



Florida School for the Deaf & the Blind

Do More. Be More. Achieve More.

MEETING MINUTES
ENDOWMENT INVESTMENT COMMITTEE
September 21, 2018 at 8:00 a.m.
Moore Hall – Room 215, FSDB Campus
St. Augustine, Florida

Call to Order

Mr. Terry Hadley called the meeting of the Endowment Investment Committee to order at 8:02 a.m.

Attendance

Present: Mr. Terry Hadley (Chairman), Mrs. Linda DiGonzalez, Dr. Tom Zavelson

Board of Trustees: Mrs. Christine Chapman, Mr. Owen McCaul, Mr. Chris Wagner

UBS International: Mr. David Hanvey, Mrs. Lacey Conner

FSDB: Dr. Jeanne Prickett

Julia Mintzer

John Wester (Comptroller)

Alison Crozier (Budgets & Grants)

Tanya Rhodes (Advancement)

Nick McClure and Rena Hurley (Interpreters)

Denise Fernandez (Recording Secretary)

Approval of Meeting Minutes

The minutes of the April 13, 2018 Endowment Investment Committee Meeting were *approved on a motion by Linda DiGonzalez; seconded by Dr. Zavelson.*

Public Comment

None

New Business

Updated Language: Endowment Investment and Expenditure Procedures Policy (Julia Mintzer)—Mrs. Mintzer presented to the Committee the following recommendations to the Endowment Investment and Expenditure Procedures Policy:

- **Spending (5):** *Strike* the Ludwig Fund language from the policy. FSDB has exhausted the restricted donation.

Change the Contingency Fund language [for accuracy and clarity] and to reflect the past and current practice. Contingency funds have always been based on allowable allocation amounts not to exceed \$50,000. The funds would be used primarily as the result of an unforeseen circumstance involving a student need. Upon Dr. Prickett's approval, the expenditure would be reported to the Board at its next meeting.

- **Spending (6):** *Modify* the not-to-exceed percentage of Operational Expenses from 3% to 4%. Based on a report of FSDB's operational costs by Carr, Riggs and Ingram (CRI) during last

year's audit, FSDB management suggested a 1% increase in the account. Mrs. Mintzer stated that there are some salary dollars earmarked within this category.

- **Expenditures (7):** *Update* a statement about using endowment dollars—"to promote awareness of FSDB and the needs that the school meets"—to include outreach to deaf and/or blind children and families. Mrs. Mintzer emphasized the importance of accurately representing outreach in this policy given it is a part of our mission.

Advancement 2017-2018 Year-End Report and 2018-2019 Goals Endowment Funded Special Projects (Tanya Rhodes)—Mrs. Rhodes expressed her gratitude to the Board for its continuous support, from fundraising efforts to raising awareness. She brought the Committee's attention to her Year-End Report for 2017-2018 highlighting the upward trend of donations. She covered three major target areas:

1. **Monetary [Contributions]:** \$1.2MM raised for the 2017-18 year. This amount surpassed the team's annual goal of \$979K by 31% and reflected an 11% increase over the prior 2016-17 year. Mrs. Rhodes explained that the team's goals are based on a trend driven approach, attributing the boosts in gains to large estate bequests and planned gifts.
2. **Number of Donations:** Mrs. Rhodes stated that one of the biggest ways to grow the Endowment is to persuade current donors to contribute at a higher frequency throughout the year while incrementally raising the amount.
3. **Number of Donors:** While the numbers show that the team fell short of their goal (1%) in this area, Mrs. Rhodes is not disconcerted. She reminded the Committee that her team has been steadily building their donor database through acquisition mailings over the past few years. In order to retain a loyal donor pool, her team will focus on nurturing those relationships while increasing the rate of their donations during the year.

Mrs. Rhodes continued her report with a broad overview of the successful strategies and sources that Advancement uses on an ongoing basis:

- **Touchpoint Postcards**—The intent of this piece of collateral is to provide an intimate look at FSDB and share how donor dollars provide for our students. The information on these cards "pulls on the heartstrings" and this *subtle ask* is the approach Mrs. Rhodes finds successful for FSDB.
- **Impact Report and Donor Survey**—The intent is to maintain transparency and an open dialogue between FSDB and donors.
- **Civic Groups**—They are located throughout the state of Florida and include the Lions Club, Delta Gamma sorority, women's clubs and much more. These groups have significantly contributed financial and human resources to FSDB.
- **Tours**—Different from the tours provided by Parent Services, these tours are donor driven and include funding conversations. Most importantly, the Advancement team crafts a unique tour

experience for all its visitors by gauging their level of interest(s). Then, they immerse the visitors in areas they expressed interest (e.g., independent living, tutoring, reading programs, etc.) where they can witness and appreciate students and donor dollars at work.

- Events—There are two types:
 - *Campus*. Advancement continuously invites its donors (over 1,300 in 2017) to the plethora of campus events presented through our Deaf and Blind departments such as Dance Troupe performances and the Holiday Concert.
 - *Third party*. Advancement markets FSDB to specific areas in Florida through the generosity of some of our donor organizations. The team sends invitations to donors from the town in which each event is hosted. These events provide those who are unable to visit our campus the opportunity to see our students locally.
- Face to Face—These visits take place in the donor's home and it is where the relationship begins to shape. Donors also appreciate these opportunities to hear how their gifts benefit the students. Soon after, conversations about estate planning and beneficiary assignments sprout.
- Volunteer Programs—Advancement recognizes the value of human resources. The team plays an integral role in the coordination of volunteer services and maintains records of hours served.
- In-Kind Gifts—Non-monetary gifts are distributed to departments or dorms for the students based on their appropriateness.
- Angel Tree—Every year, Advancement oversees a dedicated group who offers assistance by fulfilling Christmas holiday wish lists (clothing, accessories, sundries) to approximately 100 students in need.

Mr. Wagner inquired about targeting alumni groups for the donor pool. Mrs. Rhodes commented on her awareness to communicate with this population on an ongoing basis. However, FSDB lacks a mechanism to keep track of our alumni especially with the influx of social media. (She has observed their presence on FSDB Facebook pages.) There are still a few, strong cohesive groups present, such as the Blind Alumni co-managed by Sila Miller, and the Florida Association of the Deaf (FAD) represented by FSDB's Nancy Bloch and BP Murphy. In the donor database of 8,000, Mrs. Rhodes estimates 600 are alumni. She and her team have reached out to these individuals; however, they typically do not respond. She does maintain relationships with alumni families.

Mrs. Rhodes announced Advancement's fundraising goal for the 2018-19 year to be \$1.6MM. Her confidence in its achievability rests on two compelling reasons:

1. the confirmation of a \$250K bequest made by Dr. Tully in his Last Will & Testament.
2. a verified notification of an anonymous gift. Based on the amount level, Mrs. Rhodes surmises that it will be a *one-time* gift. However, the donor has expressed interest in FSDB, so there may be some continued gifts at a much smaller level generated in the future.

Mrs. Rhodes emphasized that the success of her team is predicated on plan development and goal orientation. She presented her team's informational calendar, which reflects timelines and tasks that help her team keep on track, as well as a comprehensive written action plan that lists specific targets.

Mr. Hadley conveyed his appreciation for Mrs. Rhodes, her management style and the energy she exhibits in bringing awareness and donations to the Endowment. He concurs that a strategic goal and action plan are paramount in achieving business success. Mrs. Rhodes recognized her colleagues Amy Moring and Tori VonEssen as instrumental in her team's successes.

UBS Update (Dave Hanvey and Lacey Conner)—Mrs. Conner thanked the Committee for the opportunity to present and congratulated Mrs. Rhodes on her work in the Endowment. She kicked off her presentation by reviewing the Endowment performance and then turned over the market and portfolio updates to Mr. Hanvey.

- **Performance Review:** Through the end of August 2018, the Endowment sustained a \$150,000 withdrawal, dividend and interest income of \$20,287.62, accrued interest of \$7,197.58 and a change in value of \$107,550.78, closing the portfolio at \$14,401,871.78. Compared to the different indexes and benchmarks, the portfolio's MTD rate of return was +0.95%, YTD +2.25%, +11.53 for the 2017 year-end period and +6.27% for the trailing one year period. As of close of business September 20, 2018, the Endowment experienced increases in its MTD value by \$94,000 with a rate of return of +0.64% and YTD \$170,000 with a rate of return of +2.9%.
- **Asset Allocation:** Mrs. Conner remarked that FSDB's current investment, compared to where FSDB should be in the model allocation, reflected the following diversification: Cash at 1.75%; U.S. Fixed Income at 42.48%; International Fixed Income at 3.46%; U.S. Equity at 37.46% and International Equity at 13.85%.
- **Bond Overview:** Mrs. Conner mentioned FSDB's bond portfolio (with an average coupon of 3.37% and average yield to maturity of 3.09%) outperformed despite short-term maturities and rising interest rates.
- **Market Update:** Mr. Hanvey stated that the bull market is the longest in history by 114 months, surpassing the period in the 1990's. Six different economic measurements—growth, labor market, inflation, monetary policy, yield curve, and credit conditions—indicate the economy is strong and there is little evidence to suggest it will end anytime soon. Earnings growth continues to be strong. The “quilt chart” of select asset classes demonstrates consistency by UBS in the risk management of FSDB's moderate diversified portfolio over the past 20 years.

The 10-year bond market has been hovering at about 3%. The Federal Reserve has been raising rates. Inflation has also increased, but it is not accelerating and overheating the economy at this point. Even though the yield curve is flat, Mr. Hanvey opines that the worst is over for fixed income and the headwinds will subside a bit. UBS has positioned FSDB's conservative, fixed income portfolio for the headwinds by increasing the credit quality of its triple A-rated, double A-rated and short-term CD accounts. UBS recommends a broadly neutral allocation to risk. The most preferred are global equities and large cap value over large growth value.

Mr. Hanvey recommends investing for the pro-growth environment and watching trade tensions. Markets will be volatile. However, UBS constantly monitors the portfolio and feels comfortable with its allocation.

- ***UBS Management Update:*** Mr. Hanvey announced that UBS is evaluating its corporate behavior and following ESG (environmental, social and governance) principles. Issues such as gender equality, board diversification, and climate change can affect the performance of investment portfolios. He cited that firms who had more gender equality between 2010 to 2018 had outperformed the MSCI index by 20%. UBS has been mindful of this trend by not buying tobacco and alcohol, and is looking toward expanding its list. Recent manager and cash policy changes have created earnings for UBS causing the company to pass on savings to FSDB through a fee reduction of approximately \$9,500.

UBS also effectively kept the fund's liquidity while increasing its yields by transferring the portfolio's dividends and interest into a short-term bond fund, yielding approximately 2.4%.

Mr. Hadley complemented Mr. Hanvey and Mrs. Conner on their report.

- **Next Meeting**—April 12, 2019, at 8:00 a.m.

Action Items for Consideration

1. Approval is requested to accept recommended changes to the existing Endowment Investment and Expenditure Procedures Policy, as noted. *Mrs. DiGonzalez moved to approve; Dr. Zavelson seconded the motion.*

Adjournment

The meeting adjourned at 8:51 a.m. by Mr. Hadley.