

SUFFOLK COUNTY LEGISLATURE



Lance Reinheimer
Director

BUDGET REVIEW OFFICE

March 6, 2020

To: Robert Calarco, Presiding Officer
and All Suffolk County Legislators

From: Lance Reinheimer, Director 
Budget Review Office

Subject: Vanderbilt Museum Endowment Trust Fund Annual Report

Please find attached the Budget Review Office's annual report to the Legislature on the status of the Vanderbilt Museum Endowment Trust Fund for the period January 1, 2019 through December 31, 2019.

My staff and I are available should you have any questions regarding this report.

* * *

Attachment

cc:

John M. Kennedy, Suffolk County Comptroller
Eric Naughton, Budget Director
Dennis M. Cohen, Chief Deputy County Executive
Lora Gellerstein, Legislature Chief of Staff
Elizabeth Wayland-Morgan, Interim Executive Director, Vanderbilt Museum
Stephen Faber, Managing Director, PFM Asset Management LLC
Bikram Chadha, Senior Managing Consultant, PFM Asset Management LLC
Brett Kogler-Schommer, Account Manager, U.S. Bank National Association

**VANDERBILT MUSEUM ENDOWMENT TRUST FUND
ANNUAL REPORT
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**



March 6, 2020

**Lance Reinheimer,
Director
Budget Review Office
Suffolk County Legislature
Hauppauge, New York**

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Executive Summary

The Budget Review Office is required to report the status of the Suffolk County Vanderbilt Museum Endowment Trust Fund (Fund) to the Legislature annually. This report encompasses the period January 1, 2019 through December 31, 2019. The following table summarizes the change in account market value over the year, after distributions to PFM Asset Management LLC (PFM), the Fund's investment advisor; U.S. Bank National Association (U.S. Bank), the custodian of the Fund; and the Vanderbilt Museum. It also presents the effective performance of the fund without including those distributions.

Vanderbilt Trust Fund Performance Summary 2019	
Market Value	
Market Value, Dec 31, 2018	\$ 13,111,545
Market Value, Dec 31, 2019	\$ 15,094,734
Change in Account Value After Distributions	\$ 1,983,189
Estimated Percent Increase Including Distributions	15.1%
2019 Distributions	
Fees Paid to PFM	\$ (59,796)
Fees Paid to US Bank	\$ (3,996)
Distributions to Vanderbilt Museum	\$ (375,000)
Total Distributions	\$ (438,792)
Performance	
Estimated Change in Account Value without Distributions	\$ 2,421,982
Estimated Percent Increase without Distributions	18.5%
Percent Increase as Calculated by PFM, Using Modified Dietz	18.6%

Major findings include:

- The 2019 year-end market value of the Fund was \$15,094,734¹, an increase of \$1,983,189 from the 2018 year-end market value of \$13,111,545². This increase is net of \$375,000 in remittances to the Vanderbilt Museum and \$63,792 in fees paid to PFM and U.S. Bank (\$59,796 in paid PFM advisory fees, and \$3,996 in paid U.S. Bank custodial fees).
- The Fund's 2019 total annual return was 18.60% as calculated by PFM, outperforming the blended benchmark by 0.43%. This return is calculated net of mutual fund fees and gross of the \$375,000 distributed to the Vanderbilt Museum, and the \$63,792 in fees paid.
- In January 2020, the Legislature exercised its final option to renew its contract agreement with PFM for one year, through January 29, 2021, in accordance with the terms and conditions of the contract entered on January 29, 2016. A Request for Proposals process will now be required to select the investment manager for the period beyond this final term.

¹ Excludes \$276 in total accrued income. Accrued income is income that has been earned but not received.

² Excludes \$584 in accrued income.

- The \$375,000 disbursement to the Vanderbilt Museum was comprised of \$100,000 to the Vanderbilt operating account for ongoing capital improvements and \$275,000 as authorized by Resolution No. 256-2017 for construction of the Museum café (Capital Project No. 7437, Improvements to the Vanderbilt Planetarium).
- The 2019 Operating Budget, as amended by Resolution No. 44-2019, provided \$1,143,087 in Hotel Motel Tax funding for the Vanderbilt Museum.

Performance and Asset Allocation

The Fund's total annual return for 2019, as calculated by PFM, was 18.60%, outperforming the blended benchmark of 18.17% by 0.43%. PFM uses a Modified Dietz methodology to calculate performance, which factors in the timing of cash flows. The returns are net of mutual fund fees but gross of (prior to deducting) PFM advisory fees, U.S. Bank custodial fees, and any distributions to the Vanderbilt. U.S. Bank maintains the Fund in two accounts: dividends and interest are transferred monthly to a sub-account for income, while capital gains are re-invested.

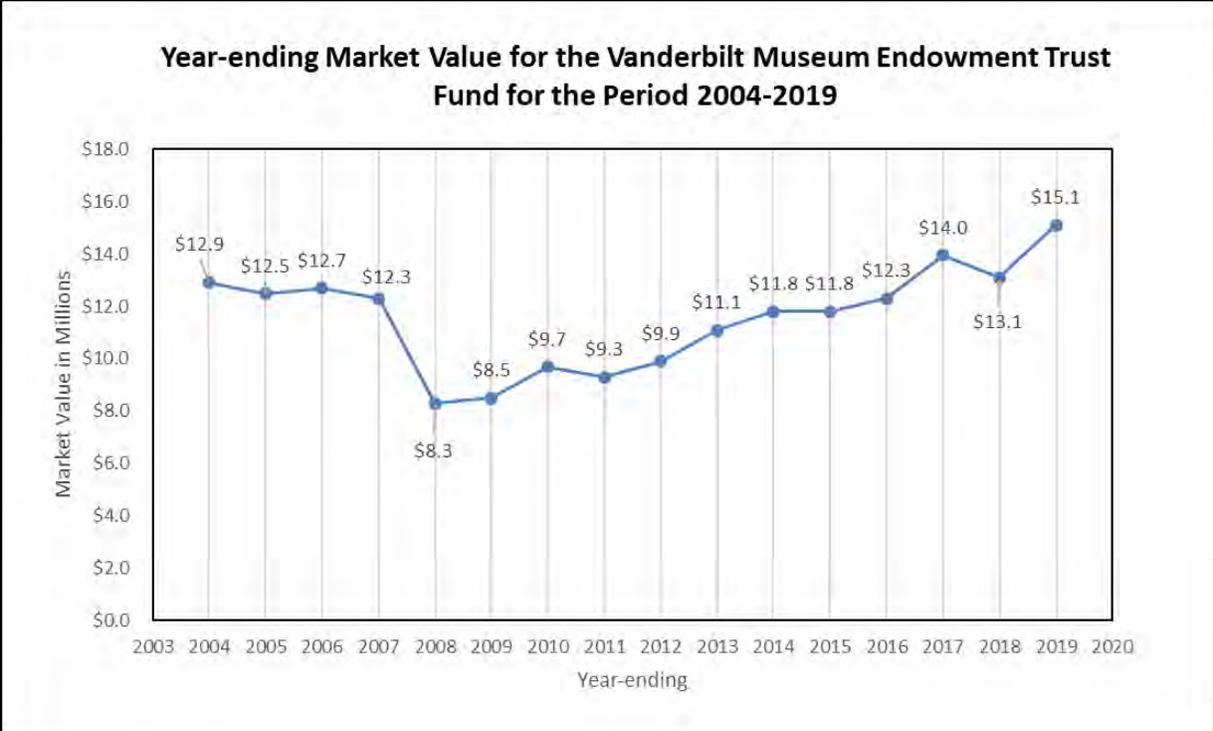
The 2019 year-end market value³ of the Fund was \$15,094,734 (comprised of \$14,008,534 in the main account and \$1,086,200 in the income sub-account). This year-end market value represents a net increase of \$1,983,189, or 15.1%, from the \$13,111,545 market value at the start of the year. The year-end market value is net of \$375,000 in disbursements to the Museum during the course of the year and \$63,792 in bank and management fees. The disbursements to the Museum included a \$275,000 transfer from the endowment authorized by Resolution No. 256-2017 for Capital Project No. 7437, Improvements to the Vanderbilt Planetarium, and \$100,000 for the Museum's capital improvement plan.

The following graph details the Fund's month-ending market values during 2019. The largest increase in market value occurred during the month of January when the market value increased by \$641,106, or 4.9%, compared to the 2018 year-end market value of \$13,111,545. The next largest increase was in June, with a 3.9% increase in market value, which more than compensated for the decline in market value during the prior month. The month-ending market value for October reflects remittances to the Museum totaling \$375,000. The total increase in market value compared to the end of 2018 was nearly \$2 million.

³ Market values do not include minor amounts of accrued income.

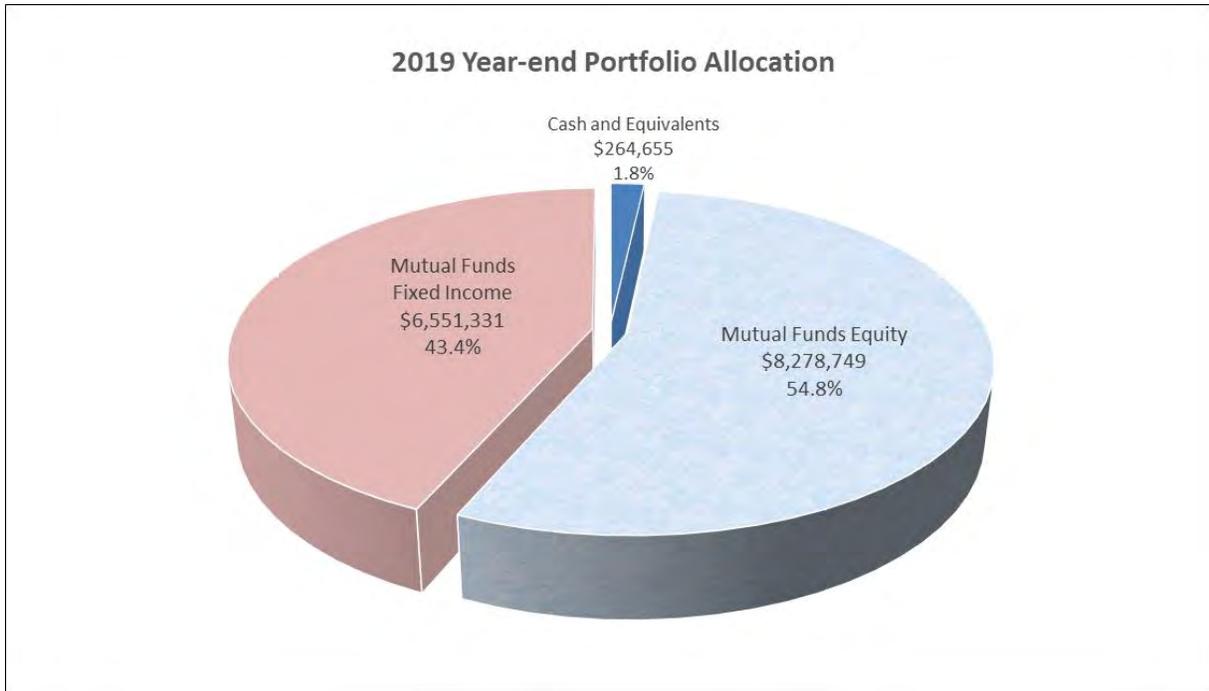


As demonstrated by the following graph, the fund has had a generally positive growth trend since the 2008 financial market crisis, when there was a 33% decrease from the prior year. Exceptions to the trend after 2008 include 2011 (an approximate 4% decrease from the prior year) and 2018 (an approximate 6% decrease from the prior year). The most significant growth over this period (a 15.1% increase) occurred from year-end 2018 to year-end 2019.



As detailed in the pie chart that follows, the Fund’s year-end asset allocation was 54.8% equity mutual funds, 43.4% fixed income mutual funds, and 1.8% cash and equivalents. The asset allocation complied with the revised allocation directive of Resolution No. 286-

2014. That resolution allowed a 50/50 split between fixed securities and equities, with a range of 10-20%, as determined by market conditions. (Previously, per Resolution No. 1266-2007, the allowable range was 5-10%.)



The following table, provided by PFM, summarizes the Fund's asset allocation and performance as of December 31, 2019. The Fund's 2019 total annual return was 18.60%, a 0.43% outperformance compared to the blended benchmark of 18.17%. Since PFM started to actively manage the Fund on September 1, 2010, the total annual return was 7.99% or 0.64% more than the blended benchmark of 7.35%

Vanderbilt Museum Combined Assets as of December 31, 2019

Asset Allocation & Performance										
	Allocation		Performance(%)							
	Market Value (\$)	%	1 Quarter	2019	1 Year	2 Years	3 Years	5 Years	Since Inception	Inception Date
Total Fund - Combined Assets	15,095,011	100.00	4.84	18.60	18.60	6.56	8.87	6.61	7.99	09/01/2010
<i>Blended Benchmark</i>			4.55	18.17	18.17	6.53	8.64	6.31	7.35	09/01/2010
Domestic Equity	5,668,303	37.55								
Vanguard Total Stock Market Index-Adm	5,025,524	33.29	9.01	30.80	30.80	11.37	14.55	11.19	13.55	05/01/2012
<i>Russell 3000 Index</i>			9.10	31.02	31.02	11.42	14.57	11.24	13.60	05/01/2012
Jensen Quality Growth Fund	441,487	2.92	8.27	29.34	29.34	15.11	17.86	13.35	13.00	04/01/2019
<i>S&P 500</i>			9.07	31.49	31.49	12.13	15.27	11.70	15.70	04/01/2019
iShares Core S&P Mid Cap ETF	201,292	1.33	7.05	26.14	26.14	5.87	9.20	8.96	10.20	04/01/2019
<i>S&P MidCap 400</i>			7.06	26.20	26.20	5.93	9.26	9.03	10.23	04/01/2019
International Equity	2,610,446	17.29								
Vanguard Total International Stock Index Fund	1,346,626	8.92	9.01	21.51	21.51	1.97	9.87	5.85	8.42	10/01/2016
<i>MSCI AC World ex USA (Net)</i>			8.92	21.51	21.51	2.11	9.87	5.51	8.65	10/01/2016
J. O. Hambro International Select	654,749	4.34	7.58	19.04	19.04	4.50	10.30	6.25	9.00	01/01/2016
<i>MSCI AC World ex USA (Net)</i>			8.92	21.51	21.51	2.11	9.87	5.51	8.50	01/01/2016
Invesco Oppenheimer Int'l Small-Mid Company	335,954	2.23	8.24	25.08	25.08	6.54	16.22	12.52	11.72	04/01/2015
<i>MSCI AC World ex USA Smid Cap Index (Net)</i>			10.27	22.36	22.36	0.74	9.78	6.59	6.07	04/01/2015
Hartford Schroders Emerging Markets Equity	273,117	1.81	11.22	22.11	22.11	1.54	13.25	6.97	0.05	03/01/2018
<i>MSCI EM (net)</i>			11.84	18.44	18.44	0.58	11.57	5.61	-1.15	03/01/2018
Fixed Income	6,551,331	43.40								
Baird Core Plus	1,811,426	12.00	0.53	10.11	10.11	4.67	4.66	3.75	3.89	05/01/2014
<i>Blmbg. Barc. U.S. Aggregate</i>			0.18	8.72	8.72	4.27	4.03	3.05	3.25	05/01/2014
DoubleLine Core Fixed Income	1,686,606	11.17	0.32	7.99	7.99	3.91	4.16	3.44	3.38	09/01/2017
PGIM Total Return Bond	1,808,681	11.98	0.36	11.14	11.14	5.09	5.62	4.33	4.69	09/01/2017
<i>Blmbg. Barc. U.S. Aggregate</i>			0.18	8.72	8.72	4.27	4.03	3.05	3.61	09/01/2017
Voya Intermediate Bond	430,041	2.85	0.22	10.02	10.02	4.75	4.78	3.80	N/A	01/01/2020
<i>Blmbg. Barc. U.S. Aggregate</i>			0.18	8.72	8.72	4.27	4.03	3.05	N/A	01/01/2020
iShares Intermediate-Term Corporate Bond ETF	501,353	3.32	1.30	14.37	14.37	6.66	5.60	4.15	1.30	10/01/2019
<i>ICE BofAML U.S. Corporate 5-10 Year Index</i>			1.29	14.31	14.31	6.02	5.98	4.88	1.29	10/01/2019
Vanguard Total Bond Market Index-Adm	313,224	2.08	0.03	8.71	8.71	4.25	4.02	3.00	2.78	05/01/2012
<i>Blmbg. Barc. U.S. Aggregate</i>			0.18	8.72	8.72	4.27	4.03	3.05	2.84	05/01/2012
Cash Equivalent	264,931	1.76								
First American Government Obligation - Z	264,931	1.76	0.40	2.08	2.08	1.89	1.51	0.95	1.34	01/01/2004

Equities (Stocks)

PFM invests in equity mutual funds, rather than individual stocks, in order to provide a diverse equity portfolio and minimize risk exposure in any one company. Based on the preceding PFM table, the market value of the Fund's equity mutual funds totaled \$8,278,749 as of December 31, 2019, representing 54.84% of the Fund's total market value. This amount is comprised of \$5,668,303 (37.55%) in domestic equities and \$2,610,446 (17.29%) in international equities. The performance of the Fund's equity investments ranged between 19.04% and 30.80% in 2019. The Fund's three domestic equity investments and one of its four international equity investments underperformed industry benchmarks in 2019, while one international equity investment was nearly the same as the benchmark and two exceeded the benchmark.

Fixed Income (Bonds)

Fixed income investments⁴ allow for diversification of the Fund's assets, providing income but minimal capital appreciation. Investments in bond funds, as opposed to individual bonds, should decrease some of the risk inherent in fixed income investments. Based on the preceding PFM table, the year-end market value of the portfolio's bond mutual funds was \$6,551,331, representing 43.4% of the Fund's total market value. The performance of the Fund's bond investments ranged between 7.99% and 14.37% in 2019. Two of the six fixed income investments underperformed by less than 1%, and four exceeded industry benchmarks.

Resolution No. 387-2011 restricts bond investments⁵ to bonds Ba and above, while maintaining an overall average quality rating⁶ for bond investments of AA or above. It directs the Fund's investment manager to make every effort to the extent practical, prudent and appropriate, to select commingled (or pooled) funds and/or mutual funds that have investment objectives and policies that are consistent with the Fund's investment management objectives and policies. This legislation structures the Fund's bond portfolio to provide income that is consistent with a reasonable level of risk.

Cash & Cash Equivalents

Cash equivalents are short-term investments and money market fund investments that can be readily converted to cash and provide additional income. The Fund is invested in First American Government Obligation-Z, which has an investment strategy that seeks to provide maximum current income consistent with the preservation of capital and maintenance of liquidity. The fund invests in U.S. government securities and repurchase agreements secured by U.S. government securities. Based on the preceding PFM table, the 2019 year-end market value of cash equivalents was \$264,931⁷, representing 1.76% of the Fund's total market value.

⁴ Fixed income refers to bonds or long-term debt instruments that include corporate bonds, government or agency instruments (including bonds, notes and bills), municipal bonds or other types of debt instruments.

⁵ An investment grade bond is generally considered suitable for purchase by prudent investors. Moody's Investors Service designate bonds in their top four categories (AAA/Aaa, A/Aa, A and BBB/Baa) as investment grade.

⁶ Credit ratings are forward-looking opinions about credit risk. Credit ratings can also speak to the credit quality of an individual debt issue, such as a corporate note, a municipal bond or a mortgage-backed security, and the relative likelihood that the issue may default.

⁷ This amount includes \$276 in accrued income.

Capital Gains/Losses

The Fund's 2019 year-end market value included \$551,989 in realized capital gains. Additionally, it included \$2,484,898 in unrealized capital gains, which is the difference between the year-end market value of the Fund, \$15,094,734, and its year-end book value, \$12,609,837. The change in unrealized gains compared to year-end 2018 was \$1,493,718.

2019 Endowment Trust Fund Summary	
Beginning Market Value, as of December 31, 2018	\$13,111,545
Investment Activity	
Interest	\$7,872
Dividends	\$368,373
Realized Gain/Loss	\$551,989
Change in Unrealized Gain/Loss	\$1,493,718
Other Earnings	\$30
Plan Expenses (Fees)	
Paid to PFM	(\$59,796)
Paid to US Bank	(\$3,996)
Disbursed to Vanderbilt	(\$375,000)
Ending Market Value, as of December 31, 2019	\$15,094,734
2019 Net Increase in Market Value	\$1,983,189

In 1993, the Legislature authorized the use of capital gains to pay for one-half of the investment management fees (Resolution No. 682-1993). A representative from U.S. Bank indicated that they follow a standing letter of direction to transfer dividends and interest to the income account, while capital gains are re-invested. The PFM account representative notes that funds in the income account are also invested and can have their own capital gains (or losses). Typically, half of the account fees (PFM advisory fees and U.S. Bank custodial fees) are paid out of the main account and half are paid out of the income sub-account. In 1994, with the adoption of Resolution No. 933-1994, the Legislature first authorized using realized capital gains to augment distributions to the Museum and provide a guaranteed annual income. This authorization was extended through December 31, 2008, but now the Museum no longer receives a guaranteed annual income. Instead, funds are requested by the Museum and approved by the Legislature's Presiding Officer on a case-by-case basis. In 2019, \$375,000 was distributed to the Museum from the income account.

Remittances to the Museum

The 2019 year-end Treasurer's Report provided by the Vanderbilt Museum indicated that year-end 2019 operating expenses (\$2,970,100) are expected to exceed revenues (\$2,810,313) by \$159,787. Revenue from operations, donations, and gifts accounted for \$1,567,226, or nearly 56% of the Museum's total revenue in 2019, while \$1,143,087 (40.7%) was from the Suffolk County Hotel Motel Tax (Fund 192) and \$100,000 (3.6%) was a disbursement from the endowment. The \$100,000 disbursement was for operating

expenses related to the Museum's ongoing capital improvements.

An additional \$275,000 was disbursed from the endowment in 2019 and was transferred to the County capital program for Capital Project No. 7437, Improvements to Vanderbilt Museum Planetarium. This funding is for the construction of the Museum café as authorized by Resolution No. 256-2017.

Historically, Resolution No. 656-2000 had authorized a fixed annual income of up to \$1.2 million from the Fund to the Museum (subject to the condition that the distribution from realized capital gains be limited to a maximum of the realized capital gains generated during the calendar year, less the trust management fees authorized to be paid from capital gains), but this authorization was not extended in 2009, as the market value of the fund could not support it. The Museum received one-time support (\$705,094) from the General Fund in 2009.

In May 2010, per Local Law 34-2009, the Museum began receiving a 10% allocation of revenue from the Hotel Motel Tax (County Fund 192). The proceeds from the Hotel Motel Tax reduce the Museum's reliance on the Fund and afford the Fund the opportunity to grow. The Legislature has some discretion to reduce the allocation percentage. The 2019 Operating Budget, as amended by Resolution No. 44-2019, provided \$1,143,087⁸ in Hotel Motel Tax funding for Museum operations. The funding amount was based on a 9.3% allocation of projected Hotel Motel Tax proceeds.

The latest reauthorization and extension of the Hotel Motel Tax, through December 31, 2020, was by Local Law No. 25-2017 (adopted by Resolution No. 822-2017). The 3% tax rate and the distribution of revenue from the tax may be reconsidered this year as the current legislation is expiring.

PFM Market Analysis

In March 2020, PFM provided an updated market analysis that used a number of assumptions to project future market values of the Fund in various scenarios. Their analysis assumes beginning assets of \$14 million in a combined portfolio.

- Using long-term Capital Market Assumptions (CMAs) and assuming an annual withdrawal from the Fund of \$1.2 million, no contributions into the Fund, a 50% equity/50% fixed income allocation, and median return expectations, PFM projects that the Fund value would be reduced to approximately \$9.45 million over a 10-year period and eventually bring the fund below its \$8.2 million corpus. It is projected to be reduced to \$0.68 million in 20 years. Results would vary depending on actual market conditions.
- Using the same assumptions, but no annual withdrawal, the Fund would grow to approximately \$27.22 million over a 10-year period. Results would vary depending on actual market conditions.

⁸ This figure is subject to being adjusted once the Fund is reconciled upon being audited.

- In order to support an annual withdrawal of \$1.2 million from the Fund into perpetuity, without reducing principal, the Fund would need between \$17.5 million and \$28 million. This is based on a 50% equity/50% fixed income allocation with an expected annualized return of 4.3% using intermediate-term (5-years) capital market assumptions and 6.9% using long-term (30-years) capital market assumptions. Results would vary depending on actual conditions. PFM notes that the long-term assumption can be considered most applicable, as an annual withdrawal into perpetuity is the desired outcome. Using the long-term CMA, the fund would need to grow to at least \$17.5 million.

Investment Management

Investment Objectives and Policies

The Fund's investment objectives are to preserve the principal corpus of the Fund (\$8.2 million), maintain a high level of income that is steady and predictable, and provide for future growth of income through long-term capital growth. The Fund's investment policies are guided by the following two resolutions:

- Resolution No. 286-2014
 - Modified the investment guidelines to allow a 50/50 split between fixed securities (bonds) and equities (stocks) to range between 10-20% of the 50/50 split, as determined by market conditions. This provides the investment advisor the flexibility needed to preserve principal, produce a reasonable level of current income, and provide for future growth of income through capital growth, depending on current market conditions.
- Resolution No. 387-2011
 - Adopted an investment management policy that restricts bond investments to bonds Ba and above, while maintaining an overall average quality rating for the bond investments of AA or above. It directed the Fund's investment manager to make every effort to select commingled funds and/or mutual funds that have investment objectives and policies that are consistent with the Fund's investment management objectives and policies.
 - Given the nature of commingled funds and mutual funds, it is recognized that there may be deviations between the Fund's investment management policy and the objectives of the Fund's pooled vehicles. Further, a pooled fund or mutual fund will not be included in the Fund's portfolio unless it complies with the Investment Company Act of 1940, as amended through P.L. 111-257, diversification requirement.
 - Authorized the Vanderbilt Museum Trust Fund's investment manager to utilize a total return concept, meaning investing for a comprehensive return, including interest and dividends earned on stocks and bonds, plus realized

and unrealized gains and losses.

PFM has recommended that the County adopt a more formal Investment Policy Statement (IPS) for governance of the Fund. The IPS would guide management and administration of the portfolio across varying market and economic environments and would outline standards of accountability in areas such as investment objectives, selection of investment managers, and control procedures.

Investment Management Contract

PFM Asset Management LLC is the Fund's investment advisor and U.S. Bank National Association is the custodian of the Fund's assets, independent of the Fund's investment manager. PFM has been the fund's investment advisor since April 21, 2010, after being selected through a Request for Proposals process. After various extensions to the initial agreement, Procedural Motion No. 26-2015 authorized the retention of PFM and a new fee schedule. A new three-year contract agreement with PFM was executed on January 29, 2016, with the Legislature having the option to renew the agreement for two additional one-year periods. In January 2019, and again in January 2020, the Legislature exercised options to renew its contract agreement with PFM for additional one-year periods, through January 29, 2021, in accordance with the terms and conditions of the contract entered on January 29, 2016. A new Request for Proposals process is now required to select the investment manager beyond January 29, 2021.

The Custody Agreement with U.S. Bank was executed in July 2010 and remains in effect until terminated by either U.S. Bank or the Legislature, providing that a written notice thirty days in advance of the termination date is received.

Advisory Fees

Resolution No. 682-1993 authorized the use of capital gains to pay 50% of the investment management fees. Therefore, 50% of the fees are paid from the principal account and 50% are paid from the income account. In 2019, a total of \$63,792 was paid in advisory fees to PFM (\$59,796) and trust fees to U.S. Bank (\$3,996).

The annual fee for all services provided by the Fund's investment advisor, PFM, is based on net assets under the management of the Fund and is determined on a monthly basis, as defined in the investment advisory fee schedule. The extensions to the 2010 agreement kept the same terms, but Procedural Motion No. 26-2015, adopted November 17, 2015, authorized the retention of PFM as investment advisor with a revised fee schedule. The new agreement was executed on January 29, 2016 and subsequently renewed through January 29, 2021. The following table provides the terms of the current investment advisory fee schedule:

PFM Contract Executed January 29, 2016

PFM Asset Management LLC Investment Advisory Fee Schedule	
First \$10 million in net assets	0.45%
Next \$10 million in net assets	0.35%
Next \$30 million in net assets	0.25%
Next \$50 million in net assets	0.20%

The Fund also incurs fees for services rendered by U.S. Bank, the custodian of the Fund, in accordance with the fee schedule that follows.

U.S. Bank Custody Fee Schedule for PFM Asset Management LLC Managed and Advised Accounts Program	
Domestic Administrative Fee	
First \$100MM Market Value	2.5 basis points* annually
Remaining Market Value	1.5 basis points annually
Portfolio Transaction Fees	
Book Entry Transactions - DTC or Fed	\$7.50
Physical Transactions	\$7.50
Wire Transactions	\$7.50
Benefit Payment Transaction Fees (if applicable)	
Checks - Recurring Distributions	\$2.50
Wires	\$10.00
ACH (with advice)	\$2.00
ACH (without advice)	\$1.50
Lump Sum Distributions	\$15.00
Other	
TrustNow or TrustNow Essentials (on-line)	\$0.00
TrustNow Customized (separately bid)	\$0.00
Performance Measurement (optional)	\$250.00
Out-of-Pocket Expenses	
The only out-of-pocket expenses charged to your account will be shipping fees or transfer fees.	
Note: * A basis point is a unit that is equal to 1/100th of a percentage point (the unit for the arithmetic difference of two percentages).	

Appendix A

Historical Information Summary

In his last will and testament, William Kissam Vanderbilt II (1878-1944), bequeathed his estate in Centerport, together with its real property, furnishings, exhibits, and works of art, artifacts, memorabilia and certain moneys to either the State of New York, County of Suffolk, or Town of Huntington. His desire was for his estate to become a public park and museum, devoted in perpetuity to the use, education and enjoyment of the public.

By resolution duly adopted on the 30th day of August 1948, the Board of Supervisors, acting for Suffolk County, accepted the offer. The terms of the deed were signed August 3, 1949, and the estate was opened as a public museum in July 1950. The Vanderbilt Planetarium was erected in 1971, for less than one million dollars, and was paid for from the Endowment Trust Fund. Local Law No. 35-1986, designated and renamed the museum "Suffolk County Vanderbilt Museum".

The Suffolk County Vanderbilt Museum Commission evolved from the former Suffolk County Park Commission, which was established by resolution of the Board of Supervisors on June 27, 1949, and enlarged by resolution of the Board of Supervisors on December 28, 1959. The Commission is responsible for the management and control of the Suffolk County Vanderbilt Museum, pursuant to Local Law No. 1-1966. The Commission's Board of Trustees⁹ has sole control over the development, maintenance and operation of the Suffolk County Vanderbilt Museum and Planetarium and related programs and activities, subject only to the contractual conditions under which the County accepted the Vanderbilt bequest. The employees of the Museum are not employees of Suffolk County; they are employees of a privately endowed institution. The Suffolk County Legislature appoints fifteen members to the Commission for four-year terms of office to govern the Vanderbilt Museum.

The Legislature has the sole power and control over Museum property and the distribution of Trust Funds for its operation, subject only to the contractual conditions under which the County accepted the Vanderbilt bequest. Mr. Vanderbilt's bequest included \$2 million to establish an endowment fund for the maintenance and care of the estate. In 1973, the Fund had an additional bequest of \$6.2 million from the estate of Muriel Vanderbilt Adams, William K. Vanderbilt's daughter, raising the corpus of the Fund to \$8.2 million. Distributions from the Fund have paid a portion of the Museum's maintenance and operating expenses. One of the Fund's investment objectives is to preserve the principal corpus of the Fund (\$8.2 million). Thus far, the Fund has met this investment objective and its current market value has not declined below its historical dollar value¹⁰.

⁹ On July 15, 1949, the Board of Regents of The University of the State of New York granted a charter pursuant to Section 216 of the Education Law of the State of New York to the Vanderbilt Museum. Therefore, the Board of Trustees of the Vanderbilt Museum is an institution incorporated by the Board of Regents of The University of the State of New York.

¹⁰ "Historic dollar value" means the aggregate fair value in dollars of an endowment fund at the time it became an endowment fund. It also includes each subsequent donation to the fund at the time it is made.

Resolution No. 933-1994 was adopted for the purpose of permitting the Vanderbilt Museum Trust Fund's Investment Advisor to utilize a total return concept¹¹, to provide a fixed annual income of \$1,000,000, as requested by the Suffolk County Vanderbilt Museum, and authorized the use of realized capital gains in the Trust Fund for cash flow purposes only, with any unused funds from said realized gains to be returned to the Trust Fund for reinvestment. The authorization was increased to \$1.2 million by the adoption of Resolution No. 656-2000, and subsequently extended by Resolution Nos. 196-2002, 1251-2002, 1177-2003, 1372-2004, 1306-2005, 1477-2006, and 1266-2007. The Legislature did not extend this authorization for 2009, as the market value of the Fund could not support a \$1.2 million distribution. During 2009, Procedural Motion No. 3-2009 authorized the remittance of \$45,500 to the Museum from the Endowment Fund.

Historically, the Museum has not received funds from the County's General Fund operating budget, with the exception of 2009, when a transfer of up to \$800,000 was authorized by Resolution No. 870-2008, dependent on the Museum's cash flow needs. The Museum received \$705,094 or \$94,906 less than had been authorized from the County's General Fund during 2009. It should be noted that the County's General Fund has always assumed all debt service for the Museum's capital projects.

Resolution No. 805-2009 adopted Local Law 34-2009, which reauthorized the Hotel Motel Tax, increased the rate from 0.75% to 3%, and included a new allocation for Accredited Museums, intended for the Vanderbilt Museum. The legislation provided a 10% allocation to the Museum, with the option of decreasing the Museum's allocation by one percent each fiscal year, beginning in 2011, to an amount not less than 5% of all revenues collected. The Hotel Motel tax legislation was subsequently extended and reauthorized by Local Law Nos. 39-2015 and 25-2017, and was updated by Local Law No. 5-2016. The 3% tax rate and the distribution of revenue from the tax remained unchanged through December 31, 2020. The following table indicates Hotel Motel Tax funding for the Vanderbilt Museum as included in the 2010-2020 Adopted Operating Budgets. The Legislature first exercised its option to modify the Museum's allocation in the 2015 Operating Budget.

¹¹ Total Return Concept meaning investing for a comprehensive return, including interest and dividends earned on stocks and bonds, plus realized and unrealized gains and losses.

Hotel Motel Tax to Vanderbilt		
Year	Adopted Amount	% of Projected Tax
2010	\$692,498	10%
2011	\$705,097	10%
2012	\$726,499	10%
2013	\$930,140	10%
2014	\$1,028,370	10%
2015	\$878,544	9.5%
2016	\$873,954	9%
2017	\$1,049,531	9.5%
2018	\$1,158,127	9.0%
2019*	\$1,143,087	9.3%
2020	\$1,226,002	9.4%

** 2019 Modified as amended by Resolution No. 44-2019*

The current investment advisor, PFM, was first selected in 2010 through a Request for Expressions of Interest (RFEI) and Request for Proposal (RFP) process. Procedural Resolution No. 5-2010 retained PFM Asset Management LLC as the investment advisor and U.S. Bank National Association as the custodian of the Suffolk County Vanderbilt Museum’s Maintenance Fund. The original 2010 agreement with PFM would have expired, after extensions, on April 21, 2015; however, additional short-term extensions were approved by the RFP waiver committee to allow for the completion of a new RFP process. Ultimately, PFM was again selected, from nine respondents, and Procedural Motion No. 26-2015 authorized the retention of PFM as the investment advisor and a new fee schedule. The new contract agreement with PFM was executed on January 29, 2016. The 2016 contract was for a three-year term with an option to renew for two additional one-year periods. Under the terms of the agreement, any party can terminate the contract at any time; however, if the contract is terminated prior to the completion of the full term, the cancellation is not effective until after 30 days of either party receiving a written cancellation notice. In January 2019 and again in January 2020, the Legislature exercised its options to renew the 2016 contract for one year, with the contract now set to expire after January 29, 2021. Another RFEI/RFP process is required to select an investment advisor for the term beyond that date.

Resolution No. 1036-2008 created a Vanderbilt Museum Oversight Committee, which was reconstituted by Resolution No. 110-2011. The Committee’s purpose was to work with, and act as a liaison to, the Vanderbilt Museum Board of Trustees and the Museum’s administrators to ensure the Museum’s long-term financial viability. On a regular basis, the Committee was to send a representative to each meeting of the Vanderbilt Museum Board of Trustees and the Suffolk County Legislature Parks and Recreation Committee, and was to further report to the full Legislature on a regular basis. The Committee is no longer active.

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