Finance Committee Meeting Minutes
Tuesday, August 27, 2019
11:00 a.m. to 12:30 p.m.
Administration Building, ADM 361 A
1600 Holloway Avenue, San Francisco, California

I. Call to Order by the Chair, Kal Salama

The University Corporation, San Francisco State (UCorp) Finance Committee was called to order by the Chair Kal Salama at San Francisco State University, Administration Building, Room ADM 354, at 11:06 a.m., with the following members present:

Kal Salama, Committee Chair
Jason Porth
Jay Orendorff
Eugene (Gene) Chelberg (phone)
Bonnie Li Victorino (phone)
Neil Cohen (phone)
Yvonne Bui (joined after the start)

Finance Committee Members Absent
N/A

Others Present
Doug Allison, Beacon Pointe (phone)
Mary Bagazinski, Board Clerk
Tammie Ridgell, AVP of Finance and Administration

II. Review and Approval of Minutes: July 30, 2019

Moved by Jay, seconded by Jason, approved unanimously.

III. Report from Beacon Pointe, Doug Allison

Doug Allison gave the following updates:
• In general
  o Market has been volatile since July
  o Actual performance numbers will be lower than what is seen on the report.
  o The past month has seen positive results for US equities and bonds, but slightly negative for international
  o Interest rates are very low now
  o Longer term performance numbers still look great
• Review of overall YTD on page 3.
  o Overall this year has been good
Private fund – NCREIF. We receive little information until 3rd quarter. Expect positive results, will help current income. 8% return from current income.

Do we recommend any changes?
- Difficult to predict. We see a lot of positives. The domestic economy is doing fine. We have low interest rates. The Federal Reserve is more likely to lower than increase interest rates.
- Trade war is creating volatility. Probability of going into a global recession is higher due to trade war.
- Recession in 2020 is possible.
- Our allocation is conservative
- Re: international equities – the valuations are right, but growth is not ideal.

Committee questions/comments
- Jay – Re: labor force revisions lower than originally reported.
  - Doug – corporate debt is high, quality is low. That could create a crisis if we go into recession. It would be a large problem.
- Kal – What do you base the recession expectation on?
  - The Federal Reserve has own measurement, once a quarter.
  - We do the same, but led by our investment committee, which is led by CIO, we come up with our own probability. Ours is a little higher than theirs and is being revised upwards. We pay attention to other factors such as banks, etc.
  - Difficult to predict, because it’s not just based on economic predictions.
- Jason – Tammie, what were our strategies during the recession last time, i.e. LAIF funds, etc.
  - Tammie – The biggest lesson learned in the last recession is how we responsibly respond to issues on campus. We always want to fund and support things on campus as if everything were fine. At that time, we still had the bonds for the village. It was creating a hardship for the corporation because the bonds were in default. Occupancy was also an issue. They redid the space for a tenant (capital investment). During those times, there will be less donations, and UCorp will give out less. We need to mind unrestricted funds. We may want to look at grants (such as IDC) because those cause a drain on resources. We do have our reserves. If a recession lasts 1-2 years, we’re well positioned. I don’t think we would look to our investments to draw upon, we haven’t done it before. But we might encounter a situation where our bottom line might be negative (i.e. investment cash flow would be negative). Over 2 years it could become substantial. We would then have to be tight on our reserves, especially with projects with long term applications. The UClub for example, in that case wouldn’t be as advisable. UCorp’s income was 3-4 million, during lows, and as high as 7-8 million at times. LAIF funds were used during the year.
- K – It will be important to ask - what’s the scenario for UCorp?
  - D – This portfolio is very liquid, except for real estate, and defensive too.
  - K – We’re prepared for it, essentially. Doug characterized the near-term risk very well.

IV. Audit & Accounting Updates from the AVP of Finance and Administration, Tammie Ridgell
- Update on where it looks like we’re ending the year
  - For June highlights
    - We’re projected – 1.7 million net asset increase ending the year
    - Investment 9.9 million – up since last year
    - Investment income – ended year at 1.5 million in earnings – good finish
Contributions were up over previous year by about 1.4 million – end at 4 million

Audit Highlights
- Will have financial statement package for UCorp by Friday, Aug 31 or Monday. We’re turning in AS today, and Foundation on Monday or Tuesday.
- Usual type of pressure. We’re in a better place than last year. We absorbed changes better than last year, especially with staffing.
- All auxiliary statements are due Sept. 13th, which is the deadline to campus. On Sept 18th financial package is due to Chancellor’s Office.

V. UCorp Investment Program Presentation for BOD, Kal Salama

- Review for full Board for next meeting – this will be presented
- These steps were taken in 2016. Created the structure we have in place today.
- The presentation is meant to be educational and illustrational of how we got here
  - Foundation was also looking to improve their structure
  - Consultation – we got around RFP responses
  - Fiduciary meaning and best practices. Board has fiduciary duty, it’s delegated to committee, then to Beacon Pointe, then to portfolio managers
  - Principles – separation of decision making from decision oversight
  - OCIO role versus consultant. We did not choose OCIO. Foundation does not have this role. What they do have is closer to this, but not exactly OCIO.
  - Consultant fees are 0.19%
  - Custodians facilitate transactions only. No decision making.
  - Responsibilities: Board vs Investment Consultants vs. Investment Managers
    - Independent Consultant will also do custodian searches
    - This was a significant change for us, before BP, we were using UBS – there was a lot of conflicts of interests b/w consultants, managers, etc.
  - Conflict of Interest Guidelines
    - Only a small percentage of consultants do this and are independent. There are separate searches they participate in.
    - Consultants have favorite managers they use, but no business relationship.
    - If these guidelines are generally followed, you should not have any problems with conflicts of interest.
  - Investment managers are the deepest ones in the markets. So if you want insight, they’re the ones to go to. They’ll give you a view of their sector and what’s going on with the market. They are most reliable for more detailed investment views.
  - Board Clerk: ADD on pg. 5 slide
    - Identify individuals by name in slide AND “current snapshot” of portfolio with all managers

VI. Schedule of Meetings

Board Clerk Note: There were errors in the following schedule in the version of the agenda that was sent out before this meeting. These have been corrected, below. All following meeting days and times are correct.

Finance Committee Meetings
Meetings held at least quarterly
Tuesday, September 24, 2019  11:00 a.m. to 12:30 p.m.  3rd Floor, ADM 361 A  
Tuesday, October 22, 2019  11:00 a.m. to 12:30 p.m.  3rd Floor, ADM 361 A  
Tuesday, November 19, 2019  11:00 a.m. to 12:30 p.m.  3rd Floor, ADM 361 A  
Tuesday, December 17, 2019  11:00 a.m. to 12:30 p.m.  3rd Floor, ADM 361 A  
Tuesday, January 28, 2020  11:00 a.m. to 12:30 p.m.  3rd Floor, ADM 361 A  
Tuesday, February 25, 2020  11:00 a.m. to 12:30 p.m.  3rd Floor, ADM 361 A  
Tuesday, March 24, 2020  11:00 a.m. to 12:30 p.m.  3rd Floor, ADM 361 A  
Tuesday, April 28, 2020  11:00 a.m. to 12:30 p.m.  3rd Floor, ADM 361 A  
Tuesday, May 26, 2020  11:00 a.m. to 12:30 p.m.  3rd Floor, ADM 361 A  
Tuesday, June 16, 2020  11:00 a.m. to 12:30 p.m.  3rd Floor, ADM 361 A  

### Board of Directors

Meetings held at least bi-annually

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Location</th>
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<tbody>
<tr>
<td>Monday, September 16, 2019</td>
<td>3:00 p.m. to 4:30 p.m.</td>
<td>ADM 460</td>
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<td>Monday, October 14, 2019</td>
<td>3:00 p.m. to 4:30 p.m.</td>
<td>ADM 460</td>
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<td>Monday, December 2, 2019</td>
<td>3:00 p.m. to 4:30 p.m.</td>
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<td>Monday, February 17, 2020</td>
<td>3:00 p.m. to 4:30 p.m.</td>
<td>ADM 460</td>
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<td>Monday, April 6, 2020</td>
<td>3:00 p.m. to 4:30 p.m.</td>
<td>ADM 460</td>
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<td>Monday, May 4, 2020</td>
<td>3:00 p.m. to 4:30 p.m.</td>
<td>ADM 460</td>
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<tr>
<td>Monday June 22, 2020</td>
<td>3:00 p.m. to 4:30 p.m.</td>
<td>ADM 460</td>
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### VII. Call for Adjournment

Meeting adjourned at 12:03pm.

Respectfully Submitted,

Kal Salama  
Chair, Finance Committee