



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

June 21, 2018
11:00 a.m.

Present: Dr. Denise Walters, Margaret Lewis, Patricia Nicoson

Staff Present: Rich Conti, Elizabeth Voelkel, Pat Murphy, Kinsey Peeler, Saa'dia Walker, James Blow

Ms. Lewis called the meeting to order at 11:01 a.m.

Approval of Minutes

After giving the committee a moment to review the minutes, Ms. Lewis called for a motion to approve the minutes. Ms. Nicoson made the motion, which was seconded by Dr. Walters. Ms. Lewis then called for a vote to approve the minutes, which passed unanimously without objection.

Budget Report

Mr. Conti discussed the following:

- The Museum has performed very well this year, but has not yet peaked.
- Currently the agency is financially well positioned for FY 19.
- The Museum has adopted financial backstopping of critical funds as a hedge against possible future downturns.
- Annual incremental rate increases have been working well since the opening of Speed and subsequent product improvements.
- Attendance at the end of May 2018 stood at 406,000 guests, projected to finish in the mid-430,000s by the end of the fiscal year.
- Membership is current approximately 6,500.
- The first 21+ event went very well.
- Many events are at capacity.
- Museum content is as strong as it has ever been.
- The Forge is approaching completion.
- 11th consecutive year of solid fiscal performance.
- \$500K increase in earned revenue.
- Dewey Gottwald Center is performing well with facility rentals and travelling exhibits.

- Sponsorship is critical to travelling exhibit success, as it offsets the opportunity cost of not renting the space.
- The DGC is currently committed for *Pompeii: The Immortal City* for FY 19 and *Planet Shark: Predator or Prey* for FY 20.
- We will need to monitor and ensure that the opportunity cost of not renting the space for part of the year does not become too high.
- Working capital is currently at \$957K.
- The Museum discretionary funds currently at \$656K with much of this encumbered.

Ms. Nicoson asked how well the Dewey Gottwald Center is renting for events. Mr. Conti replied that the DGC is renting well, and the Garner Pavilion is still being booked for events.

Ms. Lewis asked what will exhibit will be featured in the DGC after *Body Worlds: Animal Inside Out*. Mr. Conti replied that *Pompeii: The Immortal City* is booked for next summer, which will feature actual artifacts from Pompeii. This is part of the initiative to provide more content for adults.

Ms. Walker then reviewed 4th Quarter FY 18 vs FY 17:

- The Museum received a state budget cut of \$396K, a 7% reduction.
- Admissions and Programs are up \$364K
- Membership is up \$124K
- Earned revenue overall up 23% or \$560K
- Foundation transfers down \$770K due to direct payments out of the Foundation.
- Budgeted \$100K reduction in working capital.
- Personnel expenses \$241K higher due to new positions and salary increases.
- Contractual services down \$105K due to lower skilled services expenses.
- Equipment (PP&E) costs \$162K lower due to the timing of paying travelling exhibit rental costs.
- Facility use revenue up 37% or \$93K year over year.
- Shop 4 Science revenue has doubled its income.

Ms. Walker then covered the FY 19 Budget notes:

- Proposed General Fund Appropriations include \$150K for Hampton STEM Partnership funding.
- Appropriations are close to last year at \$5.2M
- Earned revenue projections are conservative.
- Membership revenue projected to increase due to attendance and increased prices.
- Current NOAA grant ends 12/18/2018
- Increase in DGC rentals
- Personnel costs projected to increase due to new hires, 17% increase in health rate increases, and retirement leave payouts.
- Google mail migration costs of \$30K

- Increase in electrical costs as the result of DGC rentals.
- Building security outsourcing.

Ms. Walker then covered FY 19 proposed vs. FY 18 projected year-end revenues and expenses:

- General Fund will remain about the same at around \$5.2M
- Memberships figure includes Danville Science Center, up 25%
- Federal grants will decrease by 24% or \$46K
- Salaries, wages, and benefits projected to increase by 6%
- Rents and leases projected to decrease by 17%

Ms. Walker then discussed 2019-2024 Capital Projects:

- \$5.0M for Danville Science Center site improvements.
- \$3.0M for Broad Street Station development and improvements
- \$1.4M for historic restoration of Broad Street Station
- \$7.0M for NoVA Children's Science Center detailed planning
- \$250K currently available for detailed planning of Parking Facility/Master Site Plan
- \$5.0M available in FY19 for DSC new exhibit planning
- Current Maintenance Reserve balance is \$581K, with an additional FY19 appropriation of \$681K.

Mr. Conti added that the request for pre-planning funds for the Children's Science Center was not approved for this biennium, although the Danville Science Center is in the General Assembly budget with \$5M available on July 1, 2018.

Ms. Lewis asked if the Children's Science Center Board is assisting politically with securing funding. Mr. Conti said that they were working in tandem with the Science Museum.

Mr. Conti then discussed looking ahead:

- The Parking Deck is not designed to be an efficient parking deck, but it is designed to keep with the Museum's aesthetic and accommodate the Children's Museum.
- There is a lot of development happening in the neighborhood which will benefit the Museum.
- Planning for demolition of the Worker's Compensation building is underway.
- Design work for the Museum Green is ongoing, may include public art elements and a storm water project.
- The Forge is scheduled to open at the end of July.
- New exhibit concepts for the Danville Science Center are ready for review.
- The NoVA Children's Science Center is next year's priority.

With no further questions from the committee members, Ms. Lewis asked for a motion to accept the proposed FY 19 Budget. Ms. Nicoson made the motion,

which was seconded by Dr. Walters. Ms. Lewis then called for a vote which passed unanimously without objection.

Ms. Lewis then asked for a motion to approve the proposed FY 19 Capital Budget. Ms. Nicoson made the motion, which was seconded by Dr. Walters. Ms. Lewis then called for a vote, which was approved without objection.

SMV Foundation Overview

Ms. Murphy discussed the following:

- The Foundation is currently working to bring in the last \$40K of the annual fund.
- Membership support came in at \$127K above the budgeted amount.
- Operating expenses have been affected by legal fees for the HDL lawsuit
- Not a big year for grants on the restricted funds side.
- Capital Campaign is winding down, focus is shifting to the Annual Fund.
- Plans to increase Annual Fund from \$500k to \$525 in FY19
- Grants total \$892K in FY19 vs. \$245K in FY18
- Looking to build corporate members from \$27K to \$29K
- Illumination Gala FY19 same as FY18, net \$117K
- No STEM awards (\$15K FY18), no Science on Tap (\$22K FY18)
- Membership revenues set to increase 11% due to increases in renewal and new membership rates.
- \$0 budgeted for HDL legal fees vs. \$101K in FY18
- Operating expenses up \$47K, Capital Campaign expenses will shift to Operating in FY19.
- Total staffing costs are up \$47K, 50% salaries/50% benefits
- Health rate estimated to increase 15%
- Additional expenses include \$12K for additional cultivation, and \$55K for Troutman Sanders lobbying fees.

Ms. Lewis asked if the HDL lawsuit is still ongoing. Ms. Murphy replied that it is. Ms. Lewis asked why \$0 was budgeted against HDL legal fees. Ms. Peeler replied that the case is currently in the midst of court-mandated mediation, and it looked as though the case would be resolved at the time the budget was put together. It is not resolved at present, so future expenses cannot be determined at this point; however the Foundation will seek approval from their Board of Directors if it is necessary to amend the budget. If this becomes necessary, the expenses may be paid from other funds that will not affect the operating budget. At this time a final determination cannot be made.

Dr. Walters asked if the new tax law was expected to affect donations. Ms. Peeler replied that has been anticipated and adjustments have been made with an emphasis on increasing the donor base to offset the changes in the law. Dr. Walters suggested that the Foundation consider an invited session for donor education. Ms. Peeler replied that there are several financial planners on the Board of Directors that do assist with donor education.

Ms. Murphy concluded by stating that the financial position of the Foundation is currently very strong.

With no additional questions from the committee, Ms. Lewis turned the meeting over to Mr. Conti.

FY-18 Strategic Work Plan Update

Mr. Conti reviewed the following:

- The Marketing team is doing an excellent job at target marketing.
- The targeted survey garnered 2,000 responses, results are still being analyzed.
- Lectures on STEM topics are well-attended.
- A study on the long-term maintenance needs of Broad Street Station will be conducted to develop a maintenance plan.
- The First 21+ event was highly successful with between 900-1000 attendees.
- 21+ events will be scheduled quarterly going forward keeping with the Science on Tap theme.

Succession Planning Report

Mr. Conti discussed the following:

- Turnover has been running higher than normal over the past 18 months.
- The core leadership at the Museum is in an older demographic.
- Several key retirements are pending.
- The Museum is trying to be aggressive in retaining employees.

New Business

With no additional questions from the committee, Ms. Lewis asked for any new business. No new business was raised.

Adjournment

With nothing further on the agenda, Ms. Lewis adjourned the meeting at 11:46 a.m. The next committee meeting will be at 11 a.m. on October 25th, 2018.