

Date: _____ Approved: _____

VIRGINIA MUSEUM OF FINE ARTS
Minutes of the Fiscal Oversight Committee Meeting
Held, pursuant to due notice, in the Marble Hall, Main Museum
Richmond, Virginia
Thursday, November 18, 8:30 am

Presiding: Thurston R. Moore, Chairman
Secretary: Ms. Trudy Norfleet

There were present:

Thurston R. Moore, Chairman
Alfonso L. Carney, Jr.
James C. Cherry
Herbert A. Claiborne, Jr.
Herbert A. Claiborne III
W. Birch Douglass III
Grant H. Griswold
Mrs. Stanley F. Pauley
Mrs. Richard R. Reynolds III
Agustin Rodriguez
Geoffrey P. Sisk
John R. Staelin
Joseph R. Vilseck, Jr.

By Invitation:

Alex Nyerges
Ms. Carol Amato
David A. Barbour
David B. Bradley
Ms. Suzanne Broyles
Leon Garnett
Brian Haggard
Ms. Joan W. Murphy
Robin Nicholson
Ms. Trudy Norfleet
Ms. Nancy Parsons
Ms. Cathy Turner
Ms. Alexis Vaughn
Richard B. Woodward
James Traudt, Davenport
James Sanderson, Davenport

Absent:

William J. Armfield IV
John R. Curtis, Jr.
A. Hugh Ewing III
H. Hiter Harris III
Mrs. Suzanne T. Mastracco

I. CALL TO ORDER

The Chairman, Thurston R. Moore, called the meeting to order at 8:30 am.

II. MINUTES

Motion: Proposed by Mr. Carney and seconded by Mrs. Pauley that the minutes of the last meeting of the Fiscal Oversight Committee held on September 17, 2009 be approved as distributed on October 30, 2009. Motion carried.

III. DIRECTOR'S REMARKS

Mr. Nyerges commented that VMFA needs to focus on the budget with a new Governor and Administration coming into office in January 2010. There is much to do.

IV. DISCUSSION

Review and Approval of the Revised Operating Budget for FY10

Ms. Amato commented that the Committee needed to approve the revised operating budget at the meeting. She thanked several people for the work they had contributed to the multiple financial documents in the Committees folders: Dave Barbour for the operating information; Brian Haggard and John Hailey for the capital information; and David Bradley and Susan Gracik for the Foundation information.

She went on to review the operating and capital budgets. The following comments were made during this discussion:

- Operating Budget includes funds from the State, the Foundation annual fund, earned revenues, income from endowments, and special gifts.
- If the State makes additional budget cuts, the budget being approved at this meeting will have to be revised.
- VMFA needs to position itself to be ready for significant budget cuts in 2011 that will most likely exceed any experienced to date.
- The budget will be revised again in February to include exhibition costs which are still being developed and any last-minute changes that may be required.

- The additional \$2 million allocated to VMFA by the Governor to open the museum has been affected significantly by the budget cuts.
- \$4.4 million included in this budget are one-time revenues associated with opening the new facilities. These are funds that will not be available to us in the future.
- \$1.5 million has been designated for gallery installation with an additional \$1.5 million being held in reserve in the Foundation for installations after opening.
- Sales and Marketing has significantly more funds with which to work.
- Money has been saved in energy costs since the museum has not been in full operation. Once open, energy costs will be approximately 10% of the operating budget.
- The museum has increased in size by 140% while operating on a budget that is only 90% of the funding VMFA expected to have.
- Timing is very important. Opening an expanded museum in the current economy with the serious budget cuts is challenging. VMFA's success is necessary to achieve the goals of the Business Plan the Trustees adopted.
- The Capital Budget contains funds from the State (about 1/3), gifts to the museum, Top Ten Campaign, and the proceeds of our original Capital Campaign. There are sufficient funds to meet the needs of all capital projects if there are no new significant costs.
- The Expansion Committee has authorized moving funds from the McGlothlin contingency fund to other projects to get them completed. There is \$128,885 remaining in the fund, and significant additional costs cannot be absorbed.
- A 15% budget cut in FY11 will be devastating and will most likely mean layoffs, which are expensive and will impact the museum's ability to fully operate. If the museum is to open and operate, there are many areas that cannot be cut so laying off staff is one of the few options. VMFA is trying to use staff more efficiently and prepare for any future cuts that might happen. We are also looking at any means available to generate earned revenue.
- In talking with legislators at the Trustee event, it is clear that they support the museum and understand its position. However, they have limited funds and have to prioritize how those funds should be spent.
- The museum is good for the State and will be one of the few success stories the State has enjoyed in recent years.

Mr. Cherry commended Carol Amato and her staff for managing the fluctuating finances in such a responsible way. He commented that VMFA can be a shining star for the State.

Motion: Proposed by Mr. Cherry and seconded by Mr. Douglass that the 2010 Revised Budget be adopted as presented. The motion carried.

APA Report

For the past six years, the Auditor of Public Accounts (APA) has strongly recommended a consolidation of the administrative functions of the cultural institutions (VMFA, Jamestown-Yorktown Foundation, Science Museum, Frontier Culture, Gunston Hall). The APA contends that the cultural institutions do not have sufficient resources to consistently maintain internal controls. He is suggesting that a new department be developed within the Education Secretariat to manage all administrative functions for the cultural institutions.

It is not clear what will happen next, but the General Assembly may deliberate the APA's recommendation in January. VMFA will monitor the session and report back to the Board on the General Assembly's consideration of the APA report.

V. ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 9:15 am.

Trudy E. Norfleet
Acting Secretary

Date: _____ Approved: _____

VIRGINIA MUSEUM OF FINE ARTS
Minutes of the Fiscal Oversight Committee Meeting
Held, pursuant to due notice, in the Marble Hall, Main Museum
Richmond, Virginia
Thursday, September 17, 2009, 10:45 am

Presiding: Thurston R. Moore, Chairman
Secretary: Ms. Trudy Norfleet

There were present:

Thurston R. Moore, Chairman
Alfonso L. Carney, Jr.
James C. Cherry
Herbert A. Claiborne, Jr.
Herbert A. Claiborne III
John R. Curtis, Jr.
W. Birch Douglass III
Grant H. Griswold
H. Hiter Harris III
John A. Luke, Jr.
Mrs. Stanley F. Pauley
Agustin Rodriguez
Geoffrey P. Sisk
John R. Staelin
Fred T. Tattersall
Richard G. Tilghman
Joseph R. Vilseck, Jr.

By Invitation:

Alex Nyerges, Director
Karen C. Abramson
Ms. Carol Amato
David A. Barbour
Stephen Bonadies
David B. Bradley
Ms. Cynthia Fralin
Leon Garnett
Brian Haggard
Ms. Joan W. Murphy
Ms. Trudy Norfleet
Ms. Nancy Parsons
Ms. Alexis Vaughn
Richard B. Woodward

Absent:

William J. Armfield IV
A. Hugh Ewing III
Mrs. Suzanne T. Mastracco
Mrs. Richard R. Reynolds III

I. CALL TO ORDER

The Chairman, Thurston R. Moore, called the meeting to order at 10:50 am.

II. MINUTES

Motion: Proposed by Mr. Luke and seconded by Mr. Douglass that the minutes of the last meeting of the Fiscal Oversight Committee held on May 21, 2009 be approved as distributed on July 14, 2009. Motion carried.

III. DISCUSSION

Review of Financial Performance to date for FY10. Carol Amato reviewed the Financial Summary for the fiscal year that ended on June 30, 2009. She explained the percents of expenditure by departments and some of the projects that affected them. She pointed out that revenues were down in all departments because of the drop in the number of visitors but noted that the Education and Outreach Department continued to provide programs that brought in revenue along with several other regular programs that were held throughout construction.

Status of Budget Reductions. Ms. Amato reviewed the process used to prepare the budget reduction plans at 5%, 10% and 15%. VMFA prepared plans based on the targets established by the Department of Planning and Budget. Then VMFA prepared a base budget which was reviewed and approved by the Fiscal and Executive Committees at a joint meeting on August 19, 2009. This budget will be revised to accomplish the 10% reduction that the Governor mandated for the museum. Our plan has been approved by the Governor. This reduction of \$1,085,865 was accomplished by:

- Reducing contract security by one position
- Reducing discretionary costs by deferring or eliminating discretionary expenses (FY10 only)
- Reducing personnel costs through reorganization, reduced work schedules, and layoffs (FY10 and FY11 only). No reduced personnel costs for FY12 are planned at this time. These actions will result in the permanent loss of two positions.
- Paying estimated severance costs including accrued leave in FY10 only. Savings from FY10 will help cover severance costs in FY11 and FY12.
- Supplanting General Funds with Non-general Funds.

Ms Amato noted that state personnel rules mandate that P-14s are the first to be let go when layoffs are necessary. However, other staff can be “substitutes” if they are willing to step forward for layoff. Eight staff members stepped forward as substitutes to leave between January 1 and June 1 of 2010 which should cover those in P-14 positions so that they can remain in their positions. The director will review the staff members that have committed to leaving the museum and approve or disapprove their being laid off. Enhanced retirement benefit payouts to these eight staff will occur next year as part of a VRS change. The conservative estimates of earned revenue once the expanded museum is open and fully operational indicate VMFA will be in a more financially secure position.

The Director is working on a reorganization of the museum to address the loss of staff and how people can be reassigned to accomplish the work of the museum in its expanded facility.

When final figures are available, a revised budget will be provided to the Fiscal Oversight Committee for review and approval prior to submission to the Board.

State Funding and Goals for Future State Support. As a state agency, VMFA experiences oversight by numerous state central agencies. In reviewing guidelines for museums set forth by the American Association of Museums, it was determined that VMFA met and often exceeded the AAM’s guidelines. Being audited as often as we are makes VMFA better.

VMFA is important to the state. It attracts tourists and is important to corporations thinking about relocating to Virginia. The Statewide Educational Programming is particularly attractive to both the Governor and the General Assembly. The state does not want to totally support cultural agencies but has been more generous to us than to some other agencies. However, the state would like to see VMFA increase its non-general fund support and rely less on state funding.

In looking to the future, VMFA must develop ways to generate sufficient revenue to reduce our reliance on state funding. However, no matter how well we succeed in generating revenue, we should continue to request state funding from general, capital and maintenance reserve funds.

Replacing Loading Dock Emergency Stairwell. Brian Haggard reviewed the plan for replacing the deteriorating emergency egress stairway at the loading dock. The replacement will include enclosing the stair behind a glass wall. It will require that the path from the bottom of the stair to Grove Avenue be redirected in a southeasterly direction with an emergency door put into the current brick wall. Pictures accompanied the review. Approval was requested from the Fiscal Oversight Committee.

Motion: Proposed by Mr. Cherry and seconded by Mr. Tattersall that the emergency stairwell at the Grove Avenue loading dock be replaced, that it be enclosed with a glass wall, and that the egress pathway be redirected through a new doorway to be installed in the existing brick wall along Grove Avenue. The motion carried.

New Performance Measures. The newly developed Strategic Plan for 2010-2015 is ready for the Board's approval. It contains some new performance measures for the museum. These need to be discussed and expanded to make them more meaningful for the museum. Ms. Amato asked to bring these to the Fiscal Oversight Committee at its next meeting for an in-depth discussion and the Trustees agreed.

Director's Comments. Alex Nyerges commented that many Trustees, Foundation Directors, and senior staff were present when gubernatorial candidate Bob McDonnell visited the museum recently. The question/answer time was direct and candid. Creigh Deeds is scheduled to visit on September 22, and Mr. Nyerges expressed hope that participation would be on par with the McDonnell meeting. VMFA needs to know how each candidate feels about the museum and how supportive he will be. The Governor's support is important to VMFA and has been extremely helpful during construction when state funds were severely limited.

Mr. Nyerges suggested that Trustees and Foundation Directors use their influence on both candidates to place VMFA in a favorable position with them.

IV. ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 11:55 am.

Trudy E. Norfleet
Acting Secretary

THE VIRGINIA MUSEUM OF FINE ARTS
Minutes of the Joint Executive and Fiscal Oversight Committee Meeting
Held, pursuant to due notice, in The Pauley Center Dining Room
Wednesday, 19 August 2009, 12:00 pm

Presiding: Pamela Reynolds, Chairman
Secretary: Ms. Suzanne Broyles

There were present:

Pamela Reynolds, Chairman
Dr. Herbert A. Claiborne, Jr.
Herbert A. Claiborne III
Mrs. Whitt W. Clement
John R. Curtis, Jr.
W. Birch Douglass III
A. Hugh Ewing III
Grant H. Griswold
Frances A. Lewis
John A. Luke, Jr.
Mrs. Stanley F. Pauley
Michael J. Schewel, Vice-Chair, Government Affairs Committee
Dr. Joseph R. Vilseck, Jr.
Mrs. Suzanne T. Mastracco, Ex-Officio, Statewide Vice President

By Invitation:

Alex Nyerges, Director
Ms. Carol Amato
Dave Barbour
Stephen D. Bonadies
David B. Bradley
Ms. Suzanne Broyles
Dr. Joseph M. Dye III
Leon Garnett
Dr. Lee Anne Hurt
Ms. Joan W. Murphy
Robin Nicholson
Ms. Nancy H. Parsons
Ms. Sandy Rusak
Ms. Alexis Vaughn
Richard B. Woodward

Absent:

Thurston R. Moore, Vice President and Chairman of the Fiscal Oversight Committee
Richard G. Tilghman, Ex-Officio, Vice President
William J. Armfield
Alfonso L. Carney, Jr.
James C. Cherry
Susan S. Goode
H. Hiter Harris III

Agustin E. Rodriguez
Geoffrey P. Sisk
John R. Staelin
Fred T. Tattersall

I. REPORT OF THE CHAIRMAN – Pamela Reynolds

The meeting was called to order by the Chairman, Pamela Reynolds, at 12:08 pm. She welcomed everyone and thanked them for attending today. President Reynolds announced that the new trustees appointed by the Governor are Karen Abramson, Marty Barrington, Ivan Jecklin, and Ranjit Sen. The Governor also reappointed Jim Cherry, Louise Cochrane, Jane Joel Knox, and Thurston Moore. Mrs. Reynolds said we are very excited to welcome these new board members and pleased to have those reappointed continue as Trustees.

Mrs. Reynolds explained that the main reason for meeting today is to talk about the budget and she called on the Director to give his report.

II. REPORT OF THE DIRECTOR – Alex Nyerges

Alex Nyerges reported that there was a large crowd last weekend at the Museum of the Shenandoah Valley in Winchester for the opening of the *Matisse, Picasso and Modern Art in Paris* exhibition. He thanked Robin Nicholson, Sandy Rusak, and the Trustees who traveled there.

Mr. Nyerges said that after much discussion the Strategic Planning Committee should adopt the Strategic Plan at the meeting this afternoon. We have now spent one year on the plan and will follow up with the Senior Staff. A new committee has been created, the Resource Development Committee, which will cover the areas of Fundraising, Membership, Marketing and Special Exhibitions and ensure that the museum secures appropriate financial resources to support its mission. Birch Douglass will chair the committee and staff liaisons will be Robin Nicholson, Alexis Vaughn and Nancy Parsons.

The Director asked those present to hold the date of September 29th for a media event in New York City on the grand openings of the Ashmolean Museum and the VMFA. We are also set for the November 17th previews when we will open the Lewis Galleries and hold a dinner honoring Frances Lewis.

Alex Nyerges reported that this is the first meeting for Nancy Parsons, our new Deputy Director for Development. He told the group that Ms. Parsons comes to us from the National Sporting Library where she was the President and CEO since 2005. She has directed major capital campaigns for Monticello and the University of Virginia. He said we are extremely lucky to have her here. Her first day of work will be September 1.

III. REPORT OF THE FOUNDATION – Herbert A. Claiborne III, President

Herbert Claiborne III reported that the Foundation Board met on August 4, 2009 and board members were given a financial overview of the Expansion Project. The Investment Committee reported an +8.6% return (June 30, 2009) calendar year to date vs. the benchmark of +7.1%. He said that while we are still down -20.2% for the one year period (June 30, 2009), the portfolio is nonetheless showing marked improvement. The Foundation Board adopted a \$13.2 million FY 2010 budget (as compared to \$10.1 million budget in FY 2009). Mr. Claiborne explained that the increase is primarily the result of gifts earmarked for the completion of the Expansion and the Grand opening. He reported that the Annual Fund achieved 99% of its goal and the NEH Challenge \$610,000 grant for the Library has been matched.

IV. REPORT OF THE GOVERNMENT AFFAIRS COMMITTEE – Michael J. Schewel, Vice-Chairman

Michael Schewel reported that Bob McDonnell, Republican gubernatorial candidate, will visit the Museum on September 9th from 8:30 – 9:30am and Creigh Deeds, the Democratic candidate, will visit on September 22nd at 11:15am. Mr. Schewel said that these informal exchanges with the candidates are for Trustees and Foundation Directors to learn more about the candidates' various positions and to share with them issues related to the Museum. An e-mail invitation will be sent tomorrow and we hope all will accept. In addition, we are in discussion with the House Appropriations Committee about a site visit in connection with their two day mid November retreat.

David Bradley told the group that the joint money committees met this morning and the shortfall is now \$1.5 billion in revenues. The Governor had no specific announcements for the agencies, just to use the same strategies as before. The Federal Stimulus Funds and the board of Economists will return in October and November to look at the forecast to see if there is an opportunity to change before it goes to the General Assembly in December.

At 12:26 pm the meeting went into closed session.

Motion: proposed by Mrs. Reynolds, and seconded by Mrs. Mastracco that the meeting go into closed session under Section 2.2-3711 (A), (1), (9) and (30) of the Freedom of Information Act for discussion of a personnel matter which is not public, for discussion of matters relating to specific gifts, bequests, and grants, and for discussion of the terms and scope of the contracts for the expansion, sculpture garden and parking deck where discussion in an open session would adversely affect the bargaining position or negotiating strategy of the Museum. Motion carried

V. REPORT OF THE FISCAL OVERSIGHT COMMITTEE – John A. Luke, Jr., Vice-Chair and Chief Operating Officer – Carol Amato (Closed Session)

At 1:31 pm, by motion proposed, seconded and carried, the meeting resumed in open session.

Motion: proposed by Mrs. Reynolds and seconded by Mrs. Pauley that the Committee certify that the closed session just held was conducted in compliance with Virginia State law, as set forth in the Certification Resolution distributed. Motion carried.

A roll call vote was taken, the results of which are outlined in the Certification Resolution.

Motion: proposed by Mr. Curtis and seconded by Mr. Griswold that the Executive and Fiscal Oversight Committees approve the budget as presented by Ms. Amato. Motion carried.

No additional business was brought before the Committee, and the meeting adjourned at 1:32 pm.

Recorded: _____ Date: _____
Suzanne Broyles, Secretary

Approved: _____ Date: _____
Pamela Reynolds, Chairman

Approved: _____ Date: _____
Alex Nyerges, Director

MOTION: Mrs. Reynolds MEETING: Executive/FOC Committee
SECOND: Mrs. Pauley DATE: 19 August 2009

CERTIFICATION OF CLOSED MEETING

WHEREAS, the Executive/FOC Committee has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of The Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Committee that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED that the Executive/FOC Committee hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Executive/FOC Committee.

VOTE

AYES: Reynolds/Claiborne, Jr./Claiborne III/Clement/Curtis/Douglass/Ewing/Griswold/Lewis/Luke
Pauley/Vilseck/Mastracco

NAYS: None

[For each nay vote, the substance of the departure from the requirements of the Act should be described.]

ABSENT DURING VOTE: Schewel

ABSENT DURING MEETING: Moore/Armfield/Carney/Cherry/Goode/Harris III/Rodriguez/Vilseck/Tilghman

Suzanne Broyles, Secretary of the Museum

Date: _____ Approved: _____

VIRGINIA MUSEUM OF FINE ARTS
Minutes of the Fiscal Oversight Committee Meeting
Held, pursuant to due notice, in the Evans Court, Main Museum
Thursday, May 21, 2009, 10:45 am

Presiding: Thurston R. Moore, Chairman
Secretary: Ms. Trudy Norfleet

There were present:

Thurston R. Moore, Chairman
James C. Cherry
Herbert A. Claiborne, Jr.
Herbert A. Claiborne III
John R. Curtis, Jr.
W. Birch Douglass III
Grant H. Griswold
H. Hiter Harris III
Mrs. Stanley F. Pauley
Agustin Rodriguez
John R. Staelin
Joseph R. Vilseck, Jr.
Pamela Reynolds, Ex-Officio

By Invitation:

Alex Nyerges
Ms. Carol Amato
David A. Barbour
David B. Bradley
Suzanne Broyles
Leon Garnett
Brian Haggard
Ms. Joan W. Murphy
Ms. Trudy Norfleet
Ms. Cathy Turner
Ms. Alexis Vaughn
Richard B. Woodward

Absent:

John A. Luke, Jr., Vice-Chairman
William J. Armfield IV
Alfonso L. Carney, Jr.
A. Hugh Ewing III
Geoffrey P. Sisk
Fred T. Tattersall

Mrs. Suzanne T. Mastracco, Ex-Officio
Richard G. Tilghman, Ex-Officio

I. CALL TO ORDER

The Chairman, Thurston R. Moore, called the meeting to order at 10:50 am.

II. MINUTES

Motion: Proposed by John Staelin and seconded by Birch Douglass that the minutes of the last meeting of the Fiscal Oversight Committee held on February 19, 2009 be approved as distributed on March 27, 2009. Motion carried.

III. ACTION ITEMS

Budget Status

Carol Amato announced that the Secretary of Education had recently communicated to all educational institutions that revenues for 2008-2009 were less than anticipated and that the Governor was waiting until the end of May to determine if cuts in the 2009 fiscal year were necessary. The Secretary indicated that agencies should reduce or eliminate all discretionary spending and be very conservative with general fund monies. The Governor recently indicated that low revenue collections and unemployment were the principle problems affecting the financial picture. He stated that the situation will likely extend into FY10 and be even worse for FY11 when federal stimulus money ends. State priorities will have to be reconsidered.

Ms. Amato said that VMFA is prepared for additional cuts in FY2009. The Governor also indicated that agencies could carry forward any unspent funding, but VMFA will have expended all its General Fund money. VMFA will start early in FY2010 to reserve funds for additional cuts that might be required.

David Bradley added that courtesy calls to select legislators and with staff of the House Appropriations and Senate Finance Committees were beneficial and reinforced that this is a critical time for the museum when it is trying to open an expansion and fund the increased cost of operating a larger facility. He indicated that the Senate Finance Committee staff members had recently taken a hard hat tour and that museum administrators would be appearing before the House Appropriations Committee on June 12, 2009, providing another opportunity to reinforce our position.

Federal Economic Stimulus and Recovery Program

Ms. Amato discussed several ways that VMFA was seeking federal funding through the Stimulus Program.

- NEA Grant – VMFA's application was for \$50,000, the maximum that can be requested, to retain two Art-on-the-Spot educators in Southwest Virginia. There

were approximately 2,000 applications and funding will be available for 700-800. There has been no response as of this date.

- U.S. Department of Labor is providing money for a training program for the trades and technology. The Governor approved our applying for funds to train people in the areas of art handling, exhibition design, and exhibition production. We also have a journeyman on staff with four certifications who is interested in training others. If funded, the program will focus on new college graduates and dislocated workers. John Tyler Community College, the Virginia Employment Commission and the Dislocated Worker Program for the Greater Richmond Area will work with us to identify if and how we can participate. If this program is developed at VMFA, it must be certified.
- Federal funding for energy is coming to Virginia, but VMFA has not been able to identify exactly how we can qualify for the funding.
- There is a Saving American's Treasures Program administered through the National Park Service for historic preservation and a Highway Transportation Program. Each are offering up to \$750,000 in federal funding. We are investigating whether VMFA can qualify for funding through either program. If we are eligible to participate, we will seek funds to work with the City of Richmond to create a Visitor Center at Robinson House.

New Performance Standards

For several years, the state has had a Management Scorecard that assesses how well an agency is managed. It has recently been revised. The state is moving toward performance-based budgeting and these new measures will be part of future state funding decisions. These measures touch on:

- 1) Emergency Preparedness;
- 2) Financial Management: APA audits, budget planning, internal controls, prompt payments
- 3) Government Procurement: use of eVA and Small, Women and Minority-owned Business
- 4) Human Resources: fairness and equity in hiring; percent of hiring offers accepted, percent of turnover, number of staff teleworking
- 5) Information Technology: accessibility, information security

Maintenance Reserve

Brian Haggard reviewed the handout that outlined the status of maintenance reserve funds at VMFA. (attached)

Recent Audits

Ms. Amato explained that two audits had recently been completed at VMFA.

- 1) Department of General Services – audit of procurements and compliance with rules and regulations. This was the first procurement audit at VMFA in 10 years. Eugene Anderson, Director of Policy, Consulting and Review and the

auditor, Clarence Wilson, Account Executive conducted the exit interview. They indicated that we earned a 97% compliance rating which was exceptional, particularly for a cultural institution. They stated that it was one of the best audits they had conducted in a decade.

- 2) Department of Accounts – audit of policies and procedures, assuring that proper controls and documentation are in place and that appropriate controls are being used. During the exit interview, the auditor indicated that our report was extremely good.

Ms. Amato commended to the Trustees and they concurred with applause the work of John Morgan, procurement manager; Patty Britton, former procurement manager; Dave Barbour, budget manager; and Leon Garnett, fiscal services manager.

Top Ten Campaign for Project Close Out

The Chairman discussed the need to approve the request of the Museum Expansion Committee to add and transfer money as explained in the motion below. He read the motion and asked for a vote.

Motion: The Fiscal Oversight Committee agrees with the Expansion Committee's request to add \$2,550,000 identified in the Top Ten Campaign for Project Close Out to the Master Project Budget for the McGlothlin Wing for final project expenses and inspection fees. The Committee further agrees with the transfer of \$450,000 from the Top Ten Fund's Project Close Out allocation to the Fund's Marketing allocation for the purpose of accomplishing a direct mail campaign for membership.

The motion passed unanimously.

Restaurant Operations Sub-Committee Recommendation

The Restaurant Operation Sub-Committee offered a recommendation to the Fiscal Oversight Committee as outlined in the motion below. The Chairman read the motion and asked for a vote.

Motion: The Fiscal Oversight Committee agrees with the Restaurant Operations Sub-Committee's recommendation that the museum continue to operate its restaurant and special event functions with in-house staff to achieve the earned revenue goals identified in the Business Plan adopted by the Board in 2007. The Committee looks forward to receiving a briefing on the plans for operating the restaurants and special event functions at its meeting in September 2009.

The motion passed unanimously.

The Trustees commended Cathy Turner and her food service staff for the wonderful Trustee, Former Trustee and Foundation Director dinner of the previous evening.

Financial Summary

The Chairman and Ms. Amato reviewed the Financial Summary for the Nine Months ending March 31, 2009.

Closed Session

At 11:45 am the meeting went into closed session with the following motion.

Motion: proposed and seconded that the meeting go into closed session under Section 2.2-3711 (A) (1) of the Freedom of Information Act to discuss a personnel matter which is not public.
Motion carried.

At 11:50 am, by motion proposed, seconded and carried, the meeting resumed in open session.

Motion: proposed and seconded that the Committee certify that the closed session just held was conducted in compliance with Virginia State law, as set forth in the Certification Resolution distributed. Motion carried.

A roll call vote was taken, the results of which are outlined in the Certification Resolution.

IV. ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 11:55 am.

Trudy E. Norfleet
Acting Secretary

MOTION:	Mr. Moore	MEETING:	Fiscal Oversight Committee
SECOND:	Mr. Douglass	DATE:	21 May 2009

CERTIFICATION OF CLOSED MEETING

WHEREAS, the Fiscal Oversight Committee has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of The Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Committee that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED that the Fiscal Oversight Committee hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Fiscal Oversight Committee.

VOTE

AYES: Moore/Cherry/Claiborne, Jr./Claiborne III/Curtis/Douglass/Griswold/Harris/Pauley/Rodriguez
Staelin/Vilseck/Reynolds

NAYS: None

[For each nay vote, the substance of the departure from the requirements of the Act should be described.]

ABSENT DURING VOTE: None

ABSENT DURING MEETING: Luke/Armfield/Carney/Ewing/Sisk/Tattersall/Mastracco/Tilghman
Trudy E. Norfleet, Acting Secretary

Date: _____ Approved: _____

VIRGINIA MUSEUM OF FINE ARTS
Minutes of the Fiscal Oversight Committee Meeting
Held, pursuant to due notice, in the Evans Court, Main Museum
Richmond, Virginia
Thursday, February 19, 2009, 10:15 am

Presiding: Thurston R. Moore, Chairman
Secretary: Ms. Trudy Norfleet

There were present:

Thurston R. Moore, Chairman
Alfonso L. Carney, Jr.
James C. Cherry
Herbert A. Claiborne, Jr.
John R. Curtis, Jr.
W. Birch Douglass III
Grant H. Griswold
Mrs. Stanley F. Pauley
Agustin Rodriguez
John R. Staelin
Joseph R. Vilseck, Jr.
Mrs. Richard R. Reynolds III, Ex-Officio

By Invitation:

Ms. Carol Amato
David A. Barbour
Stephen D. Bonadies
David B. Bradley
Suzanne Broyles
Leon Garnett
Brian Haggard
Ms. Anne Kenny-Urban
Walter J. Kucharski
Ms. Joan W. Murphy
Ms. Trudy Norfleet
Kenton Towner
Alex Nyerges
Ms. Cathy Turner
Ms. Alexis Vaughn
Richard B. Woodward

Absent:

William J. Armfield IV
 Herbert A. Claiborne III
 A. Hugh Ewing III
 H. Hiter Harris III
 Geoffrey P. Sisk
 John A. Luke, Jr.
 Fred T. Tattersall
 Mrs. Suzanne T. Mastracco, Ex-Officio
 Richard G. Tilghman, Ex-Officio

I. CALL TO ORDER

The Chairman, Thurston R. Moore, called the meeting to order at 10:15 am.

II. MINUTES

Motion: Proposed by John Staelin and seconded by James Cherry that the minutes of the last meeting of the Fiscal Oversight Committee held on November 20, 2008 be approved as distributed on January 9, 2009. Motion carried.

III. ACTION ITEMS

Director's Remarks

Mr. Nyerges thanked the Fiscal Oversight Committee members and VMFA staff for dealing so well with the museum's financial situation brought on by the shortfall in revenues in the Commonwealth and the economic downturn.

Mr. Cherry added that recognition should be given in particular to: Carol Amato and David Bradley for their relationship and work with state officials; Alex Nyerges for being fully engaged in the process; and Pam Reynolds for the groundwork that was laid through her previous work with the Government Relations Committee that put us in a good place to deal with the budget and government officials.

Budget Status

Carol Amato announced that the Governor had included in his budget our request for \$2 million to open the new wing. The House and Senate versions of the budget continue to carry that request.

David Bradley added that our 6-year Capital Outlay plan had also moved through the budget process nicely. The Robinson House has been designated as a "priority one"

project but there is no money provided as yet. He agreed that the relationships developed with state officials and with legislative staff members served VMFA well and had positive results.

Ms. Amato reviewed the Financial Summary pointing out that: the 15% budget reductions were included; earned revenue was down, especially for the enterprises; and Food Service/Special Events experienced several Christmas cancellations by corporations which has caused them to operate at a loss. Reserves are being used to continue operation. Alexis Vaughn is trying to address the problem but it is a subject that will need to be discussed in a Fiscal Oversight meeting.

Ms. Amato reviewed the Mid-Year Budget and explained how money was shifted among departments to better use available funds. She explained that our reserve funds were used to accomplish a part of the reduction. She asked that the Committee approve the Mid-Year Budget as presented.

Motion: Proposed by James Cherry and seconded by John Curtis that the Mid-Year Budget be approved as presented. Motion carried.

Auditor of Public Accounts

Ms. Amato introduced Mr. Walter J. Kucharski, Auditor of Public Accounts for the Commonwealth of Virginia. She shared that the Office of the Auditor of Public Accounts was created in 1621 by the Virginia House of Burgesses because they believed the local officials were deducting expenses from Colonial revenue collections. In 1880 the General Assembly elected both a first and second auditor.

Mr. Kucharski has been the Auditor since 1984. Ms. Amato commented that the commitment of the Auditor's office to good audits has contributed to Virginia's designation as one of the best managed states.

The Auditor's office focuses state agencies on various areas of operation, how the agency handles it, if the agency has sufficient administrative staff, and what needs to improve. The latest audit focused on risks and internal controls.

Mr. Kucharski explained that they audit the state's museum every two years. They look at financial information, compliance with state rules and regulations, internal controls, how money is spent, and if the agency is in a financial position to continue operation. There were two audit findings for the museum in the last audit: 1) Instances of incomplete documentation of I-9s, a form used for documenting immigrants hired, has been a statewide problem but training has helped VMFA and most other agencies to properly complete the forms; and 2) too much access to the statewide accounting system, which VMFA addressed by reducing the number of VMFA staff who have widespread access to the state system. Another area audited this time included the policies and

procedures in place for information technology security. VMFA was found to handle IT security adequately. The next audit will include an in-depth assessment of IT security.

At this point, VMFA staff members left the meeting and dialog between Mr. Kucharski and the Trustees continued.

IV. ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 11:15 am.

Trudy E. Norfleet
Acting Secretary

February 19, 2009

Fiscal Oversight Committee (last 20 minutes)

Mr. Moore asked the staff to leave. He then noted that with the recent financial challenges and expansion demands, there were increasing loads on the senior administrative staff. He asked Mr. Kucharski whether there were any observations he had that were not voiced in his audits of the Museum, and what suggestions he had for future planning. Mr. Kucharski said that the Museum was generally well managed and that the audits are complete in themselves. He noted, however, that like much of state government, the most experienced members of the Museum's senior administrative staff are eligible to retire. The Museum should have a process to provide successors who are able and ready to take over the array of responsibilities these senior administrators currently hold. Committee members then posed several questions regarding how the Museum might go about this task. Trustees noted staff members, over time, take on functions that are beyond their assigned job descriptions, and this is not realized until these members leave. Suddenly, there are key functions that no one has been assigned to cover. Mr. Kucharski suggested, among other things, engaging management expertise from VCU, consulting senior administrators now about what their real job functions are and getting their recommendations for obtaining or training successors, and then focusing on an ideal administrative structure that could serve as a goal when openings for future hiring appear. Mr. Moore thanked Mr. Kucharski for his help and advice to the Committee. He told the Committee members that the challenges ahead would require that the Committee reach beyond its traditional role of fiscal review, to engage in rigorous strategic examination and planning for expanded administrative, risk management and funding systems in the Museum.