

HARBOR BRANCH OCEANOGRAPHIC INSTITUTE

FOUNDATION

Minutes
Annual Meeting and Meeting of the Board of Directors
November 10, 2016
At the Harbor Branch Oceanographic Institute

PRESENT: C. Amos Bussmann; Dr. Megan Davis; Joe Duke; Dr. Joseph Ferro; Nancy Higgs; Marilyn C. Link; Michael D. Minton, Chair; Mike O'Reilly, Vice Chair; John Papa;; Marjorie Raines, Treasurer; William J. Stewart, Esq., Secretary/Legal Counsel;; Michael Toner, Vice Chair*

ALSO PRESENT: Debbie Dutton, Director of Operations; Katha Kissman, President & CEO; Cyndi Permenter, Administrative Assistant; Cara Perry, Ass't VP Communications for the Northern Campuses, FAU; Dr. Anton Post, incoming Executive Director, HBOI; Carin Smith, Associate Director of Communication, HBOI

ABSENT: Sherry Plymale

Call to Order

Chair Minton called the meeting to order at 8:30 am.

Welcome & Chair's Comments

Chair Minton welcomed Dr. Anton Post, incoming Executive Director for FAU Harbor Branch as well as Dr. Joe Ferro, who was attending his first meeting in person. He noted that Cara Perry, Assistant Vice President Communications would be joining the meeting with a presentation later in the agenda.

Chair Minton also reported his understanding that the FAU Board of Trustees would be voting on the replacement appointment for Bob Stilley who resigned earlier this year due to other commitments.

Chair Minton also reported on his very productive second meeting with FAU President John Kelly and VP Dr. Dan Flynn in August. Key points discussed at that meeting:

- the imminent appointment of the new HBOI Executive Director and the undertaking of a new strategic planning process
- the Foundation's audit deadline in relation to the FAU software conversion from Banner to Workday
- the hiring of key FAU senior leadership positions
- the Foundation's desire to explore the idea of a Johnson Sea Link at the Smithsonian Institution in Washington DC
- the Aquaco opportunity

Chair Minton noted the tone of a most positive relationship and noted a goal of building better relations at all levels of FAU going forward by broadening the lines of communication further.

Consent Agenda

The minutes of the January 28, 2016 Board Meeting were approved unanimously.

Getting to Know You/HBOI in the Future

Incoming Executive Director of FAU Harbor Branch, Dr. Anton Post, gave a most informative presentation of his background and experience, an overview of the state of ocean science, an initial vision of FAU Harbor Branch and the FAU pillar he will be leading, his early observations of FAU Harbor Branch, and his initial thoughts about partnership with the Foundation. The discussion following his presentation suggested

opportunities for the Foundation to work with him on the strategic planning retreat process and integrating with the recently passed sales tax referendum to support the Brevard County Save the Lagoon (e.g., offering a LOBO to extend our water quality monitoring network into the north Lagoon if matched from the funds provided through the referendum).

Committee Reports

Audit Committee

Committee Chair Papa reported on a very positive audit presentation at its October 11, 2016 meeting. BDO was acknowledged and thanked for a smooth FY16 audit process and the Foundation Staff was acknowledged for their strong and positive assistance while the audit was conducted. Foundation management was also charged with and complimented for submitting a comprehensive cover letter with the audit submission explaining key changes from last year's audit.

The motion to accept the Committee's approval of the Audit documents as presented to be submitted to FAU by October 14, 2016 per its deadline passed unanimously.

The Board was provided the IRS Form 990 for review prior to the meeting and the motion to support the Committee's recommendation to file passed unanimously. President Kissman noted the filing deadline was November 15, 2016 and the Foundation was prepared to file immediately following the Board meeting.

Chair Papa also reported that the Auditors recommendation that HBOIF management and Board discuss the advisability of the practice of providing SLP funds to FAU in advance of awarded project use. This recommendation was forwarded to the Grants Committee for its review.

Chair Minton thanked Mr. Papa for filling in as the 2016 Audit Committee Chair upon relatively short notice due to the scheduling conflicts which came up for Sherry Plymale.

Finance Committee

Committee Chair Raines reported on the work of the Committee at three meetings since the June Board Meeting (July 22, 2016, August 4, 2016 and November 4, 2016). Said meetings included the following issues:

Investments Report

all asset classes performed in line or outperformed their respective indices in both the 3rd quarter and year-to-date periods and in particular, the Committee's recommendation to invest in an MLP fund has proved quite advantageous. It was noted that the Atlanta Consulting Group was complimented on their presentation and the portfolio's positive investment returns.

Review of the Investment Policy Statement Per Audit Recommendation

As a result of the FY16 Audit recommendation, Chair Raines had asked committee member Mike O'Reilly to review the Foundation's Investment Policy Statement and make recommendations for the Committee's consideration to ensure the policy was reflecting the current and intended practices of the Committee. Changes were discussed and reviewed, with the Committee suggesting additional changes with regard to target allocations on the Summary of Asset Allocation. The motion to approve the revised Investment Policy passed unanimously. Chair Raines thanked Mr. O'Reilly for his work updating the IPS.

Discussion of SLP Plate Funds Investment Per Audit Recommendation and Grants Committee Recommendation

The Finance Committee agreed to stand ready to structure the best manner to invest SLP funds until needed based on the sense of the Board at the November 10, 2016 Board Meeting.

Current Financials

Chair Raines asked President & CEO Kissman to report on the SLP Balance Sheet and P&L Statement through September 30, 2016 and the Operational Balance Sheet and P&L Statement through September 30, 2016. Kissman noted as of the end of the first quarter FY17, there were no

projected significant variances to budget. The motion to accept the Financial Report as provided passed unanimously.

Aquaco

The Committee had spent the better part of three special meetings discussing a proposal from Aquaco for the use of the Old Citrus Grove. After extensive discussion regarding the project's lack of financial support, it was decided to explore all alternative options for the property at this time. Dr. Davis provided additional information about a possibly scaled down Aquaco project at FAU Harbor Branch.

Grants Committee

Committee Chair Toner reported that the Grants Committee met on October 19, 2016 and discussed the following:

Discretionary Grants

The Committee was provided Progress/Final Grant Reports on all active and closed grants as well as supplemental information for its review prior to the meeting. President & CEO Kissman walked the Committee through the status of each grant. Overall it was noted that \$46,657.85 in unspent grant funds from 5 separate grants will be returned to HBOIF.

It was noted that several of the multi-year grants now had projected end dates which will provide the Grants Committee with an opportunity to guide future granting. The Grants Committee asked the President & CEO to begin conversations with Dr. Anton Post, when he arrives fulltime, as incoming Executive Director about potential funding needs to best support the goals of a new strategic plan for FAU Harbor Branch. In particular, it was agreed that there was an opportunity to discuss alternate opportunities with regard to the Rewarding Faculty Excellence (Incentives) Grant (due to conclude June 30, 2019) and the Ensuring Faculty Excellence – up to 20% Salary Support Grant (due to conclude around June 30, 2018) to fund a stronger mechanism to incentivize faculty to support overall institutional excellence and visibility, e.g., matching funds for major federal grants received.

Chair Toner discussed the Ensuring a Robust Development Strategy, noting the staff hired under the grant was no longer employed by FAU Harbor Branch with an estimated \$472,000 unspent. Based on the Grants Committee's recommendation, the motion to close the Ensuring a Robust Development Strategy Grant for noncompliance passed unanimously.

Potential alternate uses for those funds will be discussed by the Grants Committee after the President & CEO has an opportunity to discuss possible FY17 needs with Dr. Post.

The Grants Committee also recommended to authorize the President & CEO and Legal Counsel to discuss the August 14, 2009 Development MOU with FAU pending future discussions with Dr. Post and the new FAU VP of Advancement to see what role, if any, HBOIF should play in FAU Harbor Branch development and determine whether or not to terminate the MOU. Said discussion would include the feasibility of a future HBOIF Capital Campaign either in concert with an FAU Capital Campaign or as a standalone to coincide with Harbor Branch's 50th Anniversary (year 2021). The motion passed unanimously.

Specialty License Plates Funding & Grants

The FY16 Auditors recommended to the Audit Committee at its October 11, 2016 presentation of the FY Audit that HBOIF management and Board discuss the advisability of the practice of providing to FAU SLP funds in advance of awarded project use per plate. The Audit Committee asked the Grants Committee to address this subject.

At the time of the audit, it was noted over \$2,000,000 in total plate funds was being held as yet unexpended by FAU. It was also noted that after analysis of the past two years, there was at least \$1,000,000 in total plate funds held at any given time. The Auditors suggested these funds remain restricted with the Foundation per plate, providing greater transparency, oversight, and earning interest on behalf of each plate and expended only when actually needed. This management would mirror the manner in which the HBOIF Discretionary Grants are currently being paid out, e.g.,

invoicing for reimbursement as funds are expended rather than forwarding monies as they are received for the plate.

It was further discussed that the Foundation's greatest opportunity to ensure the protection of the plates came from ensuring against any perception that interest earned on plate funds while sitting in a pool might be used in any manner other than for each designated plate.

It was agreed that the Foundation's management and monitoring of SLP funds until expended on actual research would be more consistent with addressing possible perception issues as well as ensuring legislative and accounting compliance to protect the integrity of the plate funds.

The motion to authorize changes to both the stewardship of funds and the process of administering funds per above was approved unanimously.

It was noted that the President & CEO and Legal Counsel would confirm permissible investment of SLP funds held by the Foundation and the Finance Committee would further recommend a structure for how this process would be managed. The President & CEO and the Legal Counsel were authorized to address how best to communicate this change to FAU and recommend changes to the current SLP MOU. The goal is to bring a draft of a revised SLP MOU document for consideration at the January 24, 2017 Board meeting and subsequent to the Board's approval, work to effect the changes as of FY18 (July 1, 2017) or before if practical.

It was agreed that there is an opportunity to address the actual structure of the funding process with Dr. Post to ensure greater compliance with the intent of the legislative language while supporting overall institutional goals of FAU Harbor Branch. President Kissman was encouraged to address this subject.

Governance Committee

Committee Chair Stewart on the results of the meeting held November 4, 2016. He provided an overview of the past process used for CEO Performance Evaluation. He reported that the Governance Committee agreed to adopt the same process as followed in prior years which will include requesting individual board member input but with a change to transparent (attributable) responses rather than anonymous responses. Joe Duke shared information about the Everglades Foundation CEO Performance Evaluation process. It was agreed that the Governance Committee would look at a possible revision of the survey instrument with a goal of simplifying it while still ensuring an appropriate tool under Sunshine. The CEO Performance Evaluation Process will be launched in late February/early March 2017.

Chair Stewart also alerted the Board to FAU requested changes in the Grants Funding Letters with regard to the indemnification. Chair Stewart noted the current round of SLP funding letters (PWD and PFW) were likely to move forward with revised changes but further discussion will be required before future grants (SLP or Discretionary) will be approved as well as the Foundation's review of the limits of its Directors and Officers Liability policy.

Nominating Committee

Chair Stewart reported no additional candidates for 2017 Board Officer positions were received in response to the email sent Thursday, July 21, 2016 by Katha Kissman on behalf of then Chair Bob Stilley. The motion to approve following slate for a one year term beginning January 1, 2017 was approved unanimously:

Chair	Michael Minton
Vice Chair	Mike O'Reilly
Vice Chair	Mike Toner
Treasurer	Marjorie Raines
Secretary	Bill Stewart

The Committee discussed several candidates and weighed each against the anticipated needs of the Foundation Board for the coming year. Following discussion, the motion to recommend the candidacy of Michael Brown, Sr. for a three-year term beginning January 1, 2017 and ending December 31, 2020 was approved unanimously.

Operations Reports

HBOIF

President & CEO Kissman provided highlights of her written report, advanced to the Board prior to the meeting. In particular, Ms. Kissman commented on the strong performance of Debbie Dutton as the new Director of Operations for being so new in the position, noting in particular her financial acumen and grants management skills. In addition, she noted the strong performance of Cyndi Permenter as Administrative Assistant who has readily and enthusiastically assumed additional responsibilities on behalf of the Foundation.

FAU HBOI

FAU Harbor Branch Interim Executive Director Dr. Megan Davis provided highlights of her written report, advanced to the Board prior to the meeting. On behalf of the Board, Chair Minton expressed gratitude and thanks to Dr. Davis for her service as the Interim Executive Director of FAU Harbor Branch for the past three years. The Board saluted Dr. Davis with a standing ovation.

Other

Cara Perry and Carin Smith provided an overview of FAU's new advertising and communications campaign "Unbridled Ambition" and the success of rapid responses to the media's requests for information, particularly in response to the algal blooms in August which included national exposure.

Adjournment

There being no further business, the meeting was adjourned at 1:40 pm.