Virginia Museum of Fine Arts

Minutes of the Joint Meeting of the Fiscal Oversight and Operations Committees

Wednesday, 7 December 2016, 10:00am

Theater Level Conference Room #1

There were present:

Terrell Harrigan, Co-Chair

John A. Luke, Jr., Co-Chair

Satya Rangarajan, Co-Chair

Kelly B. Armstrong

Anne L. Battle

W. Birch Douglass III

James Klaus

Steven A. Markel

Wycliffe McClure

Mr. Stanley J. Olander

Charles H. Seilheimer, Jr.

Jennifer Sisk

John Staelin

Michael J. Schewel, Ex-Officio

By Invitation:

Alex Nyerges, Director

Maggi Beckstoffer

Stephen D. Bonadies

Lee Anne Chesterfield

Jody Green

Susan Hayes

Claudia E. Keenan

Cameron O'Brion

Hossein Sadid

Kimberly Wilson

Absent:

Thomas F. Farrell II, Co-Chair

**William Cohen**

Richard Gilliam

Susan Goode

**H. Hiter Harris III**

Jil Womack Harris

Dr. Monroe E. Harris, Jr.

Carolyn Hsu-Balcer

Kenneth Johnson, Sr.

**Denise Keane**

H. Eugene Lockhart

**Dr. Paul S. Monroe**

Judy Niemyer

William A. Royall, Jr.

**Harry R. Thalhimer**

**Lilo Simmons Ukrop**

1. CALL TO ORDER

Co-chair John Luke called the meeting to order at 10:12am and welcomed the committee.

**Motion:** proposed by Mr. Luke and seconded by Mr. Schewel that the minutes of the September 21, 2016 Joint meeting of the Operations and Art & Education Committee meeting and the Joint meeting of the Fiscal Oversight and Resources & Visitor Experience Committees be approved with revisions. Motion approved.

1. FY2018 BUDGET PROCESS AND ASSUMPTIONS

Chief Financial Officer Hossein Sadid reported that the finance staff is developing the FY2018 budget. He requested feedback on the draft timeline and framework laid out in the committee packets. He is implementing a new biennial budget framework to mimic the state budget process. He explained that, although the state announced a 5% cut to the museum’s appropriation, museum leadership has kept focus on the employees, retaining all jobs, investing in the staff, and maintaining comparative salaries.

The 2020 Strategic Plan expenses will be incorporated into the budget beginning in FY2018. In response to a question from Mr. Staelin, Mr. Sadid said that the finance team has the ability to separate exhibition revenues and expenses from the rest of the budget for a clearer image of both the base-line budget and the exhibitions.

Mr. Sadid updated the committee on state support. Although the museum’s budget has grown, the appropriation from the state has decreased. He noted that the state has increased funding to capital and maintenance reserve projects. Mr. Sadid reviewed key revenue sources, including the Evans Trust, Williams Trust, annual giving, and the endowment payout. He noted that the Foundation endowment payout will decrease from 5% to 4.5% in FY2018. The total impact of the change is $1.3 million, but $600,000 is used for art acquisitions. Ms. Keenan noted that the new policy of setting aside 5% of restricted gifts for unrestricted spending will help offset the changes.

Mr. Sadid said he plans to conduct a facilities assessment to establish maintenance priorities. He provided an overview of projected expenses for FY2018. The total expenses are $40 million, and 60% of expenses are staff. He noted that art acquisitions are not in the baseline budget. The baseline budget assumes using spendable balances from restricted funds, 3% growth in memberships under $150, consistent enterprise revenues, and 5% growth in annual giving over $150. He noted that the Mellon collections will be travelling while the galleries are renovated, so the two exhibitions will generate revenue. The initial cost of the Mellon exhibitions is $108,000, approved by the Trustees in September.

1. FY2017 BUDGET UPDATE

Mr. Sadid reported that the museum is on track to end FY2017 slightly better than budget. There have been salary savings of $108,000 due to vacant positions. An additional $165,000 in change capital has been committed for a space study and for audience development.

1. 2020 STRATEGIC PLAN

Mr. Sadid presented a cash flow chart for the 2016-2020 Strategic Plan. He explained that the director and division heads have established a prioritized list of projects within the plan. As revenue comes in, the funding is matched to the projects. The first projects funded were in Human Resources, Audience Development, and Exhibitions. In response to a question from Mr. Rangarajan, the Chief Financial Officer said that the museum plans to hire a Chief Information Officer to lead technology at the museum. Future investments in technology would be made with the CIO’s input.

1. INTERNAL AUDIT UPDATE

Mr. Sadid reviewed findings from two internal audit projects in technology and collections management. Although the auditors found areas for improvement in both departments, none of the findings were significant.

1. SPACE STUDY

Mr. Sadid reported that the space study is underway, with Stephen Bonadies, Senior Deputy Director for Collections and Conservation and Chief Conservator leading the project. The study will address space deficiencies, efficient use of space, and opportunities for improvement.

1. CONSTRUCTION PROJECTS UPDATE

Mr. Sadid noted that the Robinson House construction will take place from March 2017 to March 2018. The project cost is $5.7 million. The Fabergé gallery expansion was completed in November. The museum’s next major project is the Mellon gallery renovation, with a cost of $2 million.

1. ADVANCEMENT REPORT

Ms. Keenan reported that the Foundation has raised $3.2 million or 41% of its annual fundraising goal of $7.9 million for FY17. There are currently 34,500 members.

1. OTHER BUSINESS/ADJOURNMENT

There being no further business, the meeting was adjourned at 11:39am.

Recorded by: Jody Green

Administrative Assistant to the Director’s Office