

HARBOR BRANCH OCEANOGRAPHIC INSTITUTE

FOUNDATION

Minutes Finance Committee Meeting

Held at the Harbor Branch Oceanographic Institute Foundation, Inc.
April 18, 2019

PRESENT: Mike O'Reilly, John Papa*; Marjorie Raines, Chair*; Mike Toner*

ALSO PRESENT: Debbie Dutton, Director of Operations; Katha Kissman, President & CEO; Ed Michelson, Atlanta Consulting Group*; John Trinidad, Atlanta Consulting Group*

*participated virtually

Call to Order

Chair Raines called the meeting to order at 10:00 am.

Approval of Minutes

The motion to approve the minutes of the January 18, 2019 meeting passed unanimously.

Investment Report

Ed Michelson and John Trinidad provided a brief overview of market conditions and an overview of the Foundation's investment portfolio for the 3rd Quarter FY19. Reports were distributed in advance of the meeting.

The market value as of 3/31/19 was \$74,376,842. Total Composite rose 9.03% in the 3rd Quarter outperforming the index due to fixed income and international equity. Asset allocations were in balance with the Investment Policy.

Current performance against like Foundations indicated the HBOIF's investment portfolio performed in the mid-range quarter for one year and over the 3/5/10 year periods performed in the upper quarter.

SLP Money Market balances as of 3/31/19 were:

HBOIF SLP-Protect Florida Whales	749,984.26
HBOIF SLP-Protect Wild Dolphins	2,000,418.64
HBOIF SLP - Save Our Seas	1,577,346.86
HBOIF SLP - Aquaculture	617,728.18

Current Financials

Katha Kissman noted the current draft Balance Sheets and P&L Statements as of 3/31/19 were provided to the Committee in advance of the meeting. Finals and the 3rd Qtr compilations were not available due to FAU's delay in providing 3rd Qtr invoices.

SLP

SLP Plate Revenues may be slightly higher than projected.

After 3rd QTR invoicing, FAU is still holding \$211,974.75 in the Protect Florida Whales Stranding Grant from the FAU PFW Plate Holding Account. As this is the 3rd year of this grant, any balance remaining after the 4th QTR invoice will be returned to the Foundation.

Operating

The following projected variances to the FY19 Mid-Year Budget Revision were reported as.

- **75516 Litigation** expenses as of April 18, 2019 were \$166,709. It is likely final expenses for this year will come in well under budget.
- While the railroad crossing repairs at the Old Citrus Property have been completed, the invoice has not yet been received despite a request for expedition. This has been budgeted in **82000 Facilities & Equipment – Other**.
- **83000 Travel & Meetings** will be well under budget as President Kissman has reduced her attendance at external conferences due to the needs of the litigation.
- A positive deviance of \$235,978 in the **87165-7 New Faculty Hire – Year 7** will be due to now projected unspent funds. This, combined with projected cost savings over the entire budget, now project unused spendable to be \$660,562.20 versus the FY19 Mid-Year Budget Revision of **-\$16,435.91**.

Proposed FY20 Budgets

President Kissman presented the FY20 Proposed Budgets (Operations and SLP). Documents provided to the Committee in advance of the meeting. Areas of discussion included:

2020 Love Your Lagoon

Budget includes an offsite ***Love Your Lagoon***.

State Charitable Solicitation Registrations

Vendor fees to accomplish this will be absorbed in the budget line for General Legal.

Special Initiatives (Discretionary Grants)

As reported above, the projected unspent funds for the New Faculty Hire Grant will reduce available spendable in the FY20 Budget as previously reported to the Grants Committee at its March 27, 2019 meeting. An updated Draft Budget was advanced to the Finance Committee showing this change.

FY20 Compensation

President Kissman and Director of Operations Dutton left the meeting voluntarily so the Finance Committee could discuss performance reviews and compensation impacts.

When requested, President Kissman and Director of Operations returned to the meeting.

The Finance Committee approved the additional inclusion of the following in the draft FY20 Budget to be recommended to the Board at the April 25, 2019 meeting:

1. *FY20 Compensation*

2.8% Cost of Living Increase (as measured by the Social Security Administration for 2019) increases for Katha Kissman, Debbie Dutton and Cyndi Permenter.

A 2.2% merit increase for Debbie Dutton.

The following bonuses to be paid out in FY19 were recommended:

\$3,000 for Cyndi Permenter
\$5,000 for Debbie Dutton
\$20,000 for Katha Kissman

It was noted that these bonuses were being recommended on a one-time basis in recognition of outstanding work under unusual and challenging circumstances.

2. *Special Initiatives (Discretionary Grants)*

Based on the Grants Committee recommendations:

- To invite a grant proposal from HBOI to support the **Florida Center for Coastal and Human Health** up to \$850,000.
- To invite a grant proposal from HBOI to support a **Promoting Faculty Recruitment, Retention and Research Excellence Grant** up to \$520,000.
- To support the **Marilyn C. Link Memorial Internship** up to \$5,000.

- To continue to provide HBOI Operational Support (Executive Director Credit Card) up to \$10,000.
- To make available \$500,000 for a possible invitation to submit a proposal for 1/1/20-6/30/20 and an additional \$500,000 for 7/1/20-12/31/20 for a total of \$1,000,000. The objective would be to fund a single proposal that would be for a “move the needle” project regarding the health of the Indian River Lagoon.

3. *Rent*

To include up to \$90,000 for rent, utilities and CAM for an office relocation. Currently the Foundation books in-kind rent and utilities at \$23,052 per annum for 787.5 square feet dedicated space or \$29.27 per square foot (does not include use of the HBOI Boardroom or other meeting spaces). Numbers provided by HBOI’s Patrick Boles in 2016 as requested by our auditor, BDO.

As background, on Monday, January 8, 2018, without any advance notice, FAU Vice President of Research Dan Flynn ordered the Foundation to move its offices within 3-4 days. Since that time, additional attempts to make the Foundation move its offices as well as the other attempts to control the use of funds and operations of Foundation have taken place.

In addition, through various formal and informal updates, President Kissman reports that the Harbor Branch campus and the Link Admin and Engineering Building in particular are being prepared for high security clearance projects. The likelihood that the Foundation will be forced to move from its current offices is growing.

President Kissman and Staff have vetted the pros and cons of proactively moving with the conclusion that it is time to do so. Space previously offered to the Foundation on campus has been subpar compared to current space and our suggestion to consider a swap of property ownership (Channel Property for the Johnson House) were ignored. Moving is in response to the original March 2018 request and will eliminate uncertainty, allow the Foundation to effect a move in a thoughtful manner, and prevent vulnerability to our ability to best serve our mission.

The 2007 Memorandum of Understanding (MOU) called for FAU to provide the Foundation with temporary office space until such time that the Foundation would move into a permanent home. We will begin plans to design and build a permanent Foundation home on the Channel property owned by the Foundation on the HBOI campus. Until then, space in Vero Beach has been identified to house the Foundation at \$73,477 per annum for 2,152 sf or \$34.14 per sf. This space is large enough to include a Boardroom and storage. This is a net increase of \$50,425 per annum over the in-kind rent and utilities currently booked.

Moving would commence upon adoption of the budget by the Board. Budget impact for FY19 (moving expenses, 2 months' rent, furniture purchase, IT set up) will be forwarded and will come out of the remaining spendable available for this year.

The motion to recommend the FY20 Proposed Budgets as amended in discussion in this meeting to the full Board for approval at the April 25, 2019 meeting passed unanimously

Discussion of HBO000

A Decision Memo was distributed in advance of the meeting regarding the Foundation-controlled HBO000 at the FAU Foundation. President Kissman provided a history of the HBO000 account. At its March 26, 2019 meeting, the Grants Committee voted to recommend distribution of the \$7,190.91 remaining funds by inviting proposals from the HBOI Ocean Discovery Visitors Center for:

1. One-time support to establish a HBOI History Wall noting the contributions of founder J. Seward Johnson, Sr., Edwin Link, and the Harbor Branch Oceanographic "Institution" and "Institute Foundation" Boards (same entity, name changed).
2. One-time support to further build and promote the DNAngher Citizen Scientists Program

President Kissman requested a Finance Committee recommendation to the Board to inform FAU Foundation that the HBOI Foundation will officially relinquish control over the account at the FAU Foundation once the current principal was used by the grants above.

Discussion of Land Holdings

President Kissman reported on a property for sale listing on Old Dixie Highway that fronts our Old Citrus Grove Property (the railroad tracks separate this parcel from our parcel). Following discussion, the Finance Committee agreed that President Kissman and Legal Counsel Bill Stewart should pursue contacting the owners to explore options.

A Decision Memo was distributed in advance of the meeting regarding the Montessori School Site (Lakela's Mint) property. Following discussion, the Finance Committee agreed to recommend to the Board to authorize President Kissman to list the property for sale.

Adjournment

There being no further business, the meeting adjourned at 11:55 am.