

HARBOR BRANCH OCEANOGRAPHIC INSTITUTE

FOUNDATION

Minutes Finance Committee Meeting At the Harbor Branch Oceanographic Institute Foundation, Inc. April 14, 2017

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

COMMITTEE MEMBERS ABSENT: Sherry Plymale

OTHERS PRESENT: Ed Michelson*, The Atlanta Consulting Group; Matt Bauder*, The Atlanta Consulting Group; John Kidd*, Stone Ridge; Peter Nakada*, Stone Ridge; Katha Kissman, President & CEO; Debbie Dutton, Director of Operations

*participated virtually

Call to Order

The meeting was called to order by Chair Raines at 2:05 pm.

Approval of Minutes

The minutes of the January 13, 2017 meeting were approved unanimously.

Investment Report

Ed Michaelson previously forwarded the March 31, 2017 Investment Scorecard for Committee members. Market value as of that date was \$68,949,993. The Investment Portfolio continues to perform well against its benchmark. An in-depth review and discussion of the investment portfolio will take place at the May 19th scheduled meeting.

Presentation and Discussion of Catastrophe (CAT) Bonds

The Stone Ridge Reinsurance Risk Premium Interval Fund is being considered for investment in the Foundation's equity or opportunistic asset categories. Documents were distributed in advance. The Fund is only suitable for a long term investment horizon. Peter Nakada & John Kidd presented for Stone Ridge. After extensive discussion, Katha Kissman was asked to request pricing information from Stone Ridge for further discussion at the May 19th meeting.

The Finance Committee also agreed to look at short term/high yield funds as well as discuss the reinvestment of the upcoming July distribution of \$67,522 (March 31, 2017 Scorecard) from the Ironwood Fund's divestment holdback.

Current Financials

Katha Kissman presented an update on current financials as of March 31, 2017. Documents were distributed in advance.

Specialty License Plates Budget

For income, SLP funds will likely come in over budgeted projections. Per previous Board decision, segregated money market accounts have been set up per specialty

license plate with the Atlanta Consulting Group. As of April 13, 2017, funds received for all plates totaled \$855,669.63.

Operating Budget

While **Love Your Lagoon** projected income did not meet budget, Sponsorships, Ticket Sales, and Donations income were consistent with previous years. Live Auction proceeds were down. It was reported that donor fatigue (e.g., so many local organizations using the challenges facing the Indian River Lagoon as the theme/cause for their events) may have impacted this year's event as well as may impact future events. Also, the unexpected demise of the HBOI development team which had taken on the planning and delivery of the live auction at the 2016 event contributed to not being able to achieve the budget projection goals which were noted originally as being stretch goals.

Legal Fees are projected to go over budget due to pending litigation.

Bank Services Fees are projected to go over budget due to PNC raising its fees.

Insurance is projected to go over budget due to the additional Directors & Officers Liability coverage put into place when Florida Atlantic University required the Foundation to change the indemnification clause in its Funding Letters.

Professional Services now projected to be under budget.

Love Your Lagoon Expenses came in under budget.

General Operations, Facilities and Equipment, Travel and Meetings, Business, and Miscellaneous are all projected to come in slightly under budget.

Special Initiatives (grant payments to HBOI on already committed grants) are on track per projections after discussion with Patrick Boles and Greg Morgan at HBOI.

Presentation of FY18 Projected Budgets

Katha Kissman presented the projected FY18 Specialty License Plates and Operating Budgets which had been discussed in advance with Chair Raines and documents previously provided to Committee members.

Specialty License Plates Budget

Based on historic sales patterns, overall income is projected slightly higher for FY18 at \$2,720,667.31. Income per plate is projected by percentage using a calculator based on historic sales patterns.

Total expenses mirror income for a balanced budget each year. SLP Admin Fees, Fees to Others, and Marketing are percentages of total. While the bottom-line marketing budget is finite, it does include support for the Marketing Coordinator's salary and his projection of marketing expenditures based on the market research and analysis completed in 2014. The projected marketing budget is purposefully conservative so as not to exceed actual funds received; any residual of unexpended marketing funds at fiscal year-end is distributed per plate for research.

Operating Budget

Love Your Lagoon projected income is based on a combination of previous actual income and stretch goals.

Expenses include salary adjustments for the Director of Operations (re-alignment and COLA) and the Administrative Assistant (merit and COLA); memo to Finance Committee provided in advance.

401K is projected up slightly due to Paycheck distributions requirement (memo to Finance Committee provided in advance.)

Professional Services was adjusted down due to re-alignment (memo to Finance Committee provided in advance).

Legal Fees were adjusted up due to projected litigation expense.

Sale of Land was adjusted up due to auditor recommendation to get updated appraisals on Foundation-held property.

Bank Services Expense was adjusted up slightly due to increased fees with PNC.

Donor Related was adjusted up to provide HBOI Executive Director with a Foundation credit card for operational discretionary funds to allow him flexibility to develop relationships or support initiatives for HBOI (not the pillar). The credit card would be subject to the Foundation's policies for such use.

Love Your Lagoon expenses were adjusted down slightly due to actual expenses in FY17.

Love Your Lagoon proceeds are the actual net proceeds from the 2017 event to be paid out in FY18.

Special Initiatives (grant payments to HBOI on already committed grants) are projected per consultation with Patrick Boles and Greg Morgan at HBOI.

Due to legal and other contingency unknowns at this time, no funds are being recommended by the Finance Committee in this budget for additional special initiatives (grants to HBOI). This will be looked at again at the Mid-Year Budget Revision.

CEO Performance Evaluation and Recommended FY18 Compensation

(Debbie Dutton voluntarily left the meeting for this discussion.)

Mike O'Reilly reported on Katha Kissman's performance evaluation and his recommendations for an FY17 Bonus and FY18 Compensation.

- 12 current Board Members and 1 former Board Member were invited to participate. 2 were not asked to participate due to their newness on the Board
- 11 current Board Members participated
- 3 questions with 3 possible rankings (questions and rankings definitions previously shared)
- 4 Board members ranked a perfect 3.
- 65% provided comments
- The lowest average score on any question was 2.31 out of 3; there were no "1" scores (i.e., needs improvement)

The survey results noted an "overwhelmingly outstanding" evaluation in spite of a "hostile environment" with FAU in which Katha Kissman has had to operate.

Mike O'Reilly met with Katha Kissman to discuss the evaluation survey results on April 4, 2017. Based on that conversation and after extensive discussion, the Committee and Mike O'Reilly believe a 3% merit increase, 1.3% COLA, \$5,000 bonus (to be paid in FY

2017) and additional 10 business days leave is deserved and will be reflected in the proposed FY 2018 budget."

Until current litigation is resolved, no performance goals were being recommended for Katha Kissman other than to task her with continuing to best serve the Foundation as she has.

Mike O'Reilly told the Committee he would be sending the results of the evaluation to Dr. Dan Flynn.

The motion to recommend the FY18 Budget as presented and including the CEO Compensation adjustment discussed was approved unanimously.

Adjournment

There being no further business, the meeting was adjourned at 3:37 pm.