Virginia Museum of Fine Arts

Minutes of the Joint Fiscal Oversight & Executive and Governance Committee Meeting

Thursday, 5 May 2016, 8:30am

Claiborne Robertson Room and 7301 Woodway Lane, Norfolk, VA 23505

There were present:

Terrell Harrigan, Co-chair

John A. Luke, Co-chair

Kelly B. Armstrong, Foundation Director

Tyler W. Bishop

W. Birch Douglass III

Thomas F. Farrell II

Susan S. Goode, *by phone*

H. Hiter Harris III, Foundation Director

Jil Womack Harris

Steven A. Markel

Michael J. Schewel

Lilo Simmons Ukrop, Foundation Director

William A. Royall, Jr., Ex-Officio

By invitation:

Alex Nyerges, Director

Dr. Lee Anne Chesterfield

Jody Green

Susan Hayes

Claudia E. Keenan

Laura Keller

1. Cameron O’Brion

Hossein Sadid

Dr. Michael Taylor

Kimberly Wilson

Absent:

 Martin J. Barrington

Richard Gilliam

Dr. Monroe E. Harris

Ivan Jecklin

Kenneth Johnson, Sr.

H. Eugene Lockhart

James W. McGlothlin

Satya Rangarajan

Harry R. Thalhimer

1. CALL TO ORDER AND MINUTES APPROVAL

Co-chair Mr. John A. Luke called the meeting to order at 8:35am and thanked the board members for attending. He noted that the purpose of the meeting was to review the FY17 budget then make a recommendation to the full board. He thanked Chief Financial Officer, Hossein Sadid, and his team for their hard work on the budget.

**Motion:** proposed by Mr. Douglass and seconded by Mr. Schewel that the minutes of the March 16, 2016 meeting of the Fiscal Oversight Committee be approved as distributed. Motion approved.

1. REVIEW FY17 BUDGET

Chief Financial Officer (CFO) Hossein Sadid noted that his division has devoted much of its time to the FY17 budget since the last committee meeting in March. He stated that the budget is balanced in accordance with the state’s mandate, and the Museum’s budgeting principles. The FY17 budget totals $35.9 million, a $3.3 million from FY16. Although the 10.3% increase seems large, the increases are attributed to funded projects including $1 million for increased exhibition expenses paid for by restricted giving, $1.2 million for the 2020 Strategic Plan paid for through contributions to change capital, conservation projects supported by a $1.5 million Mellon grant, and distance learning initiatives supported by an anonymous $1 million grant.

Mr. Sadid reported that support from the Foundation is increased by 13% for FY17 with additional funding for exhibitions and programming. The actual year-to-year increase is minimal overall. In keeping up with last year’s budget process, the focus throughout the budget was to remain true to budget principles of transparency and accountability. A key assumption in the Foundation support is a 5.0% payout from the endowment adjusted for reduced market value average of 3.0%. Mr. Sadid explained that a financial contingency plan is being developed which will be discussed at a future meeting.

Next, Mr. Sadid introduced Ms. Susan Hayes, Budget Analyst, to complete a deep dive of the budget for the review of committee. Ms. Hayes thanked the committee for being present at the meeting, and she also thanked the museum leadership for working diligently and thoughtfully to develop the budget. Ms. Hayes noted that the museum created as a bottom-up budget, drafted by the individual departments in the divisions and then reviewed by each division head before being brought to Finance. She also stated that the operating expenses were separate from the Strategic Plan in the FY17 budget and that the report was accompanied by a list of FY16 one-time projects that were not funded yet.

Ms. Hayes noted that with increased Foundation support, the revenue from the Commonwealth comprised a lower fraction of the overall budget. Ms. Hayes explained that the state general funds do not include the state mandated salary increase to take effect during the middle of FY17, which will be factored in when the funds are received. She then reviewed the Museum’s projected earned revenues, enterprises, and support from the Foundation, which makes up the 40% of the budgeted revenues. There was a brief discussion of the calculation for the endowment payout.

Next, Ms. Hayes explained that the FY17 change capital expenditures currently planned are the Deputy Director for Human Resources, Director of Audience Development, TDC consulting fees, and increased support for marketing.

Ms. Hayes reported that 11% of expenses are for administration, well below the 16% average for peer institutions, and more than 80% of non-enterprise expenses support the museum’s mission. Changes from last year include salary adjustments, new exhibition programming, errors and omissions from the previous year, Strategic planning expenses of new positions at the Museum, Human Resources, and annual leave balance liability. There was then a discussion of increased exhibition costs during which Mr. Sadid remarked that there are more exhibitions planned for FY17 than there were for FY16.

Lastly, Mr. Sadid noted that any budget surplus could be used to fund any unfunded FY16 budget requests like IT activities, the renovation of the Pauley Center, and audiovisual improvements. He reviewed a list of ideas that could be completed for under $150,000 total. Mr. Sadid then asked the committee if they would consider amending the budget to include funding for these items. Mr. John A. Luke, Co-chair of the committee, questioned if there were any objections. No objections were brought forth, and the requests were approved by the committee.

Mr. Luke then proposed that the committee approve the FY17 budget so that it may be brought forth to the full board at the next meeting of the Board of Trustees.

**Motion:** proposed by Mr. Farrell and seconded by Mr. Douglass that the Fiscal Oversight Committee recommend the FY2017 budget to the Full Board of Trustees for approval in June. Motion approved.

1. FINANCE REPORT FY16

Mr. Sadid briefly reviewed the FY16 budget forecast noting that the Museum would likely end the year with a little over $150,000 surplus, to be used for the unfunded FY16 budget requests as decided earlier in the meeting. He also addressed the Fabergé exhibition revenue, the McGlothlin installation and events, and the Short Pump satellite shop.

1. OTHER BUSINESS/ADJOURNMENT

There being no further business, the meeting was adjourned at 9:35am.

Recorded by: Jody Green

Administrative Assistant, Director’s Office