

MINUTES OF THE JANUARY 17, 2019, FINANCE COMMITTEE TELECONFERENCE MEETING

The Finance Committee (“Committee”) of the Board of Regents (“Board”) of the Smithsonian Institution (“Smithsonian”) held a meeting on January 17, 2019, at the Smithsonian Castle in Washington, D.C. Participating were Committee Chair John Fahey and Committee members Representative Doris Matsui and Roger Ferguson.

Also present by invitation of the Committee were Secretary David Skorton; Chief of Staff to the Secretary Greg Bettwy; Provost/Under Secretary for Museums, Education, and Research John Davis; Deputy Chief of Staff to the Regents Kate Forester; Director of the Office of Finance and Accounting Jean Garvin; Special Assistant to the Regents Mallory Gianola (recorder); Associate Director of the Office of Planning, Management, and Budget Rick Haas; Liaison to Senator Perdue Lauren Hancock; Inspector General Cathy Helm; Under Secretary for Finance and Administration/Chief Financial Officer Albert Horvath; Acting Director of the Office of Planning, Management, and Budget Ken Johnson; President of Smithsonian Enterprises Carol LeBlanc; General Counsel Judith Leonard; Assistant Secretary for Communications and External Affairs Julissa Marengo; and Deputy Under Secretary for Finance and Administration Mike McCarthy.

CALL TO ORDER

Committee Chair John Fahey called the meeting to order at 3:29 p.m. and reviewed the agenda.

APPROVAL OF THE AUGUST 27, 2018, MEETING MINUTES

Upon motion duly made and seconded, the minutes of the August 27, 2018, meeting were approved without modification.

FISCAL YEAR 2018 FINANCIAL RESULTS

Under Secretary for Finance and Administration/Chief Operating Officer Albert Horvath reviewed the fiscal year 2018 financial results, following the close of the fiscal year on September 30, 2018. Mr. Horvath reported that overall Smithsonian’s revenue sources performed on or ahead of budget for fiscal year 2018. He highlighted exceptions where revenues performed below budget. Overhead recovery related to grants and contracts were affected because the Smithsonian began fiscal year 2018 operating under a continuing resolution (“CR”) through March 23, 2018. As anticipated, Smithsonian Enterprises generated revenues below budget as a result of restaurant closures and retail activities impacted by major revitalization projects. In addition, the Smithsonian’s ongoing capital projects, including the National Air and Space Museum (“NASM”) revitalization, are heavily influenced by federal appropriations, due to the scope and magnitude of the projects.

FISCAL YEAR 2019 FEDERAL APPROPRIATIONS

Mr. Horvath updated the Committee on the impact of the government shutdown. The Smithsonian began fiscal year 2019 operating under a CR at the fiscal year 2018 enacted funding level, which continued through December 21, 2018. Under the guidance of the Office of Management and Budget (“OMB”), the Smithsonian used available fiscal year 2018 carry-forward funds to remain open to the public and maintain normal operations from December 22, 2018, through January 1, 2019. The Institution implemented shutdown procedures and closed to the public on January 2, 2019. Mr. Horvath cited initial impacts facing the Smithsonian including furloughed staff, lost revenue, executions of grant funding, and delayed collections and research projects. Mr. Horvath informed the Committee that the Smithsonian would remain closed until Congress passes legislation that funds the federal government and assured Committee members his team would continue to monitor the situation closely and provide updates on further developments.

The Smithsonian requested a total of \$957.4 million for its fiscal year 2019 federal budget, based on previous requests and inclusive of mandatory cost escalations, the facilities capital needed for the NASM revitalization, and funding for the American Women’s History Initiative. Mr. Horvath pointed out that the President’s fiscal year 2019 budget submission was delivered to Congress on February 5, 2018, prior to the enactment of the fiscal year 2018 budget.

FISCAL YEAR 2020 FEDERAL BUDGET REQUEST TO CONGRESS

Mr. Horvath updated the Committee on the fiscal year 2020 federal budget request to OMB. The Institution submitted to Congress a total budget request for fiscal year 2020 of \$978.3 million. The request includes \$759.3 million for salaries and expenses, and prioritizes research and museum program infrastructure; collection care initiatives, digitization, and scholarship; research initiatives; facilities maintenance; and security. The request also includes \$219 million for capital funding focusing on the NASM revitalization and critical needs at the National Zoological Park, National Museum of American History, National Museum of Natural History, Hirshhorn Museum and Sculpture Garden, and Smithsonian Castle.

Upon motion duly made and seconded, the Committee approved the following motion for recommendation to the Board:

VOTED that the Finance Committee recommends that the Board of Regents authorizes the Secretary to submit to Congress a federal budget request for appropriated funds for fiscal year 2020 as part of the President’s budget in the amount of \$978.3 million, as negotiated with the Office of Management and Budget (“OMB”), and authorizes the Secretary to inform OMB and Congress fully about the implications of the President’s budget for the mission and priorities of the Smithsonian.

UPDATE ON SMITHSONIAN ENTERPRISES

New President of Smithsonian Enterprises (“SE”) Carol LeBlanc outlined her initial plans for the three primary business divisions of SE: media, retail, and consumer and education products. Committee members discussed industry challenges, and potential initiatives and growth strategies. As long-term plans for the Institution’s commercial accounts are refined, Ms. LeBlanc will present them to the Committee, and subsequently to the full Board for review.

UPDATE ON EXTERNAL DEBT

Mr. Horvath reviewed the status of the Smithsonian’s external debt. The Smithsonian’s current external debt is \$97 million, which consists of a fixed-rate debt amount of \$19.5 million and a variable-rate debt amount of \$77.5 million. The Smithsonian’s credit rating was reaffirmed at an AAA/Stable rate from both Standard and Poor’s and Moody’s.

EXECUTIVE SESSION

The Committee then conducted an executive session to discuss the SNI/SI Network LLC (“Channel”), a joint venture that was established in 2006 with Showtime Networks Inc. (“Showtime”).

ADJOURNMENT

There being no further business to consider, the meeting was adjourned at 5:00 p.m.

Respectfully submitted,

John Fahey, Chair