

MINUTES OF THE NATURAL HERITAGE TRUST
BOARD MEETING

June 21, 2012

ATTENDEES:

BOARD MEMBERS:

Rose Harvey (Chair)	Commissioner NYS Office of Parks, Recreation and Historic Preservation
Dr. Lucy R. Waletzky	Chair, New York State Council of Parks
Anne Reynolds	Designee for Commissioner Joe Martens Assistant Commissioner NYS Department of Environmental Conservation
George Stafford	Designee for Secretary Perales Deputy Secretary of State NYS Department of State

STAFF:

Alexander J. Roth	NHT Executive Director
Paul J. Laudato	NHT Counsel and Chief Financial Officer (Acting)
Sarah Purcell	NHT Program Manager
Michael Caccese	NHT Accounting Manager
Ginny Davis	NHT Secretary (Acting)

OTHER ATTENDEES:

Andy Beers	OPRHP, Executive Deputy Commissioner
Karl Newton	Marvin & Company, CPAs

Commissioner Harvey called the annual meeting of the Natural Heritage Trust (NHT) to order at 1:38 p.m.

Appointment of Chair and Vice-Chair

Executive Deputy Beers began by stating it was a longstanding tradition that the Commissioner of State Parks serve as the Chair of the NHT's Board of Directors (Board)

and that Commissioner Harvey has agreed to continue in that role if the rest of the Board was so inclined. He also stated that the Vice-Chair position has typically been filled by the Secretary of State. Deputy Secretary of State Stafford stated that Secretary Perales would be willing to accept the Vice-Chair nomination. Executive Deputy Beers made a motion to advance the nominations which were unanimously approved. He then asked Director Roth to give the review of the 2011-12 Audit and Financial Statements.

Review of the 2011-12 Audit and Financial Statements

Director Roth began by stating that the NHT is required annually to have an independent audit of its books and records and that this is the second year the NHT has had Marvin & Company, CPAs (Marvin) for the audit engagement. Director Roth then introduced Karl Newton from Marvin.

Mr. Newton explained he met with the members of the NHT Audit Committee and management prior to this meeting and all were in agreement with the draft financials presented in the Board briefing materials. He then began by summarizing the audit process and outcomes. He stated that Marvin gave the NHT an “unqualified opinion”, meaning the firm felt the NHT’s financial statements were fairly stated, there were no material deficiencies or weaknesses, and were in compliance with Generally Accepted Accounting Principles (GAAP). He also explained this was the first year the NHT was subject to a new accounting policy change regarding the presentation of net assets in the financial statements. He said this change is Government Accounting Standards Board (GASB) Statement 54 and he would describe the new requirement in more detail later in the presentation.

Mr. Newton then began to review the financial statements by starting with an explanation of the NHT’s two primary funds. He explained the Governmental Fund holds all investments that the NHT manages and includes expenditures related to NHT operational purposes. The Fiduciary Fund covers the income and expenses for all projects and programs that the NHT helps to administer. Mr. Newton explained that the NHT held a total of \$25 million in assets, representing a decrease of \$835,000 from FY 2010-11 primarily due to the conclusion of some longer –term programs. He also mentioned there was a \$35,000 decrease in investment income and suggested it was due to typical market fluctuations. The NHT reported about \$22 million due to the Fiduciary Fund and \$1 million due for other post employment benefit obligations (OPEB), i.e. retiree health insurance benefits.

Mr. Newton continued by explaining that because of GASB 54 there was a change in how the fund balance is classified. He noted that this year the NHT had an assigned balance of \$524,000 which was a Board action from a few years ago, and represents the amount assigned for future OPEB liabilities. He said the remaining balance of \$1,314,000 is considered ‘unassigned’ and represents the difference between the Governmental and Fiduciary Fund that can be used to cover future operational expenses of the NHT.

Mr. Newton then proceeded to review the revenues for the Governmental Fund, which supports the operating activities of the NHT. Revenues include Investment Income, Earned Direct Fringe Benefit Income and Administrative Income. Overall, income for the year dropped by about \$90,000 and was mostly attributable to lower investment returns during the year. On the expenditure side, the amount needed from the NHT fund balance to cover the difference between income and expenses was about \$362,000 and was consistent with budget projections. Mr. Newton further noted that there was only a \$4,000 difference overall between the budgeted and actual amounts expended for the year.

Deputy Commissioner Reynolds asked about the source of the Earned Fringe Benefit Income. Director Roth explained that the NHT charges standard fringe benefit rates on all program accounts with staff and then pays the actual costs. The amount that's left is considered indirect income, which is used as an offset to the OPEB liability. Mr. Newton then noted that when comparing the \$1 million OPEB expenditures to the supplemental schedule, the OPEB obligation isn't a budgeted activity.

Mr. Newton proceeded to explain the Fiduciary Fund next, which represents the amount due from the Government Fund. Total revenue for FY 2011-12 was \$9,700,000, representing a \$1.8 million decrease from the previous year. Mr. Newton stated this decrease was due in large part to a one-time substantial contribution for the Four Freedoms Memorial Endowment in 2011, as well as the discontinuation of some other programs, such as the Empire State Games. He continued by stating that the change in revenue may also have been due to unpredictable weather, which had impacted some annual golfing fundraisers.

He continued by reviewing the last report, which included the NHT's Investment Policies and practices. Based on limited testing, the report concluded that the NHT is in compliance with its Investment Policy and Public Authorities Law Section 2925 (3) (f).

There were no questions but Executive Deputy Beers wanted to summarize a conversation that he and Dr. Waletzky had before the meeting. The concern focused on how to accurately report the activity of the 190 project accounts that make up the Fiduciary Fund, in order to ensure that the Board and public have a clear understanding of what the NHT accomplishes each year. Executive Deputy Beers then summarized the three things the NHT has done in recent years to better showcase its work. The first is the full listing of the project accounts with their annual activity (beginning balance, funds in and out, ending balance), the second is the employee report that summarizes each program and the number and type of positions associated with each program, and the third item is the NHT Annual Report which provides additional programmatic highlights, donor, and summary financial information. He then suggested that the Board adopt the financials, but continue to think of additional things the NHT can do to provide more information about its accomplishments.

Executive Deputy Beers stated there was also some continued concern regarding the NHT's ability to pay for future retirees' health care. There was some discussion about

the cash flow and whether retirement health care was a contractual obligation of the NHT. Executive Deputy Beers explained that OPEB is not a contractual benefit of the NHT, and that it is at the NHT's discretion to decide if it is an affordable benefit and liability. He then proposed that the NHT consider putting together a work group to look at and monitor OPEB as a long term liability to the NHT.

Deputy Commissioner Beers asked for a motion to approve Resolution #2012-2 adopting NHT's 2011-12 Audited Financial Statements. Commissioner Harvey made a motion which was seconded by Deputy Secretary Stafford. The motion was unanimously carried.

Approval of March 2012 Board Minutes

Deputy Commissioner Beers asked for a motion to approve the minutes of the March 2012 Board meeting. Commissioner Harvey made the motion which was seconded by Deputy Secretary Stafford. The motion was unanimously carried.

Board Updates: 2010-11 Annual Report and Employee Report

Deputy Commissioner Beers asked Director Roth to discuss the NHT's 2011-12 Annual Report and Employee Report. Director Roth stated that this is the third year the NHT compiled a comprehensive annual report. Director Roth stated that the NHT made some changes to the format to give the report a new look. He explained some of the ongoing projects were not highlighted this year, but new projects were added and this was the first year the NHT focused on some spotlight projects. The spotlights for this year's annual report include Five Rivers Environmental Education Center, The Black Diamond Trail Project, the 10th Anniversary of the Emma Treadwell Thatcher Nature Center, Betty and Wilber Davis State Park, The Invasive Species Management Program, The Niagara Fish and Wildlife Habitat program, the Battle Flag Preservation Program, and Bayard Cutting Arboretum.

Dr. Waletzky asked if any of the spotlights were Department of State (DOS) projects. Director Roth stated that the DOS programs are ongoing projects but said arrangements can be made to include a spotlight of one of the DOS programs. Director Roth then said any suggestions about the Annual Report should be sent in by July 15th.

Deputy Commissioner Reynolds stated she would like to see a little more transparency in the financial section of the Annual Report so there's more detail on program expenditures.

Director Roth then proceeded to discuss the 2011-12 Employee Report. He explained this is the third year the NHT has done this type of report and that it provided detailed background on current and historical employment trends for both administrative and programmatic staff. As of March 31, 2012, the NHT employed 49 full-time staff, compared to 53 in the previous fiscal year. The decrease was mostly attributable to conclusion of some long term programs. He also pointed out that the Bayard Cutting Arboretum Farming and Community Garden project was the newest staff program and funded privately by the Bayard Cutting Arboretum Trust.

Investment Policy and Report

Executive Deputy Beers asked Director Roth to give the Board a brief overview of the Investment Policy. Director Roth explained that this was a simple re-adoption of the existing policy. Executive Deputy Beers asked for a motion to approve Resolution #2012-3 Re-Adopting the NHT Investment Policy. Commissioner Harvey made the motion and Deputy Secretary Stafford seconded the motion. The motion unanimously carried.

Director Roth then walked through the Investment Report. He stated that at the end of the FY 2011-2012 the investment account balances in the aggregate were about \$23.5 million, down from \$25 million in the previous year. Again, this is due the conclusion of some longer term programs, including a \$960,000 refund to NYS for funds previously held for the Barns Grant Program. Total returns were down due to the overall economy and market conditions. The operating account total return was 1.84%, the capital projects accounts returns ranged from 1.48-4.5% and the endowment accounts returns ranged from 4-5.75%. He then pointed out the fee column and noted that total fees were \$48,500. Director Roth said since changing Investment Advisors about two years ago, the NHT has saved about \$80,000 in fees. Director Roth noted that the final pages of the report listed the individual holdings for each account.

Executive Deputy Beers asked for a motion to approve Resolution #2012-4 Approving NHT's 2011-12 Investment Report. Dr. Waletzky made the motion; it was seconded by Commissioner Harvey. The motion unanimously carried.

Procurement Report and Guidelines

Executive Deputy Beers stated that all public authorities must annually review and approve a report of all procurement expenditures greater than \$5,000 and then asked Director Roth to elaborate on the Procurement Report and Guidelines. Director Roth explained that the procurement reports lists all of the procurements in excess of \$5,000 and includes the name of the vendor, description of service, amount paid, procurement type and NHT account it is expended from.

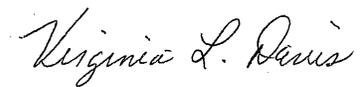
Director Roth then explained that there were some amendments to the Procurement Guidelines which are designed to enhance Minority and Women Owned Business Enterprise (MWBE) participation in the NHT procurements. Specifically, Director Roth explained that the amendments provide public authorities with flexibility to forego some competition when an MWBE is available and the NHT can demonstrate reasonableness of price.

Executive Deputy Commissioner Beers then asked for a motion to approve Resolution #2012-5 Approving 2011-12 Procurement Report, and #2012-6 Amending NHT Procurement Guidelines. Commissioner Harvey made the motion and Deputy Commissioner Reynolds seconded the motion. Both motions and resolutions unanimously carried.

Adjournment

There were no other comments, questions, or new business. Executive Deputy Commissioner Beers then made a motion to adjourn the meeting. It was moved by Dr. Waletzky and seconded by Commissioner Harvey. Meeting adjourned at 2:32 p.m.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Virginia L. Davis".

Virginia L. Davis,
Secretary