

Date: _____ Approved: _____

VIRGINIA MUSEUM OF FINE ARTS
Minutes of the Fiscal Oversight Committee Meeting
Held, pursuant to due notice, in the Conference Suite Room #2
Richmond, Virginia
Friday, June 14, 2013, 10:30 am

Presiding: John A. Luke, Jr., Chair
Secretary: Ms. Suzanne Broyles

There were present:

John A. Luke, Jr., Chair
John R. Staelin, Vice-Chair
Mary Anne Carlson
W. Birch Douglass III
Richard B. Gilliam
Satya Rangarajan
William A. Royall, Jr.
Thurston R. Moore, Ex-Officio

By Invitation:

Alex Nyerges, Director
Ms. Suzanne Broyles
Ms. Stephanie Hamlett
Ms. Anne Kenny-Urban
Ms. Linda Lipscomb
Robin Nicholson
Cameron O'Brion
Charles H. Seilheimer, Jr.
Ms. Fern Spencer

Absent:

James C. Cherry
G. Moffett Cochran
Margaret N. Gottwald
John H. Hager
Terrell Luck Harrigan
H. Eugene Lockhart
Michael J. Schewel
Mrs. Suzanne T. Mastracco, Ex-Officio

I. Call to Order

Mr. John A. Luke, Jr., Committee Chair, called the meeting to order at 10:35 am and welcomed the group. He introduced Stephanie Hamlett of the Attorney General's Office who was standing in for our Counsel, Cameron O'Brion who had a conflict.

II. Minutes

Motion: proposed by Mr. Luke and seconded by Mr. Rangarajan that the minutes of the last meeting of the Fiscal Oversight Committee held on the 20th of March 2013 be approved as distributed on the 22nd of May 2013. Motion carried.

III. Director's Remarks – Alex Nyerges

Alex Nyerges remarked that the recent message at an AAMD panel review was one of doom and gloom. However, Mr. Nyerges feels that we should concentrate on the fact that attendance has increased twenty percent in our industry which is a good upward trend. He announced that VMFA was in the black, with a strong, realistic, appropriate and fiscally productive budget. He applauded Fern Spencer and Anne Kenny-Urban and thanked them for keeping us on the straight and narrow. He thinks we can build on our state support because we are important to Virginia saying we cross the aisle with bipartisan support. Mr. Luke noted that we have had a drastic reduction in state support over time just as other agencies have. Mr. Douglass brought up the importance of getting Northern Virginia involved and Ms. Armstrong added that statewide outreach needs to be in our long term financial plan also. Bill Royall indicated that we will see more outreach through technology that is measurable and impressive to the state legislators.

IV. PFAC Resolution Update

Alex Nyerges explained that on May 1st the Executive Committee approved a resolution regarding the proposed merger of the Peninsula Fine Arts Center (PFAC) and Christopher Newport University (CNU) which has recently come back to life. He reiterated that although the Virginia Museum of Fine Arts has a reversionary interest in the PFAC property, the costs to maintain the property exceed the benefits if the museum were to hold the property. Mr. Nyerges noted that the PFAC has a history of solid work in the arts and recommended in lieu of cash for the sale of the property that VMFA receive permanent recognition on par with other donations of its size, as this is a seven figure gift. The Committee agreed. After reviewing the resolution that delegates authority in this matter to the Director of the Virginia Museum of Fine Arts, it was expressed that the museum should explore legal remedies if parties involved do not follow the resolution as agreed.

V. FY14 Budget Recap – Fern Spencer

Fern Spencer, Chief Financial Officer, provided a FY14 Budget Recap noting the following assumptions:

Revenue

- Anticipate total revenue to be slightly lower than FY13
- All projects prioritized by strategic importance with our IT initiative designated as the number one priority
- State General Fund will increase to help cover additional personnel costs

- Earned revenues expected to be slightly lower than FY13
- Exhibition revenue expected to be down by \$426,573 while Membership revenue projected to decrease by \$69,000
- Enterprise revenues & expenses increased – net profit projected to be lower
- Foundation support projected to be slightly higher
 - Projecting carryover in endowment and unrestricted accounts
 - Fronting IT initiative from Foundation Reserve, which will be replenished with fundraising efforts
 - Additional sponsorship to be raised by Development estimated at \$1.1 million, up from \$800,000 in FY13
- Anticipate modest balances to be carried forward on the State side.

Expenses

- Continuing to carry vacant positions unless they are mission-critical
 - Note: Personnel Expense = \$17.8 million
- Assume a 2% salary increase & compression adjustment
- Added increase in employee health care premiums
- Include funding to continue salary adjustments

John Luke asked for a more codified process with exhibitions. He would like to see one to five years of what our exhibition expenses would be, with all the factors and useful information that goes into the planning. He would like that organized in one location in an organized way for each exhibition for everyone to review. Mr. Douglass added that he would like to see three models, one for a blockbuster exhibition (\$1.25 to \$1.5 million category), one for the \$100,000 - \$200,000 category exhibition and one for a smaller exhibition (\$40,000 - \$70,000). The Director stated that this would be on the agenda for the September 18th Fiscal Oversight Committee meeting.

Ms. Spencer went on to review the fiscal impact of the FY14 Exhibitions providing a chart of the ticketed exhibitions, the total attendance forecasts, FY14 attendance forecasts, and the FY14 revenue forecasts. A second chart was provided with the FY14 ticketed exhibition expenses, then the remaining FY14 exhibition expenses. Finally, all totals were combined to reflect the total FY14 Exhibition Budget.

VI. Financial Update – Fern Spencer

Ms. Spencer addressed the Museum Operations Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance for the months ending April 2013 and May 2013. She gave highlights and fielded questions from the Committee.

VII. Wesselmann Analysis – Anne Kenny-Urban

Anne Kenny-Urban gave a *Wesselmann* Exhibition mid-run update and analysis saying that in March she took a fresh look at attendance. *Wesselmann* goals were originally budgeted over a year ago as we were preparing for *Maharaja*. Based on experience at that point the goals seemed reasonable at 20,000 in attendance, \$66,000 in ticket sales (\$3.30 per capita on top ticket price of \$10) and \$18,000 in audio sales (18% of 20K @ \$5/audio rental). These goals were informally revised when the potential was thought to be better at 30,000 in attendance, \$99,000 in ticket sales (\$3.30 per capita on top ticket price of \$15), and \$11,760 in audio sales (8% of 30K @ \$4.90/audio rental). The budget was set at this point so there was no adjustment or impact to our financial expectations for the fiscal year.

Ms. Kenny-Urban based her projections on leading indicators from these six exhibitions: *Picasso*, *Elvis*, *Chibuly*, *Fabergé*, *Mummy* and *Maharaja* looking at the value of presold tickets, total ticket revenue, and percentage of the total represented by presolds. She explained that *Wesselmann* drivers were the Members' Preview (4,005 reservations, 2,645 visitors); Mother's Day (brunch & a show); and International Museum Day (free admission brought 1,000-1,100 visitors). She then provided a chart with projected and actual exhibition attendance per week and showed revenue figures of progress to date saying the per capita is below forecast. It is anticipated that while attendance may reach 30,000, revenue will fall below expectations. Ms. Kenny-Urban pointed out that we need to find new ways to convey the appeal of *Wesselmann* to non-members for the final weeks as we are faced with the challenges of limits on time and resources. She concluded that to be a successful organization, VMFA must continue to learn and therefore must monitor and measure exhibition results and reviews, marketing strategies and tactics, and public reaction and visitor behavior.

VIII. Advancement Update – Linda Lipscomb

Linda Lipscomb, Deputy Director for Advancement, reported on the good FY13 YTD performance as of June 7, 2013. She noted that FY13 fundraising to support the operating budget is standing at \$4.8 million, tracking 14.8% ahead of FY12; and that including art acquisitions, the realized bequests and endowment total giving is \$5.4 million. Ms. Lipscomb provided sources of giving FYTD13 vs. FYE12 revenue as of June 7 for individual giving (including membership), corporate giving and grants/foundations and all showed a marked increase. General Membership (up to \$150) revenue is 23.6% above FY12 year end. The \$1.96 million revenue surpassed the previous high of \$1.94 million during *Picasso*.

Linda Lipscomb gave fundraising highlights under unrestricted annual giving which is currently at \$1.93 million with a goal of \$2 million. Leadership giving societies (\$1,000+) have 97 new or upgraded members, there are four new members of the Commonwealth Society (1 new and 3 upgrades), and 83 corporate partners which is an increase from 75 in FY12. The US Trust/Bank of America is the largest new member at the \$10,000 level. There is a total of \$1.5 million supporting exhibitions, endowment, education, technology and art purchases. She concluded with the priorities for FY14: over \$900,000 in outstanding exhibition proposals and submitting \$400,000 in foundation/grant proposals over the next nine months; growth of unrestricted giving (minimum of 6%); retention of members

acquired during *Chibuly* and new acquisitions during *Hollywood Costume*; and under technology: fund immediate needs for FY14 and identify potential funders and future applications for additional funding.

IX. Other Business/Adjournment

There being no further business, the meeting was adjourned by Chair John A. Luke, Jr. at 12:05 pm.

Suzanne Broyles
Secretary of the Museum