

HARBOR BRANCH OCEANOGRAPHIC INSTITUTE

FOUNDATION

Minutes Finance Committee Meeting April 20, 2018

Held at the Harbor Branch Oceanographic Institute Foundation Conference Room

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

ALSO PRESENT: Matt Bauder*, Atlanta Consulting Group; Kyle Bobinski*, Atlanta Consulting Group; Debbie Dutton, Director of Operations; Katha Kissman*, President & CEO; Ed Michelson*, Atlanta Consulting Group.

*participated virtually

Call to Order

Chair Raines called the meeting to order at 2:03 pm.

Approval of Minutes

The minutes of the January 19, 2018 meeting were approved unanimously.

Investment Report

The 2018 1st Quarter Investment report was distributed in advance of the meeting. Ed Michelson provided an overview of current market conditions and a market index review. Kyle Bobinski provided an overview of valuation. Matt Bauder discussed the MLP / FERC ruling (supporting materials provided in advance of meeting).

Ed Michelson then provided an in-depth report on portfolio performance. He noted while it was a difficult market environment for most asset classes during the first quarter, 2018, the investment portfolio outperformed its Balanced Index. Additionally, he provided an investment performance history to other like Foundations (U.S., size) noting that the HBOI Foundation's portfolio performed in the 22nd percentile for the 2017 calendar year.

Total market value of investments as of March 31, 2018 was \$74,508,337.

Balances in the Specialty License Plate money market funds were:

• Aquaculture	\$ 381,789.16
• Save Our Seas	\$1,008,775.98
• Protect Florida Wild Whales	\$ 436,183.21
• Protect Florida Wild Dolphins	\$1,225,595.29

At the request of Chair Raines, a review of Portfolio Performance and Yearly Income over the past 3 years was provided. Mr. Michelson also reviewed the expense analysis provided in the quarterly report.

President Kissman thanked Mr. Michelson and his team at the Atlanta Consulting Group for its stewardship of our investments and also thanked the Finance Committee for its careful consideration and monitoring of the Foundation's investments. She also noted that the initial analysis of actual cash flow needs in 2014 and the change in payouts (reimbursement of invoices based on actual funds expended on awarded projects rather than payment of full grants up front upon award) have also contributed to building the Endowment corpus.

President Kissman informed the Committee and Mr. Michelson that we should have final projections from Patrick Boles about remaining balances in the FAU Specialty License Plate Holding accounts at FAU's Division of Research and to expect that these should be exhausted with upcoming invoices.

Lastly, President Kissman questioned the advisability of maintaining a banking relationship with Wells Fargo given the day's announcement of further penalties. It was agreed that the Funds were not in immediate risk and because of the need to diversify FDIC insurance limits, funds could remain at Wells Fargo. However, the conditions at the institution will be monitored.

Current Financials & FY19 Proposed Budget

At Chair Raines request, Mike O'Reilly was asked to review the Foundation's insurance policy renewals. Mr. O'Reilly reported that carriers were appropriate, proposed premium increases appeared inline, and Vero Insurance had done well in assisting the Foundation with its needs. Committee members were reminded that the Foundation increased its Directors & Officers coverage to provide additional protection when FAU required us in 2016 to change our indemnification clause in our Funding Letters when making grant awards.

President Kissman reported on FY18 budget (P&L and Compiled Financials previously provided) as well as on the proposed FY19 Operating & SLP Budgets. No major variances were shown for the 3rd quarter except for being slightly over budget on **Love Your Lagoon** and Memberships as shown in the reports. In addition, President Kissman explained an additional 401K Top Heavy payment was required consistent with last years and now included in FY19 budget projections. Chair Raines had previously been alerted of this need and provided supplemental documentation (available upon request). It was further noted that the FY19 budget would include a return to a full budget for **Love Your Lagoon** should the event return to the HBOI campus.

In the FY19 Proposed Operating Budget, President Kissman recommended a 2% COLA increase for Debbie Dutton and Cyndi Permenter. She noted she had already awarded each additional leave in FY19 for jobs well done. A 2% COLA amount had been confirmed by Bill Stewart during the calculation of the upcoming rental escalation for ORA.

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 was encumbered by previously made grants/expected payments in FY19 and operations leaving \$1,186,755 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.

Following a motion made and seconded to approve the budget as presented and amended, Mike O'Reilly asked for an opportunity to further discuss staff compensation. Katha Kissman and Debbie Dutton voluntarily left the meeting.

The Finance Committee discussed the recommendations made by President Kissman for Debbie Dutton and Cyndi Permenter's COLA increases for FY19. Mike O'Reilly reported on the successful outcomes of the CEO's performance evaluation. The Finance Committee then confirmed in recognition of the jobs well done despite a challenging year for the staff, a \$2,000 bonus for Debbie Dutton, a \$2,000 bonus for Cyndi Permenter, and a \$10,000 bonus to Katha Kissman to be paid prior to the end of FY18.

In addition, for inclusion to the FY19 budget to be presented to the board at the May 1, 2018 board meeting, a salary adjustment for a modestly increased COLA to a 3% increase each for Debbie Dutton and Cyndi Permenter. And a flat \$5,000 salary increase for Katha Kissman in addition to the same amount of additional leave provided to Kissman last year. Kissman had reported she had already awarded additional leave for FY19 to Dutton and Permenter.

The motion to approve the budget as presented by President Kissman with the changes to the Discretionary Grants as noted above and the salary changes as noted above passed unanimously.

Adjournment

There being no further business, the meeting was adjourned at 3:00 pm.