

## **MINUTES OF THE JANUARY 10, 2024, FINANCE COMMITTEE MEETING**

The Finance Committee (“Committee”) of the Board of Regents (“Board”) of the Smithsonian Institution (“Smithsonian”) held a videoconference meeting on January 10, 2024. Participating were Committee Chair Franklin D. Raines and Committee members Representative Doris Matsui; John Fahey; and Roger W. Ferguson, Jr.

Also present by invitation of the Committee were Chief of Staff to the Secretary Greg Bettwy; Under Secretary for Administration Ron Cortez; Acting General Counsel Farleigh Earhart; Deputy Chief of Staff to the Regents Kate Forester; Special Assistant to the Regents Mallory Gianola (recorder); Director of the Office of Government Relations Rachelle Graves; Director of Trust Resources, Office of Planning, Management, and Budget Rick Haas; President of Smithsonian Enterprises Carol LeBlanc; Deputy Chief Financial Officer and Controller John Lynskey; Assistant Secretary for Communications and External Affairs and Chief Marketing Officer Julissa Marengo; Acting Inspector General Joan Mockeridge; Director of Federal Resources, Office of Planning, Management, and Budget Andrew Mosley; Deputy Secretary and Chief Operating Officer Meroë Park; Assistant Controller Kelli Polon; Director of Investment Operations Allen Rumanyika; Assistant Secretary for Advancement Rob Spiller; Director of Operations for Representative Matsui, Nora Taktajian; Chief of Staff to the Regents Porter Wilkinson; and Deputy Chief of Staff for Senator Cortez Masto, Josh Yearsley.

### **CALL TO ORDER**

Committee Chair Frank Raines called the meeting to order at 1:00 p.m. and reviewed the agenda. Mr. Raines also welcomed Joan Mockeridge, who is serving as the Acting Inspector General following Cathy Helm’s retirement from the Smithsonian in September.

### **APPROVAL OF THE AUGUST 22, 2023, COMMITTEE MEETING MINUTES**

Upon motion duly made and seconded, the draft minutes of the August 22, 2023, Committee meeting were approved.

### **FISCAL YEAR 2023 FINANCIAL RESULTS TO DATE**

Under Secretary for Administration Ron Cortez briefed the Committee on the Smithsonian’s fiscal year 2023 performance, which closed on September 30, 2023. Mr. Cortez noted that the Smithsonian saw positive financial results from enhanced cash management policies and increased visitor traffic in the museums, Smithsonian Journeys, and e-commerce activity. Additionally, fundraising continues to be strong – both the amount raised through new gifts and pledges and the number of new donors have increased each year from fiscal year 2019 through fiscal year 2023. The Committee reviewed the closing financial statements and received updates on the status of revenues and expenses. Total revenues for the period totaled \$1,890 million, and total expenses for the period totaled \$1,821 million, which include the spending of funds carried forward from fiscal year 2022. Mr. Cortez noted there have been no material unanticipated expenses during the course of fiscal year 2023. The Central Trust revenue and net gain for the period totaled \$108.7 million and \$16.4 million, respectively. Mr. Cortez noted that for the first

time in four years the Central Trust ended the fiscal year with a net positive position. In addition, the Central Trust cumulative deficit was reduced from \$32.4 million to 6.9 million.

## **FISCAL YEAR 2025 FEDERAL BUDGET REQUEST TO CONGRESS**

Director of Federal Resources for the Office of Planning, Management, and Budget Andrew Mosley presented the Smithsonian’s fiscal year 2025 federal budget request to Congress for the Committee’s consideration. In consultation with OMB, the Institution will submit to Congress a total budget request of \$1.160.2 billion, which includes \$960.2 million for Salaries and Expenses, and \$200 million for Facilities Capital. He noted that these amounts represent a \$15.7 million increase compared to the fiscal year 2023 enacted amount and a \$80.8 million decrease compared to the fiscal year 2024 budget request. For fiscal year 2024, Mr. Mosley reminded the Committee that the Smithsonian is currently operating under a Continuing Resolution (“CR”) through February 2, 2024, and he also emphasized that Smithsonian leadership is preparing for federal budget cuts and is in the process of developing plans to reduce funding levels.

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

**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 2025 as part of the President’s budget in the amount of \$1,160.2 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.

## **UNIT BUDGET REVIEW AND COMPARATIVE OPERATIONAL METRICS**

The Committee then reviewed the operating budgets of three Smithsonian units: the National Museum of African American History and Culture, the Hirshhorn Museum and Sculpture Garden, and the Office of Contracting and Personal Property Management. Mr. Cortez noted that three different units would be provided for the Committee’s review at each meeting.

The Committee also discussed the financial metrics comparison of the National Museum of Natural History against the American Museum of Natural History in New York. The review included revenues by source, expenses by type, visitor metrics, and credit ratings reports to identify best practices within peer industries for potential implementation at the Smithsonian.

## **SMITHSONIAN ENTERPRISES UPDATE**

President of Smithsonian Enterprises Carol LeBlanc reviewed the fiscal year 2023 financial year-end performance of Smithsonian Enterprises (“SE”). Ms. LeBlanc informed the Committee that SE had a very strong fiscal year, as business returned to full operations, the National Air and Space Museum’s East Wing reopened, and Smithsonian Journeys saw strong sales across all sectors. For the period ending September 30, 2023, net revenue and net gain were favorable versus budget by

\$3.6 million and \$9.1 million, respectively, primarily driven by strong retail sales at museum stores. Total revenue and net gain for fiscal year 2023 was \$150.8 million and \$38.3 million, respectively. The Committee also reviewed the fiscal year 2024 preliminary financial results. SE's net revenue and net gain projection for fiscal year 2024 is forecasted at \$163.7 million and \$40.0 million, respectively, driven by retail, travel, and e-commerce. Ms. LeBlanc also highlighted SE's FY 2024 business operations since the last Committee meeting, including Smithsonian Channel negotiations, e-commerce enhancements, and business development for revenue-generating activities.

#### **QUASI-ENDOWMENT DRAW UPDATE**

Deputy Secretary Park and Mr. Cortez updated the Committee on the allocations of the \$30 million Central Trust Quasi-Endowment draw, which is being used to support 12 Secretarial strategic priorities focused primarily in three categories: digital transformation, resourcing investment opportunities, and accelerating the Secretary's strategic priorities. The Committee reviewed the status of each investment proposal following the close of the fiscal year on September 30, 2023. Deputy Secretary Park informed the Committee that every strategic initiative investment proposal spent or obligated less than the approved budget for FY 2023. The Deputy Secretary also noted that no funds were spent or obligated for the Large Programs – Global Initiative, because this was a new program that was added later in fiscal year 2023 to fund a pilot program, which will build a pan-Institutional team to create a blueprint to secure and manage large, multi-million-dollar projects and programs, especially those that would involve multiple Smithsonian units and global partners.

The Committee also reviewed spending plans for fiscal year 2024, which are currently under review, and the projected spending plans for fiscal year 2025 through 2027, which are being estimated at this time.

#### **ADJOURNMENT**

There being no further business to consider, and with no request for an executive session, the meeting was adjourned at 10:49 a.m.

Respectfully submitted,

Franklin D. Raines, Chair