Minutes of the Finance Committee Meeting - Tuesday, November 17, 2020

Attendees:
Yvonne Bui
Gene Chelburg (joined @ 12:04p)
Neil Cohen
Jay Orendorff
Jason Porth
Kal Salama
Guest: Felix Lin, Beacon Pointe
UCorp Staff:
   Tammie Ridgell
   Maggie Woo
   Anthony Victoria

I. Called to Order via Zoom at 11:04a by the Chair, Kal Salama

II. Approval of the Finance Committee Minutes for October 20, 2020 – unanimously approved without objection

III. Report from Beacon Pointe, Felix Lin, President

Using report, presented results of investment activity as of 9/30/2020
- portfolio performed adequately, remains in good shape and in line with expectations
- overall rate of return is good given the volatile market conditions
  - fixed income is recalibrating to conditions
  - looking from inception, equity performance remains good
  - alternatives doing okay, stabilized for now; recent distribution proved advantageous
  - interest rates are expected to stay low for a longer period
- slightly off with respect to asset allocation target due to below target alternative investments, included in above target fixed income & equity classes
  - finding fossil fuel free alternatives also remains a challenge
- Neil commented that if high growth in alternatives is related to sustainability, should there be more support given to such emerging categories?
  - Felix stated that more activity is apparent, but being so new with not enough history nor experience, it’s challenging to draw any conclusions
    - He will bring more information to next meeting with fossil fuel free as primary focus and ESG secondary

Felix also presented Asset Allocation Analysis spreadsheet/data
- commented that rates lower for longer period, and higher rate of inflation is desired by the Fed – argues for investing in real assets to protect the portfolio
- and highlighted the Asset Class Review/Summary and Asset Allocation Mixes and Statistics

Felix also indicated he was sharing the Real Assets Paper with the Committee for their review & informational purposes
IV. Report from the AVP of Finance and Administration, Tammie Ridgell

Having the audit completed, UCorp was able to get back to the regular reporting of financial activity and the report presented was as of 9/30/2020, inclusive of the FSR and report of net assets

- the budgeted amounts now reflect the revisions made, as discussed in the prior BOD meeting
  - reiterated required adjustments due to remote modality of campus operations for the entire academic, and fiscal, year
  - results to-date now seem to be on-track
- the negative amount reflected in Sources of Revenue is due to prior fiscal year accruals
- highlighted items:
  - revenue expected from administration relative to the Student Ctr remains impacted due to current conditions of campus being mostly unoccupied
  - Follett’s overage is due to a payment related to prior fiscal year activity that was not accrued
  - regarding UCorp’s C-Stores, Ctrl-P reflects the best performance
    - budget projections seem to be valid & are maintaining expected level
    - typically Lobby Shop out performs Ctrl-P, but not during this COVID-19 period
    - Lobby Shops affected by closed campus situation
  - salaries of C-Stores remain static
  - UCorp’s central office salaries will be impacted with employees’ lay-off and retirement
  - investment income did well the first two months of the new fiscal year, and then not so well in September & October
    - earnings are expected to fluctuate due to market conditions and continued impact of COVID-19
    - remaining hopeful that budget targets will be met
    - indicated that in past years approx. 50% of revenue sources was dependent upon investments, but given current situation, this fiscal year looking at 70% dependency

Jay asked if possible to start looking forward to Fall 2021 to get an idea of a financial picture

Jason commented that UCorp is looking at cost-savings measures, such as giving-up space UCorp occupied space(s) on campus

V. Discussion of Line of Credit Options for Consideration, Executive Director, Jason Porth

Reminder given of joint meeting of the Executive and Finance Committees of the BOD to discuss the proposed line of credit UCorp wishes to pursue

Commented on CSU Board of Trustees adoption of a resolution applicable to authorization for auxiliaries seeking lines of credit

Kal raised the point of ensuring that analysis be given to collateral requirements of the institution with which a line of credit may be established

- UCorp needs to minimize any impact this may have on operational needs, as well as investments

Meeting adjourned by Kal at 12:15p