Virginia Museum of Fine Arts

Minutes of the Joint Fiscal Oversight and Resources & Visitor Experience Committees

Wednesday, 21 September 2016, 8:30am

Reynolds Lecture Hall

There were present

Tyler Bishop, Co-chair, Resources

W. Birch Douglass III, Co-chair, Resources

John A. Luke, Jr., Chair, Fiscal Oversight

Kelly B. Armstrong

Cindy H. Conner

Kenneth M. Dye

Jil Womack Harris

Dr. Monroe E. Harris, Jr.

Steven A. Markel

Sara O'Keefe

Dr. Claude G. Perkins

John Staelin, conference

**Harry R. Thalhimer**

By invitation

Alex Nyerges, Director

Maggi Beckstoffer

Dr. Lee Anne Chesterfield

Jody Green

Susan Hayes

Claudia E. Keenan

Laura Keller

James W. Klaus

Alex McGrath

Cameron O'Brion

Hossein Sadid

Jayne Shaw

Dr. Michael Taylor

Kimberly Wilson

Absent:

Terrell Harrigan, Co-Chair

Karen C. Abramson

Anne L. Battle

Thomas F. Farrell II

Cynthia Kerr Fralin

Richard Gilliam

Margaret N. Gottwald

H. Hiter Harris III

Barbara Noble Howard

Kenneth Johnson, Sr.

H. Eugene Lockhart

Michele Petersen

Satya Rangarajan

Michele Petersen

Pamela C. Reynolds

William A. Royall, Jr.

Charles H. Seilheimer, Jr.

Mary Gray Shockey

Michael J. Schewel, Ex-officio

1. CALL TO ORDER

At 8:32 AM, Mr. W. Birch Douglass III called the meeting to order.

1. MINUTES APPROVAL

**Motion:** proposed by Mr. John Luke, Jr. and seconded by Mr. W. Birch Douglass III that the minutes of the June 23rd, 2016 Joint Fiscal Oversight and Resources & Visitor Experience Committees be approved as distributed. Motion approved.

1. RESOURCES & VISITOR EXPERIENCE

Deputy Director for Advancement and Membership Ms. Claudia Keenan reviewed the metrics for FY16. She noted that the goal for income revenue was $6.0 million with an actual year-end total of $16.0 million. More than $1.0 million was raised for exhibitions, and over $2.0 million was raised for special projects. A $1.0 million endowment was established for Ethiopian and Coptic art while $5.0 million was raised in Change Capital. The year closed with 32,000 household members. VMFA anticipates that *Yves Saint Laurent* and *Terracotta Warriors* will result in higher membership totals.

For FY17,the goal for revenue is $8.0 million with an actual of $1.7 million raised as of this meeting. Currently, unrestricted fundraising is ahead of goal by 142% while VMFA totals 34,000 members. There are plans for a direct mail and marketing to all single ticket buyers for *Kehinde Wiley: A New Republic*. Likely the same type of mailing will be sent for *Yves Saint Laurent*. Ms. Keenan reported that $1.73 has been raised in restricted giving with a breakdown of $985,000 towards exhibitions and $275,000 for *Yves Saint Laurent*. Ms. Keenan reminded the board that education funds are raised across the board and do not fall solely under the category of education in reports that are distributed. $169,000 has been raised for *Fine Arts and Flowers*.

Ms. Keenan then asked Ms. Jayne Shaw, Director of Development, to discuss planned giving that has resulted in two new bequests. Ms. Shaw reported that Development is working with Stelter Group for Planned Giving materials. So far, they have developed a new website with interactives and have issued their first print newsletter. On June 30th, an e-newsletter went out and it produced 7 new Glasgow Society members. Mr. Douglass noted that most studies suggest that Capital Campaigns make large portions of their money through planned gifts and that board members must act as ambassadors to make people aware of VMFA. Ms. Shaw thanked Mr. Douglass for his constant service as an ambassador.

Ms. Keenan then addressed how membership came to their FY17 projected goal of $8.0 million. VMFA’s first year renewal rate averages at 44%, and if you exclude the student membership level, the rate jumps to 48%. Contextually, 32.6% is the national average renewal rate. VMFA’s two-year renewal rate is 73%, and excluding students, the number jumps to 79%. 65.4% is the national average for the leadership level while VMFA has an average of 94% in the past three years for this level. Dr. Claude Perkins then asked if there was a correlation with the cost of fundraising to which Chief Financial Officer Hossein Sadid replied that the reporting did not include the cost of Advancement and Operations at this time. Dr. Perkins noted that the process seems highly integrative and that it is not clear what costs are associated with events and development functions. Mr. Sadid stated that relative to goals and benchmarking, VMFA is doing very well.

Director Alex Nyerges noted that income is produced through the Foundation and that VMFA’s fundraising is based on goals. Ms. Keenan reiterated that engagement event opportunities will be presented at Full Board and these will provide opportunities to attract new prospects. She then reported on Government Relations, noting that the State fell short on its FY16 revenues. 3.2% was forecasted but the State only made 1.47% of its projection. Because of this, the State has implemented a 5% budget savings strategy, and Director Alex Nyerges and Chief Financial Officer Hossein Sadid are working with VMFA staff to meet this goal. Next, Ms. Keenan announced that VMFA will host Richmond’s Mayoral Forum on September 29 and that on November 2 a trip will be made to DC to visit the Norwegian Embassy in honor of the opening of *Jasper Johns and Edvard Munch: Love, Loss and the Cycle of Life*. On December 13, there will be a fundraiser in New York City to engage and cultivate new prospects, and Ms. Keenan encouraged all board members to attend. She also requested that if they have any ideas for future New York prospects to please inform VMFA.

1. FINANCE REPORT

Mr. Hossein Sadid provided the committees with a financial summary of the Museum’s activities for FY16. The Museum ended the fiscal year slightly better than budget. State general funds were slightly higher and changes have been approved—with the Foundation’s support—to lower the use of restricted funds reflected in Art and Education and Collections Management. Overall, Mr. Sadid reported that revenue was up by 3.45% and that expenses were also up by 2.4%. FY16 netted $400,000 better than budget.

Unfortunately the Commonwealth’s revenues for FY16 did not meet its projections, which means that the status of the 3% staff raise is unknown at this time. VMFA received a mandate to reduce dependence on general funds by 5% in order to alleviate the State’s budget issues. Mr. Sadid reported that he and Mr. Nyerges have been working closely with fellow VMFA staff to identify areas of the budget for appropriate savings. This will mean delaying some spending and cutting back on certain commitments; Foundation support will increase slightly and VMFA has cut back on consulting fees. Mr. Sadid noted that this news comes on the heels of a decision made by the Foundation Budget and Compensation and Investment Committees to reduce the endowment payout from 5.0% to 4.5% to take effect as soon as possible Measures and steps to accomplish this are directly related to forecast. The past 10 years performance is not likely to be repeated in the next 10 years and the Foundation must be judicious in its support. Mr. Sadid remarked that his division is working on the FY17 forecast and that all indications suggest VMFA will remain on budget.

Board of Trustees President Michael J. Schewel inquired about the budget net positive of $421,000 to which Mr. Sadid replied that the money has been approved by the Fiscal Oversight Committee to be used for one time only expenditures. Mr. Sadid noted that any “excess” money leftover at the end of the year does not carryover and thusly it is important to manage any additional cash and direct it towards expenditures. Mr. Nyerges noted that in addition to the Museum budget under discussion, the Museum Foundation also manages restricted art purchase funds. $7.0 million is restricted for the purchase of artwork.

Mr. Harry Thalhimer asked Mr. Sadid to explain the potential for earned revenue at a museum of VMFA’s size. Mr. Sadid noted that sales have consistently grown over the course of VMFA’s history, but that the core baseline sales are fairly at capacity. For instance, Amuse is consistently booked regardless of whether or not VMFA is hosting a special exhibition. Mr. Thalhimer noted that VMFA is a focal destination for the community and that perhaps VMFA limits itself in light of perceived market demand. However, Mr. Sadid stated that the mission of the Museum’s shop and restaurant are to complement the overall visitor experience, and as such are accomplishing said mission excellently.

The committee then discussed several options for growth in the retail operations. There is continued assessment of opportunities for additional space and how to develop these spaces. Mr. Douglass inquired with regards to online shopping, and Mr. Sadid remarked that VMFA is doing extremely well with online shopping. Sales have tripled since last year. However, there is still room for improvements to be made in the process.

Mr. Sadid then introduced Budget Analyst Ms. Susan Hayes who works closely on the Strategic Plan funding with Dr. Lee Anne Chesterfield, Senior Advisor for Museum Planning and Board Relations. Ms. Hayes then reviewed the document presented to the committee, noting that it is the key document for tracking the Strategic Plan expenditures. The operating budget acknowledges the **Strategic Plan and ongoing costs for each individual project through 2020 and beyond.**

Mr. Sadid and Ms. Hayes then quickly reviewed revenue from *Kehinde Wiley: A New Republic*. Projected revenue was 784,000 and projected revenue was slightly higher than actual revenue by only $1,000. About $857,000 was projected for the exhibition memberships and the variance was roughly $64,000. Better than budgeted. Dr. Michael Taylor, Chief Curator and Deputy Director for Art and Education, noted that student memberships attracted a larger portion than expected during the run of the exhibition. This is beneficial as it brings in young people who are invested in VMFA’s future. Attendance was 54,000, which was slightly better than projected.

Ms. Maggi Beckstoffer, Interim Deputy Director of Communications, reported that the exhibition maximized Strategic Plan goals bringing in a new audience; 13% of the audience included first-time VMFA visitors, and the exhibition had four times higher attendance amongst African-Americans than the previous exhibition. President Michael J. Schewel asked if VMFA captured the information of everyone who visited the exhibition. Ms. Keenan noted that those who paid by credit card or who are members in the system have been recorded. $94,000 was generated in membership revenue just behind by about $9,000 overall. Dr. Monroe Harris then requested an updated report with this information for the entire run for the exhibition as the earlier dated report was unclear.

1. BUSINESS / ADJOURNMENT

Mr. John Luke noted that at the next meeting, the committee’s agenda would likely include a charter for the committee’s goals relating to the Museum’s governance.

There being no further business, Chair Mr. John Luke, Jr., adjourned the meeting at 9:46 AM.

Recorded by: Jody Green

Administrative Assistant, Director’s Office