



Florida School for the Deaf & the Blind

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AGENDA
ENDOWMENT INVESTMENT COMMITTEE
April 22, 2016 at 8:00 a.m.
Moore Hall – Room 215, FSDB Campus
St. Augustine, Florida

Call to Order

Roll Call: Mr. Terry Hadley, Ms. Christine Chapman, Mr. Carlo Zampogna, Ms. Julia Mintzer, Mr. Theral Mackey

Approval of Minutes: October 30, 2015

Public Comment – Limited to 3 Minutes

Old Business

New Business

- UBS Update – Dave Hanvey
- Next Meeting – Date

Action Items for Consideration:

1. Approval is requested to continue the UBS Client Services Agreement for the 2016-2017 fiscal year.
2. Approval is requested to continue the BB&T Banking Services Agreement for the 2016-2017 fiscal year.
3. Approval is requested for the proposed Endowment Project Budget for 2016-2017. All projects are within the budgetary guidelines established by the Board of Trustees.
4. Approval is requested to accept recommended changes to the existing Endowment Investment and Expenditure Procedures Policy, as noted.

Adjournment



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ENDOWMENT INVESTMENT COMMITTEE MEETING MINUTES

April 22, 2016 at 8:00 a.m.

Moore Hall – Room 215, FSDB Campus
St. Augustine, Florida

Call to Order

The regular meeting of the FSDB Endowment Investment Committee was called to order by Mr. Terry Hadley.

Roll Call

Present: Mr. Terry Hadley (Chairman), Ms. Christine Chapman (Vice Chairperson), Mr. Theral Mackey, Ms. Julia Mintzer. *Absent:* Mr. Carlo Zampogna.

Also in attendance:

UBS International: David Hanvey and Lacey Conner.

Board of Trustees: Ms. Linda DiGonzalez, Mr. Chris Wagner, Dr. Thomas Zavelson.

FSDB: Dr. Jeanne Prickett, Tanya Rhodes,
Cindy Orndorff and Debbie Smith (Interpreters),
Denise Fernandez (Recording Secretary).

Approval of Minutes

The minutes of the October 30, 2015 Endowment Investment Committee Meeting were *approved on a motion by Dr. Zavelson; seconded by Ms. Chapman. Motion carried.*

Public Comment

None

Announcement

Mr. Hadley took the opportunity to announce that the Board of Trustees met its deliverable by securing donations from each member. This 100% commitment is an important and critical factor that favorably influences donors who may be undecided about contributing funds to FSDB. Mr. Hadley also presented Dr. Prickett with \$40K (unrestricted) which represented proceeds from an investment property liquidation. Ms. Rhodes stated that the \$40K raised the Board of Trustees contributions to \$1MM for the 2015-16 year.

New Business

UBS Update Presented by David Hanvey: Mr. Hanvey thanked the Committee for the opportunity to speak and proceeded to outline the main themes he planned to succinctly address: the Endowment's performance vs. the market indices; asset allocation portfolio vs. the Investment Policy; market review and associated opportunities and threats.



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- **Performance:** During March, the market portfolio was up \$400K, after dividend. The return increased 3.87% for the period; 1.56% for the year. The benchmark improved by 4.34%, while S&P rose to 6.78% for the period; 1.35% for the year. The MSCI foreign index was down by 3.01% as well as Russell 2000 small to mid cap stock which was 1.52%.
- **Asset Allocation:** Mr. Hanvey assured the Committee that the portfolio adheres to the Investment Policy which is closely monitored. Small to mid cap and international managers saw a rise of approximately 5% in the underweighted securities against the model by the end of the period. Mr. Hanvey remarked that this was outstanding compared to the index which was down by 3%. Unfortunately, because this is a smaller piece of the portfolio, the impact was not obvious. Energy was underweighted by 50% and heading higher.
- **The Fed and Interest Rates:** Short term rates are increasing to 3% with four rate hikes projected for the year: 0.38%, 0.88%, 1.88%, 3.00%. Factoring in the rate forecasts for the Growth Domestic Product (GDP), unemployment and inflation, Mr. Hanvey commented that severe market volatility would be experienced along with the misallocation of resources.
- **S&P500 Valuation Measures:** Mr. Hanvey briefly explained that this data reflects the measurement of different types of valuations such as price to earnings, price to book and cash flow. The market has seen three 10-percent corrections since August “which is a lot.” However, we pulled back 11% in mid-February in S&P 500; got closer to 20% in international and mid-cap stocks. Since then, there has been a tremendous rally to get back to an above positive position for the year. Mr. Hanvey opined that it is healthy to see a pullback with earnings. Contrary to popular opinion, there is no fear of crashes or a recession given the data which supports that the economy is stronger.
- **Corporate Profit:** . Earnings went down during the end of last year largely due to: 1. Energy (Oil) which was about 15% of the index and 2. Dollar rate increase (in anticipation of the Fed raising rates). Where this hurts the market is that for all the companies that sell abroad, the cost of products is more expensive. Now that the rate for the dollar has decreased, there will be a little bit of a bump up in earnings.
- **Economic Growth and Consumer Finances:** Over half--68.5%-- of all the GDP was reflected on the consumer. In 2Q 2007, the nation’s household net worth was approximately \$67 billion. Having returned from the recession, in 1Q 2016, it increased to \$88 billion. In 2Q 2007, the debt ratio was 13.2% of disposable income and in 1Q 2016 experienced a drop to 10.1%--the lowest it’s been in over 35 years. The economy, while not robust as in the past, is healing slowly.
- **Overall:** Mr. Hanvey conveyed that no immediate action was necessary and that there were no concerns. He continues his due diligence by meeting with the Comptroller on a monthly regular basis for the balancing of bonds that come due and equities.

Mr. Hadley thanked Mr. Hanvey for his willingness to help him gain a better understanding of the UBS policy and its alignment with the Investment Policy following the October 2015 Endowment



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Investment Committee meeting. Mr. Hadley reiterated his desire to revise the unduly restricted Investment Policy which handcuffs us from taking advantage of market trends and keeps the funds out of certain areas where there is opportunity to spread risk. He suggested coming to the table with proposed revisions in the fall.

Next Meeting Date: Ms. Mintzer reminded the Committee of the 1st Q meeting timeline. Mr. Hadley recommended having the Endowment Investment Committee reconvene in September instead of October so that members could start tackling policy revisions as soon as possible. Ms. Mintzer also asked the Committee to keep in mind the need to “notice” a meeting especially with the presence of the Auditor General on campus. The targeted audit completion date is end of July. And while the Committee plans its meetings, there may be a need for additional meetings to address any items on the AG’s report once it is published.

Action Items for Consideration

1. Approval was requested to continue the UBS Client Services Agreement for the 2016-2017 fiscal year. *Approved on a motion by Ms. Chapman; seconded by Dr. Zavelson. Motion carried.*
2. Approval was requested to continue the BB&T Banking Services Agreement for the 2016-2017 fiscal year. Mr. Mackey expressed that he had concerns, however none significant to warrant change. Mr. Hadley recommended that it be approved with the caveat to review for further consideration. *Approved on a motion by Dr. Zavelson; seconded by Ms. Chapman. Motion carried.*
3. Approval was requested for the proposed Endowment Project Budget for 2016-2017. All projects are within the budgetary guidelines established by the Board of Trustees. Mrs. Mintzer advised the Committee that only formal action would be taken on projects associated with the Endowment fund. Three categories of funding projects were identified: Endowment, Restricted and Operating Budget (which reflects Endowment as the funding source). The 2016-17 year will realize a \$62K special projects funding increase of \$1.4MM from the prior year. (This amount includes restricted funds). The Endowment projects total \$482,222 (and are within the allowable expenditure limit). Several questions by the Committee and Board members concerning the allocation of funds and FSDB’s visibility were raised. Ms. Mintzer, Ms. Rhodes and Dr. Prickett addressed those concerns assuring members that FSDB adheres to a process to ensure equitable distribution between the Blind and Deaf departments. Projects are submitted and assessed annually. If a program is not meeting its goal, it is discontinued. End-of-Year Reports provide recaps to help staff track their budgets and improve subsequent requests. These reports also provide excellent feedback to donors and work as an incentive tool for future donations. Fundraising among students is also strongly encouraged and embraced. There were five newly added programs to the 35 continuous programs funded from Endowment; six newly added programs to the 57 continuous programs from Restricted funding. *Approved on a motion by Dr. Zavelson; seconded by Ms. Chapman. Motion carried.*



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4. Approval was requested to accept recommended changes to the existing Endowment Investment and Expenditure Procedures Policy, as noted. Mrs. Mintzer discussed the changes as follows:
- Page 1-General Procedures (#2): The narrative concerning an annual endowment fund audit by a CPA was added to the policy. The process is in place, however it wasn't reflected in the policy.
 - Page 2-Spending Policy (#6): The statement concerning marketing under operational expenses is stricken. The rationale is that marketing is not truly an operational expense. It has always been a special project.
 - Page 3-Expenditures (#7): This addition to the expenditure category is to provide quality parent engagement activities. It will support parents of FSDB students to attend conference(s) as a representative. Under the existing policy, only staff members are sent. The definition of "family/families" was clarified to reflect the parent(s)/legal guardian(s) and the FSDB student only. Siblings and extended non-FSDB children would not qualify for funding under this category.
 - Page 3-Expenditures (#8): Change in title.
 - Page 4-Organization (#9): To avoid conflict of interest and in keeping compliant with the Sunshine Law, Mr. Mackey and Mrs. Mintzer are removed as Committee members. Instead, they will serve in the capacity of Liaisons and help facilitate any tasks brought forward by the Committee to be accomplished.

Approved on a motion by Ms. Chapman; seconded by Dr. Zavelson. Motion carried.

Adjournment

Meeting was adjourned at 8:51 a.m. by Mr. Hadley.