FRIENDS OF MISSION SAN LUIS, INC.
EXECUTIVE COMMITTEE MEETING
Thursday, August 28, 2014; 4:11 p.m.
Kislak Classroom, Mission San Luis
2100 West Tennessee Street, Tallahassee, Florida 32304

Minutes

Participants:
Committee Members: Sen. Curt Kiser, Chairman; Lt. General Robert Milligan, Treasurer; and Ms. Carol Bryant-Martin
Staff: Mr. Robert Bendus; Mr. Robert Blount; Dr. Mary Glowacki; Ms. Karin Stanford; and Ms. Helena Sadvary

I. Call to Order at 4:11 p.m.

II. Introductions
Mr. Blount called the roll and quorum was noted. Chairman Kiser verified the meeting had been properly noticed and welcomed all participants.

III. Adoption of Executive Committee Meeting Agenda
MOTION TO APPROVE THE AGENDA: Gen. Milligan
MOTION SECONDED: Ms. Bryant-Martin
MOTION APPROVED.

IV.
1. Approve Emergency Board of Directors Meeting Minutes of 8-19-14
MOTION TO APPROVE THE MINUTES OF 8-19-14: Ms. Bryant-Martin
MOTION SECONDED: Gen. Milligan
MOTION APPROVED.

2. Approve Board of Directors Meeting Minutes of 7-28-14
MOTION TO APPROVE THE MINUTES OF 7-28-14: Ms. Bryant-Martin
MOTION SECONDED: Gen. Milligan
MOTION APPROVED.

V. Receive Finance and Investment Committee Report – deferred to F&I Committee meeting

New Business

a) DOS and FOMSL Letter of Agreement

Chairman Kiser reported on his meeting with Secretary Detzner and Mr. Bendus. He characterized the meeting as cordial and productive. He asked Mr. Bendus to report to the Board on the major issues discussed and to explain the circumstances of the agency's desire that the FOMSL take on additional costs for professional staff.

Mr. Bendus reminded Directors the CSO's role has been discussed over the past two years by this board, agency leadership and professional staff. During the past legislative session, a bill passed requiring each CSO to report annually to their parent agency revenues raised, expenditures made, and agency programs supported. Each agency is required to report to the Governor, the Speaker of the House, and the President of the Senate about the CSOs' accomplishments. The bill included a "sunset" review of CSOs.

Mr. Bendus stated there are three CSOs that support the Division of Historical Resources. In supporting the continuation of these, the division and the agency believe it important to demonstrate the value provided the agency by these organizations. One avenue to document value is having each CSO reimburse the parent agency some portion of the costs attributed to CSO operations. The cost reimbursement suggested for Board consideration is that incurred in the MSL facility rental program, specifically the rental program manager's salary.

Mr. Bendus said the revenues generated by the rental fees and the visitor services (admissions, gift shop, etc.) accrue to the CSO. Therefore, the CSO should contribute to the related expenses incurred – DOS staff salaries. "Internal" discussion included a MSL staff recommendation that the rental manager be paid $20 per hour. A policy in the agency dictated a rate of $15 per hour be paid. It was suggested that the CSO contribute a pay differential of $5 per hour to reach the $20 recommendation. Last week, an agency decision was made to limit the position to $15 per hour and not ask for a CSO contribution. An offer will be forthcoming in the "next couple of days," therefore that issue is "moot."

Still at issue is finding ways for the CSO to support the agency. With the completion of the NEH matching grant, the agency wants to work with the CSO, redirecting earned income from MSL activities to offset some of MSL's expenses. Language to accomplish this was included in the Letter of Agreement presented at the Board's July meeting. Mr. Bendus stated that at present the CSO reimburses the agency for staff overtime incurred during CSO events and afterhours rentals. The new language provides CSO reimbursement for agency staff whose work supports CSO activities and functions. Mr. Bendus said that "over time" the agency would like to see more of the earned income and the endowment earnings be directed to supporting the operations at Mission San Luis. He stated this summarized the discussion between Sec. Detzner, Sen. Kiser, and himself.

Chairman Kiser asked if there was a financial “benchmark” of desired CSO contribution considered acceptable to the agency. Mr. Bendus said the FOMSL has “healthy” accounts and endowment balances that could attract legislative scrutiny if some contributions were not made. He said the required annual reports need to demonstrate a more “robust, vibrant” support and a mechanism is needed to accomplish this support based on the financial viability of the CSO.

Gen. Milligan asked to be recognized. He said there would be discussion later in the meeting addressing Mr. Bendus’ points. He said there had been prepared some resolutions for the Executive Committee’s consideration. He received the Chair’s permission to read these into the minutes. He stated the first motion addresses the financial administration of the FOMSL-State of Florida Cultural Endowment matching grant award.

Motion 1: Be it resolved that an endowment investment fund be established with SunTrust and entitled “Friends of Mission San Luis Inc. – State of Florida Cultural Endowment Fund” into which $360,000 shall be transferred from the FOMSL SunTrust endowment account to establish the balance required to receive $240,000 in state matching grant funds.

The FOMSL will receive this fiscal year – timing unknown – a $240,000 grant from the DOS Division of Cultural Affairs under their cultural endowment grants program. This grant requires a matching contribution of $360,000 from the recipient (FOMSL). The grant monies and matching monies must be invested in a separate endowment fund – not co-mingled with the existing FOSML endowment.

His recommendation: Set up a separate “cultural endowment” fund to hold the $600,000 state/cso match. This fund could have a different investment strategy – more conservative, perhaps a higher bond to equity ratio – than the current portfolio holds. The objectives are more dividends, more security – less growth, less risk exposure and maintenance of endowment corpus as required by grant restrictions.

Gen. Milligan continued, stating the second motion.
Motion 2: Be it resolved that the existing endowment investment fund at SunTrust be renamed “Friends of Mission San Luis Inc. Permanent Endowment Fund.”

Gen. Milligan said the existing endowment fund at SunTrust has a more aggressive investment strategy. It is currently named the “Friends of Mission San Luis Cultural Endowment Fund.” The name change is simply to differentiate it from the state-specified cultural endowment fund. He noted that this is an administrative issue.

Gen. Milligan moved to the third motion for consideration – adding a spending policy to the investment policy for each of the two endowment funds. These will be drafted "over the next 30 days or so" by the Finance and Investment Committee. He read into the minutes:

Motion 3: Amend the existing Investment Policy to include a Spending Policy drafted by the FOMSL Finance & Investment Committee.

Gen. Milligan recommended that each fund should have a separate investment policy and a separate spending policy. The spending policies could be as streamlined as the following:

Discussion: The current policy does not include a spending policy. The existing FOMSL endowment fund: Up to 50% of the 3-year rolling average of prior year-end market values can be distributed annually from the endowment income only to supplement the Mission San Luis operations budget. The spending policy will be reviewed at least annually by the Board of Directors for appropriateness.

Gen. Milligan used the year just ended as an example: the earnings available would be $160,000 minus $17,000 distribution included in the FY 2015 budget year.

Chairman Kiser asked if the residual 50% would be dedicated to building endowment corpus – this affirmed by Gen. Milligan. He continued as the corpus grows the distribution percentage might decrease, but 50% distribution of earnings seems to be the right number at present. This policy can and should be reviewed on an annual basis and adjusted as appropriate.

The new FOMSL "cultural endowment fund": The spending policy of the "Friends of Mission San Luis, Inc. – State of Florida Cultural Endowment Fund" is income-based and the dividends and interest earned in the prior year are to be distributed as soon as practical in the current year to fund Mission San Luis educational programs. The spending policy will be reviewed at least annually by the Board of Directors for appropriateness.

He explained the grant requires maintaining a $600,000 corpus which could require adding funds in a down year. Hence, the conservative approach to investment for this fund's portfolio.

Mr. Chairman asked Gen. Milligan how he arrived at the distribution ratio.

Gen. Milligan stated that Mr. Blount and he met several times to discuss these issues. They evaluated what other cultural institutions used in setting their policies. He said the distribution ratios were generally substantially less than 50%. Another decision to be made is whether there will be a distribution this year or should the policy go into effect for next year's budget.

Gen. Milligan then returned to the issue of subsidizing the rental manager's salary. He recommended reconsideration of the support.

Chairman Kiser asked if current endowment policy would prevent the policy language proposed from being incorporated. Gen. Milligan stated the Board of Directors control the endowment and set policy for its management and use not otherwise restricted or governed by law. Mr. Bendus said the language is consistent with the original intent of establishing the endowment. Gen. Milligan restated his position that the Board's primary fiduciary responsibilities included protection of endowment corpus. Ms. Bryant-Martin asked if FOMSL's annual budget was also a primary responsibility of the Board? Gen. Milligan stated he believed budget development and management was Mr. Blount's and Mr. Bendus' responsibility. The Board was responsible for oversight of the agency's financial management of the resources provided to MSL by the Board from the endowment earnings distributions.

Chairman Kiser said it was his understanding that the motions would be considered by the Finance and Investment Committee for recommendation to the Board of Directors. Gen. Milligan replied that these were the recommendations of the committee (Gen. Milligan was its only member due to term limits). The committee now consists of three members – Ms. Bryant-Martin being recently appointed and Sen. Kiser serving ex officio. He continued that the committee has the responsibility to return to the Board with policy recommendations based on the motions today presented. As an aside, Ms. Bryant-Martin asked if the cultural endowment grant would be available again next year. Mr. Blount said an applicant could apply multiple times.

Chairman Kiser asked if the earnings distributions would be adequate to the contributions enumerated in the Letter of Agreement. Gen. Milligan said as this is stated currently – yes. He requested Mr. Blount to address the operating fund accounts. Mr. Blount said during his tenure as Executive Director there had been an excess of CSO revenues over expenses. A portion of these funds had been used as matching funds for the NEH grant. With the grant's expiration, there exist operating surpluses that could also be applied to MSL operations support. Mr. Blount projected that going forward the combination of earned and unearned CSO net income might provide $200,000 in MSL operations budget support. Chairman Kiser asked if the funds could be spent without the CSO approval. Mr. Blount said he was authorized to spend $1,500 per item without CSO approval. Chairman Kiser inquired what circumstance created the timing of Gen. Milligan's motions. Gen. Milligan said the new language in the Letter of Agreement prompted him to ask Mr. Blount for recommendations and together they drafted those presented today.

Chairman Kiser asked Mr. Blount how many Board vacancies exist currently. Mr. Blount said the Bylaws permit no fewer than three and no more than 25 Board Directors. As of

August 31, there will be four Directors. Chairman Kiser asked how many Directors have served at the same time in past years. Mr. Blount stated 13 Directors had served simultaneously. Gen. Milligan asked and Ms. Ogorzaly confirmed that his second 2-year term ends on 31 August 2014. He said he would serve a third term if asked. Chairman Kiser asked if Directors served until a successor was appointed.

FOMSL Bylaws, Sec. 7(b) "A Director's term shall end on the expiration of same or until such time as a successor is appointed and/or earlier resignation, death or removal."

Chairman Kiser observed that Gen. Milligan can continue to serve until an appointment is made by the Secretary. Chairman Kiser asked if action on these motions could be delayed until appointments are made. Mr. Blount said the accounts must be set up to receive the grant funds. Gen. Milligan stated the motions were needed to proceed. The motions authorize the Finance and Investment Committee to draft policy for consideration by the Board at the October meeting. Sen. Kiser asked for a "workshop" on the policy. Gen. Milligan stated a workshop was not necessary, the proposals are straight forward.

MOTION TO ADOPT MOTIONS ONE, TWO AND THREE: General Milligan
MOTION SECONDED: Ms. Bryant-Martin
MOTION APPROVED.

New Business b. C&F Position
Gen. Milligan stated that there is a difference between the agency's position and the Board's position on the rental manager's salary i.e. $15 without a $5 supplement (agency) or $15 with a $5 supplement. He asked the Board to discuss this in light of the Board's offer of additional funding and the agency's desire to be reimbursed for agency staff time spent on CSO business. Chairman Kiser asked if the Board was still legally constituted if the Letter of Agreement expired 30 June. Mr. Bendus said the organization is a 501.c.3 corporation. The letter is a contract between the corporation and the agency and has no bearing on the corporation's existence.

Chairman Kiser asked how the salary had been apportioned in the past. Mr. Blount explained that the Board had employed a rental manager. The position was transferred to the agency for administration, supervision, and personnel management. Chairman Kiser said in the spirit of cooperation with the agency he favored having the CSO take on a larger share of support. Gen. Milligan asked Mr. Bendus to comment on whether the Board's willingness to contribute funds to MSL operations help solve the problem of supplementing the rental manager's salary. Mr. Bendus said, "I think it does General." Gen. Milligan said he was satisfied with the Letter of Agreement, supported it and asked the Chairman to call the question. Chairman Kiser asked Mr. Bendus why the agreement was limited to six months instead of a year. Mr. Bendus stated the Secretary was comfortable with a six-month term. Mr. Bendus restated the changes in the agreement –

staff cost reimbursement, annual report, and ethics policy. Chairman Kiser asked if there was any additional discussion and there being none called the vote.

MOTION TO ADOPT THE CSO LETTER OF AGREEMENT WITH PROPOSED CHANGES: General Milligan
MOTION SECONDED: Ms. Bryant-Martin
MOTION APPROVED.

Other Business – none

Public Comment – none

MOTION TO ADJOURN: General Milligan
MOTION SECONDED: Ms. Bryant-Martin
MOTION APPROVED.

Adjournment at 5:05 p.m.

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Senator Curt Kiser Date
Chair, Friends of Mission San Luis, Inc.

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Vacant Date
Secretary, Friends of Mission San Luis, Inc.