

# HARBOR BRANCH OCEANOGRAPHIC INSTITUTE

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## FOUNDATION

### Minutes Finance Committee Meeting Held at the Harbor Branch Oceanographic Institute Foundation, Inc. August 17, 2018

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

ALSO PRESENT: Kyle Bobinski\*, The Atlanta Consulting Group; Debbie Dutton, Director of Operations; Katha Kissman\*, President & CEO; Ed Michelson\*, The Atlanta Consulting Group; Mike Kanner, Leyda Kanner Group at Morgan Stanley

#### Call to Order

The meeting was called to order by Chair Raines at 10:04 am.

#### Approval of Minutes

The motion to approve the minutes of the April 20, 2018 meeting with the following corrections passed unanimously:

“President Kissman further discussed recommendations for the amount of spendable for Discretionary Grants possible for HBOI in FY19. Of the FY19 calculated spendable of \$3,412,119, ~~\$2,725,364~~ \$2,231,948.61 was encumbered by previously made grants/expected payments in FY19 and operations leaving \$1,180,170 unencumbered spendable. After discussion, it was recommended that the final recommended budget to the Board would include the entire amount of unencumbered spendable for possible Discretionary Grantmaking to be considered by the Grants Committee at its meeting in May.”

[Note for the record: The amount of \$1,180,170 was correctly included in the approved FY19 Budget.]

#### Investment Report

Ed Michelson and Kyle Bobinski of The Atlanta Consulting Group provided an overview of the 2<sup>nd</sup> Quarter Investments Report as well as the July 30, 2018 Scorecard (documents provided in advance).

The value of the portfolio as of July 30, 2018 was \$76,942,233. Balances in the SLP Money Market Accounts as of June 30, 2018 were:

- Aquaculture -- \$448,688.17
- Save Our Seas -- \$1,186,204.97
- Protect Florida Wild Whales -- \$516,484.12
- Protect Florida Wild Dolphins -- \$1,440,314.21

Of note:

- The investment portfolio has outperformed the balanced index and the CPI+5% composite for the fiscal YTD period ending June 30, 2018.
- The expected rate of return of the investment portfolio in the coming year is 4.5-5%.
- The portfolio was approximately 1% overweight in Equities at yearend per our Investment Policy asset allocations. It was recommended to be reduced by about 1% with the proceeds to be added to the MLP position.
- Over time the investment portfolio has had a 60% batting average of over-performance against indexes.
- When benchmarked against the earnings of other Foundations of like size, the return performance of the HBOIF's investment portfolio ranks in the 14th percentile in the fiscal year.
- The overall fee expense ratio is at .35%.

The motion to approve a change in the Investment Policy item **N. Performance Objectives, A. Total Fund** to reflect a fund name change from "Citigroup" to "FTSE" was approved unanimously.

Mr. Michelson and Mr. Bobinski made a recommendation to add 1% to the existing MLP allocation. Due to pending Agenda items and in the interests of time, the Committee agreed to further discuss this at the end of the meeting and report back to the Atlanta Consulting Group with any thoughts or decisions.

Mr. Michelson and Mr. Bobinski left the meeting.

#### Discussion of 401K Custodian/Plan

Mr. Mike Kanner, of the Leyda Kanner Group at Morgan Stanley, joined the meeting to provide a presentation on his observations of the performance of Paychex as the custodian of the Foundation's 401K plan and how he and his office could provide those services instead. Rationale for the proposed change was presented by President Kissman and documentation on the current structure and the proposed opportunity were provided in advance to the Committee.

As plan participants, President Kissman and Ms. Dutton voluntarily left the meeting for further discussion of the 401K custodian and plan.

Following discussion with the Committee, Mr. Kanner left the meeting.

The Committee had further discussion on this issue before asking President Kissman and Ms. Dutton to return to the meeting.

The motion to remove Paychex as the 401K custodian and enter into an agreement with the Leyda Kanner Group at Morgan Stanley as the new custodian based on the presentation by Mike Kanner was approved unanimously.

The motion to enter into a new 401K Safe Harbor Plan with an up to 4% employer dollar- for-dollar match to participant contributions (base salary and bonus, but not employer-provided health care allocations), with an intention of adoption as of January 1, 2019 was passed unanimously.

President Kissman was tasked with communicating this with Mr. Kanner and with Paychex as appropriate. Chair Raines was delegated the responsibility by the Committee to work with President Kissman and Mr. Kanner to work out the modifications to the plan and effectuate this intention. The Board will be updated in the Finance Committee's report at the November Annual Meeting.

### Current Financials

Documentation was provided in advance. President Kissman reported on the first month financials of FY19; no variances to discuss. She noted that there will be two major revisions for consideration with the FY19 Mid Year Budget revision in January. The first will be anticipated changes to the Income and Expense budget lines for **Love Your Lagoon** due to FAU's mandate that the event could not be held on the Harbor Branch campus. The second will be anticipated changes to the SLP Marketing Budget. See next item.

### SLP Marketing Changes

As previously noted, all SLP marketing activities are now being done by the Foundation. President Kissman is absorbing the oversight and many of the activities under this function within her stated job description. Based on rationale and documentation provided in advance to the Committee, President Kissman signaled her intention to include the following changes in the Mid Year Budget revision:

- A. The SLP Marketing Budget will be reconfigured for highest and best use and as of now is projected will be under the 10% allowed by statute
- B. The current Foundation Administrative Assistant position (part-time at 25 hours per week, non-exempt) will become a full-time, exempt position of SLP Marketing and Administrative Assistant.

While this will be a change for one staff position, the budget impact will be allocated appropriately between the Operating Budget and the SLP Budget. Because this will be a reduction in salary/fringe for the SLP Budget, this will result in a small increased impact to the Operational Budget and a larger reduced impact on the Foundation's SLP budget.

SLP Salary/Fringe for the FY19 SLP Marketing Coordinator (formerly Conlan Kennedy) was budgeted at \$48,000 (75% of a full-time salary with FAU). A reallocation and adjustment was presented with documentation as an upcoming recommendation to change the Foundation's Administrative Assistant position to an SLP Marketing & Administrative Coordinator position. Preliminary calculations were presented.

The Committee signaled its consensus to proceed and present formally with the Mid Year Budget Revision in January with an intended start with the February 2, 2019 pay period.

### Financial Policies and Procedures Changes

President Kissman provided a marked up copy of the Financial Policies and Procedures Manual. Noted changes had been reviewed in advance by Chair Raines. The motion

to approve all changes to the Financial Policies and Procedures Manual passed unanimously.

#### Other Business

The Committee returned to the recommendation made by Ed Michelson and The Atlanta Consulting Group regarding adding to the existing MLP allocation. After further discussion, the motion to increase the MLP position by 1% from International Equities passed unanimously. President Kissman was tasked with communicating this to Mr. Michelson.

The Committee discussed other organizational matters including a brief report on the litigation with FAU by Board Chair O'Reilly. No actions resulted from these discussions.

#### Adjournment

There being no further business, the meeting was adjourned at 11:45 am.