

MINUTES OF THE JANUARY 9, 2020, FINANCE COMMITTEE MEETING

The Finance Committee (“Committee”) of the Board of Regents (“Board”) of the Smithsonian Institution (“Smithsonian”) held a meeting on January 9, 2020, at the Smithsonian Castle in Washington, D.C. Participating were Committee Chair Roger W. Ferguson, Jr. * and Committee members Representative Doris Matsui, * John Fahey, * and Kathryn A. Hall. *

Also present by invitation of the Committee were Secretary Lonnie Bunch; Chief of Staff to the Secretary Greg Bettwy; Associate General Counsel Craig Blackwell; Provost and Under Secretary for Museums, Education, and Research John Davis; Deputy Chief of Staff to the Regents Kate Forester; Special Assistant to the Regents Mallory Gianola (recorder); Associate Director of the Office of Planning, Management, and Budget Rick Haas; Acting Deputy Under Secretary for Finance and Administration Doug Hall; Inspector General Cathy Helm; 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 and Chief Marketing Officer Julissa Marengo; Acting Under Secretary for Finance and Administration/Chief Operating Officer Mike McCarthy; Assistant Secretary for Advancement Rob Spiller; and Chief of Staff to the Regents Porter Wilkinson.

CALL TO ORDER

Committee Chair Roger Ferguson called the meeting to order at 10:00 a.m. and reviewed the agenda.

APPROVAL OF THE AUGUST 21, 2019, COMMITTEE MEETING MINUTES

Upon motion duly made and seconded, the minutes of the August 21, 2019, Committee meeting were approved without modification.

FISCAL YEAR 2019 FINANCIAL RESULTS

Acting Under Secretary for Finance and Administration and Chief Operating Officer Mike McCarthy reviewed the fiscal year 2019 financial results, following the close of the fiscal year on September 30, 2019. Mr. McCarthy reported that the Smithsonian’s revenues for the period totaled \$2,112 million. The Smithsonian received \$1,043.5 million in Federal appropriations for fiscal year 2019. Mr. McCarthy also highlighted the fiscal year 2018 appropriations, which were anticipated and made available for use in fiscal year 2019 due to the government shutdown. Philanthropic giving was consistent, and the \$220 million annual fundraising goal was realized. Sponsored projects primarily supporting research and scholarly activity also performed on budget for fiscal year 2019. Smithsonian Enterprises (“SE”) revenues continue to be below budget and primarily affected by restaurant closures and lower retail sales resulting from the National Air and Space Museum (“NASM”) revitalization. Expenses for the period totaled \$1,568 million and included the spending of appropriated funds carried forward from fiscal year 2018, due to the delayed enactment of the fiscal year 2019 budget. Mr. McCarthy also

**participated by telephone*

highlighted that the net loss anticipated for the central trust fund balance for fiscal year 2019 was significantly lower than expected. There were no material, unanticipated expenses reported during the course of fiscal year 2019.

FISCAL YEAR 2020 FEDERAL APPROPRIATION UPDATE

Next, Acting Director of the Office of Planning, Management, and Budget Ken Johnson updated the Committee on the fiscal year 2020 federal appropriation. The Institution began fiscal year 2020 operating under a Continuing Resolution (“CR”). On December 20, 2019, Congress passed, and the President signed the fiscal year 2020 appropriation. The Smithsonian received \$1,047.4 million in Federal appropriations for fiscal year 2020, of which \$793.7 million was designated for Salaries and Expenses and \$253.7 million for Facilities Capital. The enacted appropriation was inclusive of funding increases for mandatory cost escalations, deferred maintenance, the American Women’s History Initiative, the Smithsonian Latino Center, and facilities operations and security. Mr. Johnson also noted that the fiscal year 2020 enacted appropriation includes \$135 million in capital funding for the NASM revitalization, as well as funding for planning and design of future capital projects, including the Smithsonian Institution Building (“Castle”) and the Arts and Industries Building, among others.

FISCAL YEAR 2021 FEDERAL BUDGET REQUEST TO CONGRESS

The Committee was then asked to approve the Smithsonian’s fiscal year 2021 federal budget request to Congress. As a result of negotiations with OMB during the fiscal year 2021 passback process, the Institution will submit to Congress a total budget request of \$1,110.3 million, which includes \$820.3 million for Salaries and Expenses, and \$290 million for Facilities Capital. The settlement reflects the amount the President will include in his overall fiscal year 2021 budget submission to Congress, which is scheduled to be delivered on February 10, 2020. Mr. Johnson noted that this will formally begin the appropriations process and the Smithsonian’s engagement with House and Senate Appropriations committees for Fiscal Year 2021.

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 authorize the Secretary to submit to Congress a federal budget request for appropriated funds for fiscal year 2021 as part of the President’s budget in the amount of \$1,110.3 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.

SMITHSONIAN ENTERPRISES UPDATES

President of Smithsonian Enterprises Carol LeBlanc briefed the Committee on retail activities impacted by the NASM revitalization, specifically the museum’s restaurant closure and plans for

opening a new restaurant. The \$62 million project will be funded by the Trust and is scheduled to coincide with the completion of the capital project and full reopening of the museum in 2025. Ms. LeBlanc informed the Committee that the restaurant would seat approximately 800 to 900 patrons. Design for the project is scheduled to take place during fiscal years 2020 through 2021.

SMITHSONIAN CONSOLIDATED ADMINISTRATIVE HEADQUARTERS

Mr. McCarthy then briefed the Committee on the progress of the consolidated administrative headquarters building. The fiscal year 2020 appropriation bill includes language allowing for existing rent payments to be deposited into the Trust to service debt associated with the purchase of the Capital Gallery Building. Mr. McCarthy informed the Committee that the Smithsonian could now initiate financing for the purchase of the building, and negotiations with Boston Properties would commence shortly. The Smithsonian has also completed the first round of due diligence focused on the facility condition and initial space planning has begun. The Committee will continue to be updated and will be consulted once final terms are negotiated and before the purchase is effected.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at approximately at 10:55 a.m.

Respectfully submitted,

Roger W. Ferguson, Jr., Chair