

MINUTES OF THE SEPTEMBER 6, 2017, EXECUTIVE COMMITTEE TELECONFERENCE MEETING

The Executive Committee (“Committee”) of the Board of Regents (“Board”) of the Smithsonian Institution (“Smithsonian”) conducted a teleconference meeting on September 6, 2017. Participating were Board and Executive Committee Chair David Rubenstein and Vice Chair Steve Case.

Also present by invitation of the Committee were Secretary Skorton, Counselor to the Chief Justice Jeffrey P. Minear, Chief of Staff to the Secretary Greg Bettwy, Deputy Chief of Staff to the Regents Kate Forester, Under Secretary for Finance and Administration/CFO Al Horvath, General Counsel Judith Leonard, and Chief of Staff to the Regents Porter Wilkinson.

CALL TO ORDER

Board and Executive Committee Chair David Rubenstein called the meeting to order at 2:00 p.m. and welcomed members and staff participating via phone.

MINUTES OF THE EXECUTIVE COMMITTEE

Upon motion duly made and seconded, the Committee approved the draft minutes of the May 1, May 31, and July 18, 2017, meetings without modification.

APPROVAL OF FISCAL YEAR 2019 BUDGET SUBMISSION TO OMB

Under Secretary for Finance and Administration/CFO Al Horvath briefed the Committee on the fiscal year 2019 federal budget request to the Office of Management and Budget (“OMB”). The Smithsonian is requesting a total of \$994.4 million for its fiscal year 2019 federal budget inclusive of \$228 facilities capital needed to address the start of the National Air and Space Museum (“NASM”) renovation. The total request is \$47.4 million above the fiscal year 2018 request and is in accordance with the guidance from OMB. If the full amount of requested funding is not met, Mr. Horvath alerted the Committee that the NASM renovation and other capital facilities projects may need to be delayed or re-prioritized depending on the approved level of funding. The Committee was asked to approve the fiscal year 2019 federal budget request to OMB on behalf of the full Board because it is due on September 11, 2017, before the full Board will meet.

Upon motion duly made and seconded, the following motion was approved:

VOTED 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 2019 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.

APPROVAL OF ONE-YEAR CONTRACT EXTENSION OF EXTERNAL AUDITORS

Mr. Horvath also briefed the Committee on the contract extension of the external auditors, KPMG. The Office of Inspector General (OIG) recommended that the KPMG contract be extended for one year to cover fiscal year 2018 audit services. Absent an extension, a competitive contracting process would be required and KPMG may not be selected. The Smithsonian must implement a new entity reporting standard in fiscal year 2018 requiring the inclusion of trust funds in the federal financial statements reporting. OIG believes that the Smithsonian would face considerable risks in completing its fiscal year 2018 audits on time with a new auditor and the new reporting standard. Due to the exigent nature of the contract extension, the Committee was asked to approve on behalf of the full Board.

Upon motion duly made and seconded, the following motion was approved:

VOTED that the Executive Committee, on behalf of the full Board of Regents pursuant to Board Bylaw 3.01, approves a one-year extension of the KPMG contract to cover fiscal year 2018 audit services.

OCTOBER BOARD MEETING AND STRATEGIC PLAN EXTERNAL ROLLOUT

Chief of Staff to the Regents Porter Wilkinson reviewed the October agenda and highlighted the major discussions, which will include an update on post-campaign strategy, the strategic plan implementation process, and the London collaboration. Ms. Wilkinson also discussed the Regents' annual public forum that often occurs directly after the October Board meeting. The Committee agreed to incorporate the public forum into an upcoming event surrounding the public announcement of the Smithsonian's new five-year strategic plan. As more details are available regarding this event, the Committee will be updated.

SECRETARY'S REPORT

The Secretary briefed the Committee on the state of the Smithsonian, including legislation regarding confederate statutes, the closure of the IMAX Theater at the National Museum of Natural History, the recent developments at the Berkshire Museum, and the strategic plan implementation status.

The Secretary informed the Committee that Senator Cory Booker proposed a legislative bill that would remove statutes of voluntary participants in the confederacy from Washington, DC. The Secretary has concerns about the legislation including that it would dictate what the Smithsonian must accept into its collection; it does not provide funding or consideration of shipping, storage, and conservation of the monuments; and the potential for backlash for either displaying or not displaying the statues. The Secretary has reached out to Senator Booker to share the concerns.

The Secretary updated the Committee on the feedback regarding the removal of the IMAX Theater at the National Museum of Natural History. The decision to remove the theater was made after careful consideration on how to best serve the visiting public. The new space will be utilized for public programming and to accommodate a more spacious and sustainable restaurant that will help alleviate overcrowding and enable families to spend more time in the museum. The Secretary pointed out that of the approximately seven million annual visitors to the museum, fewer than 4% attended IMAX films. Visitors will still have the opportunity to view IMAX films as the Smithsonian's two other IMAX theaters at the National Air and Space Museum and the Udvar-Hazy Center, which will remain open to the public.

Dr. Skorton also updated the Committee on the strategic plan implementation. Progress is being made, and full plan should be presented to the Board of Regents in January 2018. He stated that the goals that excite everyone include working together as one Smithsonian and reaching one billion visitors. In internal communications, Dr. Skorton has emphasized the need to work together as one entity and the need to determine the metrics for success. The Secretary indicated that prior to the external announcement of the plan there will be an internal Smithsonian event.

Next, the Secretary gave an update on recent developments at the Berkshire Museum, a former Smithsonian affiliate in Pittsfield, Massachusetts. The museum is planning to finance a renovation and reinvention of the museum by auctioning/deaccessioning works from its collection including a work by Norman Rockwell. This is not in line with generally accepted standards and statements by the American Alliance of Museums and Association of Art Museum Directors provide for deaccessioning collections only if proceeds are to help maintain and care for the collection, not to provide capital improvements. Because of this breach in standard practice, the Smithsonian and Berkshire Museum have agreed to terminate their affiliation on good terms, and the Berkshire Museum has voluntarily withdrawn its affiliation.

ADVISORY BOARD CHAIRS' RETREAT

Mr. Rubenstein reminded the Committee that the annual meeting of the advisory board chairs would be held later in the week at the Anacostia Community Museum. Mr. Rubenstein will be interviewing Damion Thomas, Curator of Sports from the National Museum of African American History.

EXECUTIVE SESSION

The Committee decided there was no need for an executive session.

ADJOURNMENT

There being no further business to discuss, the meeting adjourned at approximately 2:30 p .m.

Respectfully submitted,

David M. Rubenstein, Chair