



Finance Committee Meeting Agenda

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 11:04 a.m., with the following members present:

Finance Committee Members Present

Kal Salama, Committee Chair

Jason Porth

Jay Orendorff

Yvonne Bui (phone)

Finance Committee Members Absent

Eugene (Gene) Chelberg

Bonnie Li Victorino

Neil Cohen

Others Present

Felix Lin Beacon Pointe (phone)

Mary Bagazinski, Board Clerk

Tammie Ridgell, AVP of Finance and Administration

II. Review and Approval of Minutes: August 27, 2019

Motion to approve, seconded by Jay.

III. Report from Beacon Pointe, Felix Lin, President, Institutional Consulting Services

Committee Question – Re: Investor Report Fund VI - There's a zero cash flow for real estate yet occupancy is high, why is this? Some of them are newer investments. They're still working on whether or not they received cash flows. However cash flows (or distributions) won't start to develop until they get them stabilized. They haven't had any true distributions to report.

Felix gave the following report for August 2019

- Current events affecting numbers in equity markets, yield in treasuries. There's a lot of fluctuation and volatility. GDP amount is slowing down, slowing growth rates. Trade could affect these. BP's



CIO is trying to foresee what the current administration is going to do to get re-elected. "Go for where the puck is going to go." -Wayne Gretzky. Thought is that a recession will come after the election.

- Reviewed Page 1 of Beacon Pointe's Aug 31 Report
- Re: Page 2
 - Maintained a good healthy allocation
 - Sprinkled in some areas for active management
- Re: Page 5
 - Numbers are net of fee returns
 - Equity managers - broken out by composite, total fixed income
 - Calendar YTD outperformed the benchmark. We are trying to mimic the benchmark closely.
 - There will be some times, due to guidelines, that we will either out or underperform slightly. This is normal.
 - Active Managers are in International.
 - Fixed Income
 - 2 managers her. Lagged a little bit relative to aggregate. This is due to
 - 1) Had transitions in portfolio moving out of Black Rock. We thought interest rates were going to stay lower for longer and
 - 2) We have pitched out this interest rate. TIAA will be benched against a USA aggregate benchmark.
 - Segall-Bryant – goal is decent rate of returns. Our focus is on managing risk and principle. Keeping that principle preservation theme going.
 - Alternatives – we are dragging and pulling away from FPA Crescent. This is difficult to benchmark against. Their returns don't look great. They can invest up and down the entire capital structure. They don't have anything in credit. We expect them to outperform that 60/40. This is one piece that we cannot control their indirect exposure to FFF.
 - Kimpact and Redwoods. KP has returned 7% net of fees, we have some capital to call. Private investments aren't forced to put their money in all at one time.
 - Portfolio overall is performing within expectations. FI has lagged simply because we've hedged out duration risk. That hasn't helped when interest rates have stayed low. Benchmark is the benchmark. The portfolio at 60/40. We're very comfortable where we are.
 - Committee Questions
 - In working to move away from FPA, what direction will you move into?
 - 2 things: difficult part is if you want a marketable, liquid alternative, saying you're FFF will be difficult to control
 - Other – we are running analysis. Cheapest, most efficient way is equity/fixed income.
 - Have some sort of alternative. Similar to the real estate or private equity. Ones that focus on cash flow.
 - Gain exposure to diversified portfolio as a way to avoid having typical 10 year investment portfolio. At next meeting, I will walk you through it. Allows us to have liquidity on regular basis
 - We don't want to tie too much of this in long term assets without liquidity.
 - Q- Target for Redwood Kairos is 1 million drawn down.



- Do either of these two funds have gates?
 - Kimpact does, because it has liquidity.
 - Redwood has a 7 year commitment.
 - If there's a lowdown or pull back in recession, Kimpact will be a very good steward. This is the reason why we put this in there – it's a lower beta.
 - We're nowhere near close. The true liquidity is if something bad happens, for example, let's say your equities get marked down 20-30%, your liquidities may not be marked as liquid.
 - Next Meeting – Bond Portfolio will be top of discussion. The FI market could actually be more liquid than the equity market, depending on what the portfolio holds.
 - Question: The FI holdings are generally pretty liquid holdings? BP – Yes, very high quality, very liquid.
- With all the recession talk in the air, we should be prepared to talk about what happens. You go through liquidity, the FI, the equities.
 - Kal – I think it's good to go through the conversations.
 - Felix – Yes, the portfolio is conservatively positioned. When you are forced sellers, that's the bad part.
- Kimpact Fund Report
 - Doing well. Internal rate generating of about 8%. They do expect larger investors towards end of year, who have been waiting to invest. Waiting for the market to stabilize.
 - Lytech – is a property there. Low income tax credit
 - They are currently running 40-42% net leverage amount which is good, they like there that is.
 - Page 5 – we go through that transaction status. Not for the above plans.
 - As a percentage, where are your allocations going? Because of the family mission they have over-allocation towards Kimpact. This is because it's a lower beta, lower IRR.
 - After event tonight, they will make a report public, they go through an interesting review of what's happening socially, in relation to what they're doing as an impact.
 - 42% leverage is very conservative – they're very frugal, they won't use it with the risk they have
 - We'll follow up with the zero percent on cash flow on other one.

IV. Report from the AVP of Finance and Administration, Tammie Ridgell

- Audit updates
 - Net assets did increase 1.8 million for FY18-19
 - Increase in retail revenue approx. 3%(with various locations, Ctrl+P, etc.)
 - Ctrl+P revenue increased over 52k last year
 - Operations also had a good year
 - Rental income was up primarily due to



- Treatment of the Holloway project was finalized over the audit. Treated as an operating lease not capital lease. We needed to do a streamline for revenue. Gasb requires that you treat that as straight line.
- We will have a receivable for revenue and a payable, due to the piece we're remitting back to campus.
- Net On our books is the 10% which UCorp earns.
- June – we received receipts of construction cost. We are done with actuals, now need to advertise moving forward.
- The rent we've been getting is construction period rent, when it's complete, we will receive part of resident rent.
- We have remittances that will come back to us from campus that we paid for when construction started. When rent is full, we can't take what we're owed.
 - In consulting with the CO it was determined that it wouldn't be appropriate to record a receivable from campus for expenses directly paid by UCorp for Holloway because we're not just a pass-through in the relationship. CO were not in agreement of marking it receivable, although auditor wanted to do that
- Earnings are up 1% from the previous year
- Comments regarding our investments
 - BP has been great at providing info I need during the audit, especially re: questions we receive from auditors. It would have helped to have a clearer understanding of what was needed going in.
 - Boston Common – which is a co-mingled fund, limited partnership. The auditors labeled it "Alternative" even though the strategy is not alternative.
 - If we agree that it's an Alternative, I would have needed additional audited financial statements. Felix – next time he will prepare copies in advance.
 - The auditors are noting it as a "finding" because it's not something I identified first. We should be asking questions earlier.
 - It's a bigger issue on Foundation side, and they have a lot of NAVs, though they're presented as Equities, FI, etc. they're really not. So we need to look at them, do our own calculations, to reconcile.
 - Thankfully it hasn't been so much of an issue with ours, I have to thank Felix for his support and timeliness.
- Next time, I'll include 3 months of UCorp Financials. July, August, September, at next meeting.

Felix – entered everything into CRM. He will reach out for next year to make sure BP can provide all needed documents in advance to make it easier next year.

Tammie – I appreciate it, thank you!

V. Schedule of Meetings

Kal will be presenting on the investment plan at the next Board of Directors meeting in December.

Finance Committee Meetings



**The University Corporation
San Francisco State**

Room ADM 361
1600 Holloway Ave.
San Francisco, CA 94132

ucorp.sfsu.edu

Meetings held at least quarterly

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

Monday, October 14, 2019	3:00 p.m. to 4:30 p.m.	ADM 460
Monday, December 2, 2019	3:00 p.m. to 4:30 p.m.	ADM 460
Monday, February 17, 2020	3:00 p.m. to 4:30 p.m.	ADM 460
Monday, April 6, 2020	3:00 p.m. to 4:30 p.m.	ADM 460
Monday, May 4, 2020	3:00 p.m. to 4:30 p.m.	ADM 460
Monday June 22, 2020	3:00 p.m. to 4:30 p.m.	ADM 460

VI. Call for Adjournment

Meeting adjourned at 12:07 p.m.

Respectfully Submitted,

Kal Salama



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Chair, Finance Committee