

Date:_____ Approved:_____

THE VIRGINIA MUSEUM OF FINE ARTS
Financial Seminar
Held, pursuant to due notice, in The Pauley Center Parlor
Monday, 13 April 2009, 2:30 pm

Presiding: Pamela Reynolds, VMFA Board of Trustees President
Herbert A. Claiborne III, VMFA Foundation Board President
Secretary: Ms. Suzanne Broyles

There were present from the Board of Trustees:

Pamela Reynolds, President
Thurston R. Moore, Vice-President
Richard G. Tilghman, Vice-President
Dr. Herbert A. Claiborne, Jr.
W. Birch Douglass III
Dr. Elizabeth Ann Fisher
Grant H. Griswold
Mrs. Stanley F. Pauley
Agustin Rodriguez
Michael J. Schewel
John R. Staelin
Dr. Shantaram K. Talegaonkar
Ms. Mary F. White

There were present from the Foundation Directors:

Herbert A. Claiborne III, President
Charlotte M. Minor, Vice-President
Ranjit K. Sen, Treasurer
William J. Armfield IV
L. Ray Ashworth
Robert L. Burrus, Jr.
Mrs. Robert W. Cabaniss, Jr.
Ms Eva Tieg Hardy
Ivan P. Jecklin
John M. R. Reed
Richard T. Riley
Geoffrey P. Sisk
Henry C. Spalding, Jr.
Jane Bassett Spilman
S. Pierce Walmsley V
Gregory H. Wingfield

By Invitation:

Alex Nyerges, Director
Ms. Carol Amato
Dave Barbour
Stephen D. Bonadies

David B. Bradley
Ms. Suzanne Broyles
Dr. Joseph M. Dye III
Ms. Susan Gracik
Dr. Lee Anne Hurt
Ms. Joan W. Murphy
Robin Nicholson
Nancy Raybin
Ms. Sandra Rusak
Ms. Alexis Vaughn
Richard B. Woodward

I. OPENING REMARKS – Herbert A. Claiborne III

The meeting was called to order at 2:35 pm. Herbert A. Claiborne III welcomed both boards and said that in these uncertain economic times there are many challenges ahead of us. Some of these are in the near future and some are long term goals which and we will cover in today's seminar. He encouraged those present to ask any questions that may come up during the presentations.

Director, Alex Nyerges, said that there will be two parts to this seminar, Davenport & Co. will give the five-year forecast and then we will review the Museum's financial future. He said we have four revenue streams, state funding, earned revenues, contributions and funding. Mr. Nyerges said that today we will review the best, middle and worst case financial scenarios and look at FY10 budgets. He said there are many unknowns about FY11 so we want to be prepared. He noted that we are better off compared to every other art museum in the country as we took budget cuts long before anyone else. He also explained that we received an extra \$2 million from the state for our expansion. David Bradley gave a summary of this institution's historical background starting with the 2004 bond issue to assist with the expansion construction.

II. FIVE YEAR FINANCIAL FORECAST – Davenport & Company: Jimmy Sanderson, Jamie Traudt, Bill Muth and Reiley Monroe

Jamie Traudt of Davenport & Co. distributed a report on Financial Projections and an Expansion Project Status Update which he reviewed with the group. He listed the sources of funds as State/Federal appropriations, pledges, loan proceeds, earnings on pledges and earnings on the interim loan. He said the funds are used for construction, interest and fees on the interim loan, and the repayment of the interim loan. He reviewed the construction period and the post construction period.

Mr. Traudt then went on to discuss market history and endowment portfolio scenarios. He covered the best case, middle case, and worst case endowment portfolio performance showing graphs and charts. During the meeting Richard Tilghman pointed out that Mr. Traudt's middle case scenario was actually the best case scenario and the worst case was actually the middle case. Mr. Traudt said that he will rework the worst case scenario and report back. The group looked at the three-year vs. the five-year rolling averages and noted

that the five-year rolling average smoothes out the peaks and valleys in the graph compared to the three-year.

Mr. Traudt concluded his presentation by showing historical annual state appropriations from fiscal years 2004 through 2009. He then showed an assumed range of three future state appropriations first with no future state cuts, then an additional 10% in state cuts, and finally an additional 15% in state cuts. Richard Tilghman mentioned that we must be careful how we spend the endowment. He felt we should have someone measure the restricted and unrestricted endowment to see if we have enough unrestricted endowment to meet our debt covenants. Eva Tieg Hardy remarked that it is important to preserve our state funding. She suggested that a statewide grassroots political plan or campaign effort, more sophisticated than we have ever done before, is needed to target people in every part of the state.

Carol Amato, Chief Operating Officer, distributed reports showing the three scenarios of State Operating Budget Projections – FY10 through FY14. She explained that these figures are based on the assumption that we operate as we operate now with no increase in hours, attendance of 450,000 as stated in our business plan, and the state non-general fund reversion staying at \$84,000. The increases in earned revenues will come when we have exhibitions which draw more visitors. When asked, she stated that we should be able to get through FY10 with no further state cuts, but FY11 could be a problem. Ms. Amato noted that in the past we were fortunate to have the Foundation funding when state appropriations were cut, but now with the economic downturn, the endowments have decreased, affecting the Foundation funding. Carol Amato concluded by saying that it is a relief that we are relatively stable for the year before we open. She said we will open just at the right time and the planning we have done, the Business Plan and the Strategic Planning, will hold us in good stead. She noted that we have people working here that we need for the opening, most of our future is in our hands, and we will make the most of the collection and the buildings we do have. She thanked the boards for working with the General Assembly and the Governor to help get the funding and said we are positioned well to finish the building.

President Reynolds noted that outreach is the part of these scenarios that both boards can impact. She said the Government Affairs Committee will need to work hard during the summer and she has already started by planning to have the three gubernatorial candidates visit to see the force that VMFA represents. Mrs. Reynolds stressed the importance of the Top Ten Campaign saying these funds need to be raised to pay back the \$30 million in bond obligations. She indicated that the Board's top priority should be to raise these monies to avoid a negative impact on our operations and financial stability.

III. FY10 OUTLOOK – Alex Nyerges, Director and Carol Amato, COO

At 3:47 pm the meeting went into closed session.

Motion: proposed by Ms. Hardy, and seconded by Mr. Moore that the meeting go into closed session under Section 2.2-3711 (A), (1) of the Freedom of Information Act
for discussion of a personnel matter which is not public.
Motion carried

At 4:05 pm, by motion proposed, seconded and carried, the meeting resumed in open session.

Motion: proposed by Mrs. Reynolds and seconded by Mr. Moore 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 Dr. Claiborne and seconded by Mr. Rodriguez to adopt the plans outlined in closed session whereby staff members are reassigned and facilities and activities are redirected to anticipate the completion and opening of the new wing and the sculpture garden. Motion carried.

IV. OTHER BUSINESS/ADJOURNMENT

President Reynolds thanked Alex Nyerges, Carol Amato, and David Bradley for making this seminar happen. She remarked that the opening will be a great thing. She thanked the board members for coming saying that without them we could not move forward. Alex Nyerges concluded that this plan is a positive thing to get us focused and ready for when the building opens on May 1, 2010.

There being no further business, the meeting adjourned at 4:10 pm.

Suzanne Broyles
Secretary of the Museum

MOTION:	Mrs. Reynolds	MEETING:	Financial Seminar
SECOND:	Mr. Moore	DATE:	13 April 2009

CERTIFICATION OF CLOSED MEETING

WHEREAS, the Financial Seminar 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 Financial Seminar 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 Financial Seminar.

VOTE

AYES: Reynolds/Moore/Tilghman/Claiborne, Jr./Douglass/Fisher/Griswold/Pauley/Rodriguez
Schewel/Staelin/Talegaonkar/White

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: Mastracco/Adams/Carney/Cherry/Clement/Cobbe/Cochrane
Curtis/Farrell/Fralin/Goode/Harris/Hsu-Balcer/Hunt/Knox
Lewis/Luke/McGloghlin/Morris/Schexnider/Tattersall

Suzanne Broyles
Secretary of the Museum