SALT FOUNDATION (Pty) LTD

22nd FINANCE & AUDIT COMMITTEE MEETING

MINUTES OF THE 22ND FAC MEETING HELD ON 27th MAY 2015 at SAAO, Cape Town, SA.

PRESENT:

Committee Members
Prof E. Wilcots (EW) (Chairperson and Director of the SALT Board)
Prof G. Bromage (GB) (Member of SALT FAC)
Prof M. Wybourne (MW) (Member of SALT FAC)-via Skype
Prof J. Hughes (JH) (Member of SALT FAC)
Prof M. Albrow (MA) (Member of SALT FAC)-via Skype

Other Attendees
Prof M. Shara (MSh) (Chair of the SALT Board)
Mrs L. Labuschagne (LL) (CFO)
Mr I. Osman (IO) (Finance and Administration Manager)
Prof T. Williams (TW) (Director of SAAO)

CHAIRMAN: Prof Eric Wilcots

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1. WELCOME BY THE CHAIR

EW welcomed all the participants to the 22nd FAC meeting of SALT.

2. MINUTES OF THE PREVIOUS MEETING

The minutes of the 21st FAC meeting were not available as the recording of the meeting became corrupted.

3. RECAP OF FAC MEETING HELD ON 18/05/15 VIA TELECON

The following documents were updated since the previous meeting:

- Recon of Development Fund (DF) schedule in the Financial Report to agree with AFS, on Balance Sheet and p. 7 and 9 in AFS, as well as note 8 on DF.
- HRS note in AFS changed – not funded out of DF.

Shortfall on DF projects – manpower is the biggest problem. There are existing agreements with staff with cost implications going forward.

Funding needed by the end of the current financial year. Summarised in DF schedule.

Small changes were made to the Funding Requests document – priorities were inserted.

4. FINANCIAL STATUS OF MAJOR PROJECTS

Document – SALT Financial Report – p. 9, 10, 11

4.1 SAMS

Overspent on contingency line – international travel R140 000. C Coetzee (CC) undertook a trip to France to visit Fogale and subcontractors to determine if they could deliver on capacity/expertise – also to re-negotiate contract. TW approved the expense of R140 000.

Additional funding request to extend 3 contracts – J Menzies, D Bester and S Hulme – R930 000.

Project previously expected to be completed by Nov 2015 – now completion projected for April 2016. Additional R500 000 could be needed to complete this project. R1,4m in total, including additional manpower needed. The additional requirement for R500 000 (for buttons, presses, equipment) was not properly motivated for in advance of the meeting. This can therefore not be considered at the meeting. Slippage of the contract meant that more were spent on other aspects. Major risk – no proper project management. Putting project under control of CC was a step in the direction of improving project management.

No more contingency left on this project. Budget increase (including increase in contingency) requested.

Proper revised budget/cost to completion to be submitted to the Board. Directors contingency could be used to cover the additional funding needs. BEC to consider request for funding of cost to completion. The only 2 options for funding this is Directors or Board contingency, since the DF remains underfunded.

Recommendation to the Board: Request a cost to complete budget – probably to be funded from contingency fund. 20% of contract price to be held as final payment.

BEC should be empowered to approve cost to complete budget and funding thereof.

4.2 RSS THROUGHPUT

There is a funding request for R1.17m (cheaper option of 3) per latest updated budget.

Current RSS Guider vs. new RSS Guider – The current Guide for the spectrograph is currently being worked on – R200 000 is needed. If we decide to build a new Guider, we should not spend additional funding on the existing Guider.

The increase in throughput that can be achieved with the new guider, is not revolutionary. We need to have a strategic view of the bigger picture: What do we need to focus on? SAMS will be adding the biggest value – RSS is nice to have.

O Strydom (OS) recommended the cheapest option. Estimates of improved throughputs are reasonably reliable. OS's salary is budgeted until the end of March 2016.

Recommendation to the Board: We cannot currently afford this project. The 2nd option should be considered should this project be re-considered.

Considered the effect on OS should the project not continue. Highlighted the need to have someone like him in the budget which is currently underfunded.

Budget spent to date on this project, resulted in great improvement in the throughput, as well as a lot of lessons learned. It was money well spent. Designs are completed and very well documented. This project could easily be re-started in the future. It was also listed as a P1 project.

There is a Korean astronomer that is interested in buying shares from Canterbury. Poland should get their grant approved this year. GU still has funding problems. There is an interested party that want to buy in at 8%, while the Indians are also interested in investing in SALT. A specific project could be used to leverage funding from institution.

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4.3 TRACKER

This project is currently progressing very slowly – additional costs will be incurred towards the end of the project. Currently 2 months behind schedule. Upgrade of tracker appears to be essential for current operation of telescope and not just to accommodate RSS-NIR. Well managed project.

4.4 NIR

Additional funding of $800 000 is needed – $600 000 could be funded by UW. Request for funds for $200 000, probably in the next financial year (commissioning costs). Delivery expected in April 2016.

Discussion on whether NIR is to be installed up on the Telescope or down in the spectrograph room. Costs are more or less the same. Downtime and risk should be considered, as well as functionality. Impact on valuation of instrument also needs to be considered - valuation in location vs valuation of potential.

As an interim move it could have huge value to put it in the spectrograph room. The aim should be to have it at prime focus eventually (maybe within 2-3 years). Additional cost to put instrument at prime focus in the future should be considered. The instrument is much more valuable at prime focus. The cost of the risk to put it up at the moment is too high. We cannot afford to lose current productivity. The tracker should at a later stage be able to accommodate the weight of the instrument.

4.5 OTHER PROJECTS

The seeing monitor is of operational importance. This project should go ahead as it forms part of observing efficiency.

The rest of the projects will be left on the list of projects, to be considered as funding becomes available.

4.6 HRS SOFTWARE

L Tyas did not deliver as expected, although other value was added. The current Quicklook software is very good. S Crawford (SC) worked very hard on this and significant parts of a pipeline are already in place. A Postdoc-level person is needed to work with SC on HRS pipeline. The right person should be hired, who has demonstrated success on a similar project. Another post-doc is needed to work on RSS pipeline. Some knowledge of astronomy is needed. There was a Board resolution a few years ago to not fund data reduction. SC has to be thanked for his heroic efforts.

New investors are needed to help fund this development. It was suggested that a brief survey of instrument mode usage be done to determine most critical pipeline needs – use block distribution data already available – probably biased towards RSS, but info readily available.

5. FUNDING SITUATION

DF: R5.4m deficit

Ops budget: UC only paid 50% of their share of the ops levy – possible deal with South Korean scientist. GU has no funding available and are already in default. Deficit of 5% of ops levy = R1,6m – Board contingency could cover this.

Capital Fund: In order to get the capital fund balance to a level to cover at least 4 months of operations, an additional R5m is needed. Of the unspent funds for 2014/15 of R1,6m, R1m was committed to the capital fund and R600 000 was included in the 2015/16 budget.

Ops levy invoices should be sent out urgently.

With the current funding shortfall, projects will have to be prioritised. SAMS and tracker should continue while RSS should be put on hold. This will leave R3m deficit on the DF. The Directors contingency could cover R1,5m of the deficit.

DF outstanding contributions from partners amount to $3.4m, before accounting for the R2m contribution committed by IUCAA. AMNH could have R700 000 available this year. Deadline for contributions is 24 May 2016.

There are 3 options: 1. Do nothing; 2. Commit to R1.5m towards the DF projects, in anticipation of additional funding coming in; or 3. Utilise capital reserves for the unfunded balance.

The HR budget and manpower plan needs to be carefully scrutinised in order to find savings as well as to determine the budget needs for the next 2 years. Dartmouth noted the importance of stabilizing future Ops Levies by containing annual increases. It is clear that there is an urgent need for new revenue in order to increase the Ops budget to get the right mix of people on the staff.

6. RECOMMENDATIONS TO THE BOARD

1. Commitment of Director's contingency to fund shortfall in DF
2. Continue with SAMS and Tracker with the expectation that commitment for new funding will be found
3. Utilise the Capital fund, should additional funding not realise

It was suggested to project an 8% increase in the Ops Budget for the next 2 years.

Meeting closed