



Approved Minutes
Science Museum of Virginia
Finance and Business Operations Committee
2500 West Broad Street
Richmond, VA 23220

Zoom Meeting

January 21, 2021
10:00 a.m.

Present: Dr. Richard Groover, JoAnne Carter, John Benton, David Mills

Staff Present: Rich Conti, Beth Voelkel, James Blow, Courtney Moyer, Kinsey Peeler, Kyle Smith

Other Attendees: Cynthia Norwood, Virginia State Attorney General's Office

Dr. Groover called the meeting to order at 10:06 a.m.

Introduction and Greeting

Mr. Conti introduced newly-appointed Trustee JoAnne Carter. Ms. Carter works for PFM, which assists state and local governments with raising capital for infrastructure projects. Ms. Carter expressed excitement in joining the Science Museum Board of Trustees. Other attendees took turns introducing themselves and welcoming Ms. Carter.

Approval of Minutes

Dr. Groover invited the committee to review the meeting minutes from the October 22, 2020 Finance Committee Meeting and asked for any questions or amendments to the minutes. Dr. Groover asked if there needs to be a notation in the minutes that Zoom was used for the meeting. Ms. Norwood clarified that it can be noted, but is not required. With nothing else heard, Dr. Groover called for a motion to approve the minutes. Mr. Benton made the motion, which Mr. Mills seconded. Dr. Groover called for a vote and the minutes were approved unanimously without objection.

FY 21 First Half

Mr. Conti reviewed the following:

- When the FY21 Budget was created, many uncertainties regarding COVID played into the development of the final budget numbers
- Earned revenue is significantly down year over year, as anticipated.
- The Museum did not open to public until Labor Day weekend 2020

- Currently the Museum is operating on limited opening schedule, Wednesday to Sunday, closed Monday and Tuesday
- Pre-COVID a busy day was 1,500-2,000 guests, now the maximum capacity is 500 guests per day, with the average about 150-200 per day
- The Museum is continuing to exercise extreme cost control measures
- In the last quarter of FY20, the Museum took drastic measures to reduce expenses, including reducing staff to approximately half
- For comparison, payroll expense for December 2019 was \$522K and payroll expense for December 2020 was \$340K
- Contracted services are down \$479K this FY
- Supplies and material expenses are down \$269K this FY
- Financial reserves are still strong, due in part to several very profitable years prior to the COVID shut down
- Currently the Museum is retaining \$1.9M working capital, \$1.1M in Trustee Discretionary Fund, and \$600k in other available Foundation assets
- The Museum has been more aggressive with pulling from Foundation restricted funds compared to previous years, but remains in a good position.
- The Foundation qualified for CARES funding at end of FY20, and received \$130K
- The Museum qualified for a \$185K reimbursement from the state for CARES funding for COVID related expenditures
- When developing the FY21 budget, the Museum was expecting a 10-15% cut in General Fund support from the State budget, which did not happen.
- The Trustee Summary shows the projections for Admissions are down 57% from budget estimates
- Special event revenue is down as well, but earnings are still coming in from a handful of weddings and the ongoing hosting of the Virginia Senate
- The Senate is back in full session and occupying more of the Museum building, which will generate an increase in revenue from the larger space rental
- A modest amount of funds have been pulled from the Foundation to support operations, but more could be pulled if needed.
- \$390K has been pulled so far this FY from the Foundation, compared to \$336K by this time last FY
- Some membership revenues are beginning to come in
- Traditionally, most membership renewals occur at the Front Desk, now most renewals are occurring by mail
- Membership revenue is down 31% from budget and 85% versus same period last year
- Revenues are steady from the Bon Secours Training Camp and the Virginia Film Office rentals
- Expenses from personal services costs are down by 15% and contractual services are down by 29%
- Expenses for transfer payments are up 43%, the amount paid is the difference in what is being paid to the Unemployment Commission
- The CARES Act will offset half of the transfer payment costs

- Overall, numbers are stable, and the Museum is in a favorable position to continue operations
- As attendance and revenues grow, the Museum is positioned to grow strategically when rehiring staff positions
- The Museum may rehire to fill vacant full time staff positions with part time wage staff
- Shop4Science is open on weekends, and is up 26% up year over year

Dr. Groover offered compliments on the expense control management efforts by the Museum.

Ms. Carter stated that Virginia's income is based very heavily on income taxes, and since Virginia is fortunate to have robust job stability, state revenue remained stable.

Dr. Groover asked about the state of hosting events in the Dewey Gottwald Center. Mr. Conti replied that events are still occurring in the DGC, but they are far fewer in occurrence and are limited to 10 guests per event. Many larger scale events have postponed their dates instead of canceling. Though this prevents taking an immediate loss due to not issuing refunds, it deprives the Museum of earnings because the future dates will not be available to book new events.

Capital Project Update

Mr. Conti provided details on the ongoing Capital projects:

- The Governor included the Museum in the budget with an allocation of \$5M for critical facility infrastructure upgrades and safety modifications
- These funds will go towards HVAC systems upgrades and structural maintenance to Broad Street Station
- Efforts to raise private funds for the Museum Green were not as productive as hoped
- There is a budget amendment from the state for about \$2.5M towards the Museum Green
- The Danville exhibit renovation project is almost completed
- Some exhibits still need fine tuning to achieve perfection
- About half of the funding for Danville renovation was from private funds, the other \$4.7M was from capital appropriations
- The Parking Deck total budget is at about \$13.8M, with \$9M remaining for the project completion
- The Northern Virginia Science Center, when first appearing in the State Budget, it was a 50/50 match
- Plans for funding have shifted, with the state now funding the building, and Loudoun County funds and private sector funding the exhibits and operating endowment
- The state commitment to the building stands at approximately \$52M
- Maintenance reserve funding stands at \$1.8M
- Recently, maintenance reserve funding was used to renovate two sets of restrooms at Broad Street Station

- Large section of BSS roof set to be repaired using maintenance reserve funds, the project is already out for bids
- By the end of the summer, maintenance reserve funds will be cut in half after current projects are completed

Dr. Groover asked about our main supporters from the Virginia General Assembly. Mr. Conti replied that generally everyone likes and supports the Science Museum and associated projects. Dr. Groover asked if it would be appropriate for the SMV Board Chair to write personal notes to the key legislators who support the Museum appealing for continued support. Mr. Conti replied that timing is key, and efforts to foster positive relationships with key legislators and representatives will continue.

Marketing Report

Ms. Moyer gave updates on the Marketing endeavors at the Museum:

- Attendance down 91% from last year, but a higher percentage of the total attendance is from members
- The number of member households stands around 5,000
- Currently the Museum is offering \$10 admission on Wednesdays to boost attendance
- Attendance on Wednesdays has doubled since \$10 admission began
- Other options such as a Family Package Ticket (two adults two kids) at a reduced rate are being discussed
- The new exhibits for 2021 will be *Mental Health: Mind Matters*, *Tyrannosaurus: Meet the Family*, and *Hot Wheels: Race to Win*
- *Mind Matters* opens in the Garner Gallery on February 6th and will run through the end of August 2021
- *Tyrannosaurs: Meet the Family* will open in the Dewey Gottwald Center in the middle of June, and will be an up charge from regular admission
- After *Mind Matters* leaves the Garner Gallery in August, *Hot Wheels* will open in the same space
- For summer of 2022, the DGC will feature *Planet Shark: Predator or Prey*
- In Spring, the Dome will feature “Big Astronomy”
- Considering the film “Dinosaurs of Antarctica” to showcase during the summer
- The Marketing plan going forward is to spend on revenue generating activities, continue digital focus, and improve user experience
- During building closures last year, most advertising dollars were spent trying to encourage audiences to utilize digital content
- Now, since the museum is open, funds are only being spent on revenue generating activities
- Another key focus is improving user experience, especially with the website redesign
- The new website is launching on January 26th 2021 and will fully integrate with the new ticketing system.

Dr. Groover commented on the appropriateness of the timing for the *Mind Matters* exhibit and recommended reaching out to area school PTA's to encourage school students and families to take advantage of the exhibit. Ms. Moyer shared that the Director of Playful Learning, Timshel Purdum, is speaking to area schools and community organizations to encourage participation.

Foundation Update

Ms. Peeler discussed the following:

- Overall, the Foundation is continuing to do very well
- Currently the Annual Fund is about \$100k ahead of the original budget
- The Foundation plans to support the Museum with approximately \$2M
- The Foundation retains \$24M in assets
- No in person fundraising events have been held, but donors are giving support historically given to gala or similar event to the Annual Fund
- There has not been a decline in giving, just shifting from different categories
- Corporate support has shifted from programs and events to the Museum Green
- The Foundation is eligible for the second round of Payroll Protection Program funding, and will be applying for \$130k

Mr. Conti informed the group of a piece of legislation passed in the December 2020 CARES Act called "Save Our Stages" which may allow the Museum to be eligible for some of the \$15B funding. Qualification relates to the amount of earned revenue lost due to COVID.

Dr. Groover complimented the Foundation on how detailed and careful they are in monitoring finances.

Workers Comp Building

Mr. Conti review the current status of projects related to the Workers Compensation property owned by SMV:

- Currently the building is leased to the Virginia Film Office for the *Fear the Walking Dead* television series
- There is potential in the near future to partner with VCU School of Education for a long term lease of the building
- A mutually beneficial partnership with School of Education could lead to joint programming, internships, fellowships etc..
- The current plan is to temporarily transfer the building to VCU, SMV would retain ownership of the building and the land, but it would be up to VCU to fund the renovations
- After a term of 15 years, SMV would acquire back full ownership of the building and draw up lease terms with VCU to continue to use the building
- With the mutual agreement, SMV would not require lease payments from VCU for the initial 15 year term, but would not fund maintenance or renovations

- Current estimate for Workers comp building renovations is in excess of \$6M

Mr. Benton asked if the Museum owns the Workers Compensation Building. Mr. Conti confirmed that the Museum does fully own the building. Mr. Benton asked if the agreement with VCU School of Education would involve signing over the Deed of Ownership to VCU. Ms. Norwood confirmed that the transfer of Deed to VCU can be done legally and then transferred back to SMV at the end of the agreed term of 15 years. Mr. Benton shared that the National Zoo has a similar agreement with George Mason University.

Ms. Carter asked for detailed information regarding the ongoing maintenance and operating costs associated with the Workers Compensation Building, and if those costs would transfer fully to VCU upon execution of the proposed agreement. Mr. Conti said currently the Virginia Film Office pays rent in addition to paying all operating expenses associated with the building. The current agreement and lease contract with the film office ends in June 2021. VCU has stated that they plan to use a portion of the building for an Early Childhood Care center for staff and faculty of VCU in addition to families of low income neighborhoods.

Mr. Mills agreed with the proposed plan of transferring the deed and renovation costs to VCU and fostering the partnership, but asked for clarification on the 15 year term. Mr. Conti responded that VCU would prefer a longer period of agreement, but 15 years is the maximum allowable term for a temporary transfer agreement under state law.

Mr. Conti added that a memorandum of understanding is currently in place between SMV and the VCU School of Education. A newer draft will be drawn up in order to work through some of the additional terms and details, including but not limited to assigning fellowships, partnership details, and timetables.

Trustee Discretionary Fund Transfer Request

Ms. Voelkel requested the Committee's consideration of the appropriation of \$80K from the Trustee Discretionary Fund to start the initial operating costs and access fees that the Museum will need for a new ticketing system called Ticketure.

- For the past three years, the Museum has had a ticketing system called Altru
- Altru is changing its business model, and is no longer providing adequate support to the Museum
- The Altru system is not user friendly for guests
- About six months ago, the Museum formed a cross-departmental work group to explore all available options and select the best option. Ticketure was selected.

- Ticketure features include a user friendly interface for guests and the Museum, with accessibility compliance, a contactless purchasing experience at the front desk, and real time communication with the new SMV website
- Streamlined invoicing features will generate invoices quickly and allow guests to pay online
- The Foundation supports the transition
- The start up cost is \$80K, which includes the hardware, software, initial access fees, and initial processing fees

Dr. Groover asked about annual operating expenses for the ticketing system. Mrs. Voelkel replied that with the current ticketing system, the Museum pays a flat rate of \$56K per year, regardless of the number of tickets purchased. With Ticketure, the Museum is charged 1.85% per ticket sold. With the current attendance environment, the new pricing model will result in cost savings for the Museum. Ticketure will deduct their processing fees from the credit card holding account before releasing funds to the Museum. Funds will be released weekly as opposed to every two weeks on average from the Altru system.

Dr. Groover asked if there are any termination fees with Altru. Mrs. Voelkel replied that the Museum must notify Altru 60 days in advance of the termination date.

Ms. Carter asked about the estimated annual costs of Ticketure upon the return to the pre-COVID previously high attendance numbers. Mrs. Voelkel stated that current estimates for Ticketure processing fees will be around \$27K annually for the average attendance environment. Comparatively, with the current system the Museum pays \$56K annually for access regardless of ticket sales. During COVID closures, the Museum paid \$22K in processing fees. In previous years, the Museum averaged \$53-58K in processing fees.

Ms. Voelkel requested that the Committee recommend to the full Board of Trustees that \$80,000 of available funds be transferred from the Trustee Discretionary Fund to fund the initial and near-term operating costs of the new Ticketure ticketing and membership system under proposed TDF Resolution #002-2021.

TDF Resolution #002-2021: Approval to allocate funds for costs of new ticketing/membership system.

Dr. Groover request a motion to present resolution #002-2020 to the full Board of Trustees for a vote. Mr. Benton moved to do so, Ms. Carter seconded the motion. The motion passed unanimously without objection.

New Business

Dr. Groover asked for any new business.

Mr. Benton commended the Museum management on the handling of finances and operations given the current social and economic climate. He also complimented the Foundation for their exemplary fundraising efforts during the pandemic restraints.

Adjournment

With no further business, Dr. Groover called for a motion to adjourn the meeting. Mr. Mills made the motion, seconded by Ms. Carter. Dr. Groover called for a vote which passed unanimously without objection. Dr. Groover adjourned the meeting at 11:21 am.

The next Finance Committee meeting is scheduled for April 22, 2021.