2019 to jointly seek approval to request authority and federal appropriations from Congress. The request will be brought to the Facilities Committee for further review and recommendation.

STRATEGIC REPORT OF THE SECRETARY

Strategic Report of the Secretary

Secretary Bunch updated the Board on the state of the Smithsonian and shared his strategic vision for the Institution. His report focused on the strategic initiatives of convening critical contemporary conversations; amplifying education; creating a Virtual Smithsonian, highlighting the early success of Open Access and the American Women’s History Initiative; and providing a nimble, cost-effective, and responsive core infrastructure.

Convening Critical Contemporary Conversation

The Secretary briefed the Regents on his efforts to navigate the dual pandemics caused by the Coronavirus and issues surrounding race, racism, and racial identity. In an effort to support the country during this time, the Smithsonian launched *Smithsonian Cares*, a broad digital resource featuring learning resources to promote online educational engagement and provide tools and guidance to empower and inspire conversations about diversity, equity, access, and inclusion. The Smithsonian will continue to create new forums to proffer solutions to problems of national and global importance.

Education Initiatives

Next, the Secretary reported on the progress of education initiatives. The Smithsonian has increased its commitment to serve as a trusted resource of knowledge and leading collaborator to Pre-K - 12 educational systems nationwide. The Secretary shared plans to develop a national education outreach strategy and scale the Smithsonian’s Learning Lab to become a coordinated education portal.

Virtual Smithsonian

The Regents also received updates on the progress of developing a cohesive Institution-wide experience using innovation and technology, by creating a Virtual Smithsonian. The Secretary highlighted the American Women’s History Initiative, Open Access, and the new “Talking About Race” web portal released by the National Museum of African American History and Culture. These are leading examples of digital programs that increase awareness of the Institution’s diverse collections, broaden its reach to new audiences, enhance the relevancy of the

Smithsonian, and create the potential for partnerships for mission-critical and digital-first goals.

Nimble Core

To conclude, the Secretary briefed the Board on plans to build a nimble and effective core. Efforts taken to advance this strategic priority will include developing and implementing an approach that drives innovation throughout the Institution, strengthening delivery of human resources services, building strategic partnerships with units, implementing streamlined decision-making, increasing budget planning transparency, and fostering an integrated collections strategy.

STRATEGIC DISCUSSION ON COVID-19 (CORONAVIRUS)

Impact of COVID-19 (Coronavirus) on the Smithsonian

Secretary Bunch then updated the Board on response and prevention efforts related to COVID-19 (Coronavirus), including the financial impact, Reopening Task Force, and New Normal Committee.

COVID-19 Financial Impact

The Secretary briefed the Board on the current and projected budgetary effects of COVID-19 on the Smithsonian and the mitigation strategies underway to offset this impact. The Board reviewed the immediate actions taken by the Institution, which included a mandatory 10 percent one-year reduction in Senior Level Trust pay, elimination of Senior Level Trust pay increases and cash awards, central discretionary cost reductions, and implementation of a hiring freeze for Trust positions. The Regents discussed other potential actions under review to offset the financial impact, based on the duration of museum closures and projected cumulative negative effect.

Reopening Strategy

Next, Secretary Bunch reviewed the Smithsonian's reopening strategy. The Board received details on the goals and implementation strategies of the four-phase reopening approach, which is guided by criteria set forth by local and federal governments and health organizations, as well as the Centers for Disease Control. The Secretary shared early scenarios for reopening two locations to the public: the National Air and Space Museum's Steven F. Udvar-Hazy Center in Chantilly, Virginia, and the National Zoological Park. The Secretary noted that reopening phases will be operationalized and refined, and stressed the possibility that reopening may be halted, or regress, by an increase in COVID-19 cases.

New Normal

To close the discussion on COVID-19, the Secretary outlined the work of the New Normal Committee, which is being chaired by the John and Adrienne Mars Director of the National Air and Space Museum Ellen Stofan. Secretary Bunch has directed the 15-member committee to address the future of the Institution and what it means to be the Smithsonian upon reopening. Four subcommittees will address different aspects of the overarching goal: Big Ideas, The Evolution of Onsite and Digital, How We Work, and How We Operate Profitably and Flexibly. The committee plans to deliver recommendations to Secretary Bunch and the Smithsonian leadership team in August.

STRATEGIC DISCUSSION WITH MICHAEL M. CROW

Strategic Discussion with Michael M. Crow

The open session ended with an opportunity to engage in a strategic discussion with Michael M. Crow, President of Arizona State University (“ASU”). Dr. Crow shared his experiences at ASU and the ways its leadership has utilized technology innovation, agility, and collaboration to revolutionize and enhance education at the university. He highlighted the following key elements to help drive organizational transformation: inclusion, focusing on the audience, developing a fast culture, responsibility for outcomes, creating a design-based management culture, and embracing technology. The Board discussed the importance of fostering a Virtual Smithsonian and setting a new trajectory for the Smithsonian while the museums, research centers, and National Zoo are shuttered, and empowering units to commit to a mission-critical strategic transformation.

EXECUTIVE SESSION: “GATEKEEPER” REPORTS

Executive Session: “Gatekeeper” Reports

The Board then closed the open session at 11:56 a.m. to conduct executive sessions with the Smithsonian’s Gatekeepers, including the Secretary, Deputy Secretary and Chief Operating Officer, Under Secretary for Administration, General Counsel, and Inspector General.

ADJOURNMENT

Adjournment

There being no further business to discuss, the meeting adjourned at approximately 12:01 p.m.

Respectfully submitted,

Lonnie G. Bunch, III
Secretary

APPENDIX A: ACTIONS OF THE JUNE 8, 2020, MEETING OF THE BOARD OF REGENTS

VOTED that the Board of Regents approves the recognition of Bank of America's \$25 million commitment to support the "Race, Community and Our Shared Future" initiative. [2020.06.01]

The Board of Regents approved a motion recognizing extraordinary service to the Smithsonian. At the request of the Board, action [2020.06.02] is being treated as confidential until publicly announced.

VOTED that the Board of Regents adopts the Consent Agenda, which constitutes the approval of all action items listed therein. [2020.06.03]

VOTED that the Board of Regents expresses its profound appreciation to the memory of the Honorable Sam Johnson, esteemed statesman, American hero, former Regent, and true friend of the Smithsonian Institution, and extends its heartfelt sympathies to the Johnson family.

VOTED that the Board of Regents approves the minutes of the April 6, 2020, teleconference meeting of the Board of Regents.

VOTED that the Board of Regents approves the proposed slate of candidates for appointment or reappointment to six (6) Smithsonian Institution advisory boards.

VOTED Board of Regents approves the proposed amendments to the bylaws of the Smithsonian Science Education Center Advisory Board.

VOTED that the Board of Regents recognizes the generosity of SB Group US, Inc. and accepts the terms of the sponsorship agreement.

VOTED that the Board of Regents creates a quasi-endowment for the benefit of the Smithsonian American Art Museum to support its fellowship program. Further, the Board of Regents authorizes the transfer of the funds identified for this purpose.

VOTED that the Board of Regents creates a quasi-endowment for the benefit of the National Museum of the American Indian to support the museum's conservation department. Further, the Board of Regents authorizes the transfer of the funds identified for this purpose.

VOTED that the Board of Regents approves the fiscal year 2022 federal budget priorities proposed by the Secretary. [2020.06.04]

VOTED that the Board of Regents approves a five percent payout from the Smithsonian Endowment in fiscal year 2021 to support programmatic activity. The Board further approves a 0.5 percent payout from the Smithsonian Endowment in fiscal year 2021 to support advancement activity. The payout shall be calculated against the trailing five-year average market value of the Smithsonian Endowment. [2020.06.05]