

HARBOR BRANCH OCEANOGRAPHIC INSTITUTE

FOUNDATION

Minutes
Finance Committee Meeting
April 22, 2016
Held at the Harbor Branch Oceanographic Institute Foundation

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

COMMITTEE MEMBER ABSENT: Robert J. Stilley

OTHERS PRESENT: Michael Minton, Katha Kissman, President & CEO; Colleen Brennan, Director of Operations; Ed Michelson & Matt Bauder, Atlanta Consulting Group

*participated virtually

Call to Order

The meeting was called to order at 8:35 am.

Approval of Minutes

The motion to approve the minutes of the January 22, 2016 meeting was approved unanimously.

Investments Report

Michelson provided a written and verbal update on the Foundation's investment portfolio.

It was confirmed there is no change to the Foundation's Investment Policy and any future changes will be driven by management subject to Committee vote.

O'Reilly provided an example for preferred manner in which to present the Foundation's investment portfolio (e.g., monthly flash reports or p. 54 of the 1Q2016 report) with the columns presented as follows:

			MKT VAL	CUR ALLOC	TGT RANGE
TOTAL COMPOSITE			\$61.7 MM	100.00%	100.00%
BALANCED INDEX					
HBOIF TGT INDEX					
EQUITIES			\$43.00	69.80%	45-75%
	LARGE CAP				
		Vanguard S&P 500	\$24.9MM	40.30%	20-45%
	SMALL CAP				
		Russell 2000	\$8.1MM	13.10%	5-20%
	INTERNATIONAL				
		Euro Pacific Growth	\$10.0MM	16.30%	10-30%
	S & P 500				
		Russell 2000			
		MSCI-EAFE			
FIXED INCOME			\$13.8MM	22.30%	15-35%
	LONG TERM				
	SHORT TERM				
		Pimco	\$13.1MM	21.20%	
		Cash	\$0.7MM	1.10%	
		Barclays Aggregate			
		Citi 3 month TBill			
ALTERNATIVE INVESTMENTS			\$5.0MM	8.00%	0-15%
		Ironwood Int'l	\$4.1MM	6.60%	
		Advisory Research MLP	\$0.9MM	1.40%	
		HFRI diversified			
		Alerian Index			

The Atlanta Consulting Group was requested to provide our indices as comparative to other indices (e.g., on p.5. of the 1Q2016 report; the Foundation office will provide an example.)

The Committee agreed not to increase the International Equity Asset Allocation, nor establish an Emerging Market Equity position at this time. The Committee also rejected Atlanta's recommendation to invest in non-US real estate as it does not view this asset class as an appropriate investment within the goals and objectives of the portfolio.

The Atlanta Consulting Group was asked to provide reports from their due diligence meetings with our respective fund managers (date/time/information/outcomes).

[Michelson and Bauder exited the meeting at the conclusion of their presentation.]

O'Reilly requested the Committee have ongoing discussions about the value of whether or not the Foundation should be investing in Long Term Fixed Income opportunities as protection against deflation. Currently the portfolio does not have any allocation in Long Term Fixed Income.

The motion to invest the pending Ironwood divestment proceeds when available in July 2016 into the Vanguard Aggregate Bond Index and bring the MLP position to a 2% allocation weight passed unanimously.

The proposed discussion of the value of holding 5% portfolio holdings in cash was tabled.

Review of Current Financials

Kissman provided the Balance Sheets and P&L Budget vs Actuals for both Operations and SLP through March 31, 2016. There were no significant or projected variances to report at this time.

Review of FY17 Proposed Operational and SLP Budgets*

Kissman provided the proposed FY17 Operational and SLP Budgets. There were three discussion points:

1. *Personnel Transition*

[Brennan voluntarily exited the meeting for this discussion.] As a follow up to Kissman's announcement of Brennan's pending retirement from her full-time role at the Foundation, Kissman reported the potential FY17 impact of hiring the new Director of Operations (Debbie Dutton) with a modified job description and the retention of Colleen Brennan as a contractor to continue to assist with the FY16 Audit which begins July 1, 2016, and to do SLP monitoring and 2017 Love Your Lagoon logistics would have a budget impact of \$7,594.

2. *Budgeting for Realized and Unrealized Gains/Losses*

Kissman reported the decision following discussions with Chair Raines to not include a budget projection for Realized and Unrealized Gains/Losses issue on the FY17 and future budgets.

3. *Discretionary Grantmaking*

The motion to include an amount of \$85,000 as a line item for possible Discretionary Grantmaking in FY17 passed unanimously. The Grants Committee will determine whether or not an RFP to HBOI will be issued. The Committee will look at the possibility of adding an additional up to \$315,000 at Mid-Year Budget Revision subject to spendable availability in the Mid Year Budget Revision process.

CEO Performance Review and Compensation Recommendation

[Kissman voluntarily exited the meeting for this discussion.] Michael Minton reported on the CEO Performance Evaluation Process and based on the result that Kissman received an "Exceeds Expectations" review made recommendations regarding compensation for FY17.

[Plymale voluntarily exited the meeting.]

Following discussion, the Committee voted unanimously to recommend a 1.3% salary COLA increase for FY17, a \$5,000.00 bonus, and an additional five (5) business days' vacation leave (with the stipulation that no more than two weeks may be taken in a row).

The Committee also agreed to do benchmarking of compensation and benefits against Universities and Foundations for future reference.

Update on HBOIF Real Estate Holdings

Lakela's Mint (Montesorri School)

Kissman reported St. Lucie County Board of Commissioners has voted to proceed with an appraisal and negotiation process for the acquisition of this property under its Greenways Program.

Peacock Road

Kissman reported on the status of the listing with Coldwell Banker Commercial Saunders Real Estate.

Old Citrus Grove

The Committee had put the Mitigation Bank feasibility on hold pending notification from FAU regarding its future interest in this property.

Minton reported on another possibility with an entity who may wish to use the property (purchase, long term lease) as a future commercial aquaculture park. The entity was invited to submit a proposal. He will also update the Board at next week's meeting.

Adjournment

There being no further business, the meeting was adjourned at 10:55 am.

***NOTE TO THE MINUTES:** An issue that was not addressed in the meeting regarding the FY17 Budget but discussed by Raines, Kissman and Brennan was a change needed due to a revised grants payout process for **Love Your Lagoon** net proceeds. Beginning with the net proceeds of the previous **Love Your Lagoon**, the actual net proceeds amount will be included in the upcoming fiscal year budget. This change has been suggested and agreed to after discussion with Patrick Boles at FAU Harbor Branch to providing reimbursing invoices as funds are used rather than grant payments in advance. The change to the FY17 Budget as presented will actually be a decrease to **Line 85700 Love Your Lagoon Proceeds** from \$125,000 to \$111,350. This change will be highlighted on the recommended budget to the Board at the April 28, 2016 Board Meeting.