

MINUTES OF THE NATURAL HERITAGE TRUST
BOARD MEETING
June 26, 2018

ATTENDEES:

BOARD MEMBERS

Mindy Scott	Designee for Commissioner Rose Harvey Deputy Commissioner for Administration & Finance NYS Office of Parks, Recreation and Historic Preservation
Dr. Lucy R. Waletzky	Chair, New York State Council of Parks
Greg Capobianco	Designee for Secretary of State Rossana Rosado Director of Development NYS Department of State

STAFF

Allen G. Payne	NHT Executive Director
Sarah Purcell	NHT Deputy Director & CFO
Paul Laudato	NHT General Counsel
Andrea Buniak	NHT Development Associate

OTHER ATTENDEES

Rob Hiltbrand	Executive Deputy Commissioner, OPRHP
Maggie Clements	Senior Attorney, OPRHP
Jenny O'Neill	NHT Certified Public Accountant (CPA)
Matt Lindemann	Managing Partner, Wojeski & Company CPAs, P.C.
Chris Stephens	Audit Manager, Wojeski & Company CPAs, P.C.

Designee Jeff Stefanko of the Department of Environmental Conservation was absent.

Mindy Scott called the meeting of the Natural Heritage Trust (NHT) to order at 2:01 p.m.

Approval of March 2018 Meeting Minutes

Allen Payne asked for a motion approving the minutes from the March 20, 2017 Board meeting.

- *Moved by Lucy Waletzky, seconded by Mindy Scott and unanimously approved.*

Appointment of Chair and Vice-Chair

Allen Payne stated that annual appointments for the positions of Chair and Vice-Chair of the Natural Heritage Trust Board of Directors (Board) are now due. He stated the willingness of Commissioner Harvey and Commissioner Seggos to be appointed as Chair and Vice-Chair respectively.

- *Moved by Mindy Scott, seconded by Greg Capobianco and unanimously approved.*

Appointment of Audit and Governance Committees

Sarah Purcell explained that organizational bylaws and Public Authority Law require the NHT to have both an Audit Committee and a Governance Committee. The NHT has an Audit Committee with members from OPRHP, DEC, and DOS who will be reappointed from last year. The Governance Committee also appointed members from the three agencies last year who will be reappointed this year, and will be adding an additional DEC member with this resolution.

Allen Payne asked for a motion to approve Resolution 2018-2 appointing the Audit Committee members and 2018-3 appointing the Governance Committee.

- *Moved by Greg Capobianco, seconded by Mindy Scott and unanimously approved.*

Review of 2017-18 Audit and Financial Statement

Sarah Purcell introduced Matt Lindemann and Chris Stephens of Wojeski & Company. This is the fourth year of their five-year contract for auditing services. Ms. Purcell noted that this is the last year that Mr. Lindemann will be the Wojeski & Company partner assigned to the NHT audit as he will be retiring.

Ms. Purcell prefaced the report by noting the pre-audit process and procedures. She then reported that the NHT had \$43.8 million in assets at fiscal year-end, topping last fiscal year's record total. It was also noted that the policy change for retiree health benefits had resulted in an approximate \$3 million savings in terms of the Other Post-Employment Benefits (OPEB) liability that the NHT is required to book.

Mr. Lindemann and Mr. Stephens then reviewed the NHT's Audit and Financial Statements. The Report summarized:

- Organization and significant accounting policies
- Cash and cash equivalents
- Investments
- Fiduciary Revenue and Expenses
- Governmental Fund Revenue and Expenses
- Due to/from other funds
- Pension plan
- Other postemployment benefits (OPEB) obligation

Mr. Lindemann noted that there were a couple adjustments made that were related to the actuarial report and to make some accrual-based adjustments as throughout the year books are kept on a cash basis. He also explained that Wojeski & Company did not include a management letter with the audit this year as there were no substantive comments on internal control or noncompliance. Finally, he noted the growth of the NHT: total assets were under \$2 million when he first worked with the NHT about 20 years ago, and have now risen to \$43.8 million.

Mr. Stephens then detailed the financial statements provided from the audit. He began by stating that the opinion of auditors is clean and unmodified, which is the highest possible level of assurance in an audit. He also explained that the NHT's net position at fiscal year-end was \$1.3 million, which has increased since last year due to the early adoption of GASB 75.

Mr. Stephens also outlined the decrease in pension liability. He explained that there was an \$800,000 decrease in OPEB liability due to change of plan and early adoption of GASB 75 and the retiree health benefit policy changes made last year – with same plan as last year, the NHT’s liability would be close to three times as much as the current report.

Wojeski & Company determined that overall the NHT financials were fairly stated with no material deficiencies or weaknesses, and compliant with Generally Accepted Auditing Principles (GAAP).

Allen Payne asked for a motion to approve Resolution 2018-4 adopting the 2017-2018 Audited Financial Statement.

- *Moved by Lucy Waletzky, seconded by Greg Capobianco and unanimously approved.*

2017-18 Employee Report

Andrea Buniak then presented the 2017-18 Employee Report to the Board, explaining that while administrative staff had remained constant, program staff experienced a small decrease compared to the prior year. This decrease was due to the large group of staff hired last fiscal year to assist OPRHP with the Statewide Stewardship Initiative that had since moved from NHT payroll.

Employee Report Highlights

- The average NHT employee salary for FY 2017-18 was \$47,500.
- NHT authorized a 2% cost of living adjustment for all employees that were on the payroll for 13 consecutive payroll periods in FY 2017-18.
- Employees are awarded a merit award annually based on a satisfactory review from their supervisors that is submitted to the NHT Administrative Office.

Performance Measures Report

Sarah Purcell explained that this report is required by the Public Authorities Law for the NHT and all state authorities. As the NHT does not have easily quantifiable benchmarks, these measures are about raising funds and how those funds are put to work. This year’s NHT narrative uses a six-year comparison.

Ms. Purcell noted that the fiduciary net position at year-end had almost doubled in the six years covered in this report – as of fiscal year-end in 2013 it was \$21.7 million, while this most recent fiscal year had a fiduciary net position of \$40.2 million. It was also noted that the number of NHT administrative staff has actually decreased during this time that fiduciary activity has rapidly increased.

Andrea Buniak then presented a report on donors and grants, which outlined activity by region from April 1 through June 15, 2018. The NHT had received approximately \$200,000 in donations during this time for various programs and projects. The report also detailed grants that were applied for, pending, awarded or received which totaled over \$900,000.

2017-18 Investment Policy and Report

Sarah Purcell followed up on a March meeting with Wilmington Trust to update investment policy statements as it had been eight years since any proposed changes.

Members of NHT management (Allen Payne, Paul Laudato, Sarah Purcell) and the Governance Committee (Andy Beers, Matt Davidson) had a conference call with the Wilmington Trust Investment Advisors (WTIA) team to discuss updates to the Investment Policy Statements (IPS). The changes are summarized by the following:

- Investment Management Discretion: Provides full discretion to WTIA to invest in accordance with the investment policy, with trading detail reported within two business days following. Also removes 120-day deadline to dispose of investment that is not in line with guidelines as compliance reports are run daily.
- Eligible Investments: Updates the list of investment products WTIA is authorized to utilize to manage the funds as some investment products listed were no longer available.
- Asset Allocations: Adjusts asset allocations to include larger cash position on Endowment and Capital/Reserve accounts.
- Benchmarks: Modifies benchmarks to be more in line with new asset allocations and what WTIA uses with clients that have similar portfolios to Trust.

Ms. Purcell also recommended that WTIA's contract be formally extended for five years. The NHT had initially done a competitive solicitation for these services and awarded a contract to WTIA, but the NHT would benefit from a longer-term commitment. All terms in the initial contract remain the same, including the fee structure.

Sarah Purcell then reviewed the current NHT Investment Policy & Report with the Board.

- The NHT started the year with \$37.6M in investments, and closed the year at \$41.7M.
- Money is held in one of three ways:
 1. Long-term endowment, which is invested more aggressively with greater equity exposure
 2. Capital reserve, which is a mid-term strategy (5-10 years) with a bit of equity exposure, but mostly corporate bonds
 3. Fixed income, which is mainly shorter-term low-risk investments.
- Total returns were about 5%, which beat the benchmarks of 4.8%. Investments in the endowment strategies performed best, returning 8% this year.
- Two new endowments were added this year: one for Harriman State Park Stewardship, and another for the Harriman Museum and Environmental Education Center.
- In fiscal year 2017-18, the NHT has made \$981,000 in endowment distributions.

Allen Payne asked for a motion to approve Resolution 2018-5 in order to re-adopt the NHT Investment Policy and 2018-6 to approve the 2017-18 Investment Report.

- *Moved by Lucy Waletzky, seconded by Mindy Scott and unanimously approved.*

2016-17 Procurement Policy and Report

There were no changes to the Procurement Policy.

Sarah Purcell proceeded to detail the NHT 2017-18 Procurement Report, referring to a detailed report provided to the Board. Consistent with New York State, the NHT also set goals to support Minority- and Women-Owned Businesses (MWBE) and must report to Empire State Development on these goals; a detailed report was provided to the board. MWBE utilization

came in around 14%, missing the goal of 30%, though the NHT continues to strive toward reaching the goals.

Allen Payne asked for a motion to approve Resolution 2018-7 in order to re-adopt the NHT Procurement Guidelines and Resolution 2018-8 to adopt the NHT 2017-18 Procurement Report.

- *Moved by Mindy Scott, seconded by Greg Capobianco and unanimously approved.*

Executive Director's Report

Allen Payne provided a summary of projects and initiatives, and explained the programs on which he has been working.

50th Anniversary of NHT

- 2018 is the 50th year since the NHT was founded.
- NHT staff created a commemorative brochure that will be included in grant reporting, online and in other capacities. A copy of this brochure was distributed to the Board.

Annual Report

- The NHT is now using a new format for annual reports, utilizing the recently-produced pocket folders debuted to the Board at the March meeting.
- This format is much less expensive than producing a traditional bound report as all work is done in-house. It also allows NHT staff more control over updating the PDF version.
- This folder will become a kit of parts to provide all information that donors or grantors may need and can be updated or customized quickly and efficiently to include specific financials, board member biographies, descriptions of programs, press releases, etc.

Private Fundraising

- The capital and endowment campaigns have proven to be a strong suit for the NHT, especially in strengthening relationships with friends groups and regional commissions.
- Updating on current campaigns, Mr. Payne noted that the Green Lakes Environmental Education Center was only \$6,000 away from its \$500,000 goal. He noted that pledges were being received and that he is confident the goal will be reached.
- Capital campaigns for the Jones Beach Environmental Education Center and Cultural Center at Denny Farrell Riverbank State Park are still underway.

Adjournment

There being no further business, Allen Payne asked for a motion to adjourn the meeting.

- *Moved by Lucy Waletzky, seconded by Mindy Scott and unanimously approved.*

Meeting adjourned at 3:22 p.m.

Respectfully Submitted,

Andrea Buniak
NHT Secretary