



Finance Committee Meeting Minutes

Tuesday, November 19
11:00 a.m. to 12:30 p.m.
Administration Building, ADM 354
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 11:06am with the following members present:

Finance Committee Members Present

Kal Salama, Committee Chair
Jason Porth
Jay Orendorff
Yasmin Aly (Phone)

Finance Committee Members Absent

Yvonne Bui
Bonnie Li Victorino
Brian Yoo
Gene Chelberg
Neil Cohen

Others Present

Felix Lin, Beacon Pointe (Phone)
Steve Moen, Partners Group (Phone)
Doug Allison (Phone)
Mary Bagazinski, Board Clerk
Tammie Ridgell, AVP of Finance and Administration

Both minutes approved -

- #### II. Review and Approval of Minutes: October 22, 2019 and September 24, 2019
- Minutes unanimously approved
- #### III. Partners Group Presentation, Steve Moen, CFA, Senior Vice President, Partners Group (USA), Inc.
- Felix began by recapping from last meeting:
 - Beacon Pointe's recommendation is to diversify portfolio.
 - BP reviewed Partners Group strategy, advantages, why they're recommending it
 - Felix asked PG to give an intro and overview of their strategy and what you expect. There is a specific focus on FFF (an ESG), campus would love to know how PG meets that.
 - Steve Moen,
 - With PG for 8 years. PG is headquartered in Switzerland, Denver is 2nd headquarters. Strategies are global and diversified in nature. PG manages over \$90 billion.
 - Unique characteristics:
 - How we set up our platform and invest: Direct investments, directly owning. We're one of the larger players in secondary fund market. Having different ways to invest can have value: we are flexible.



- Focus on value creation – private equity – built up a team of industry value creation operating professionals. We have the largest team in mid-cap space in industry – made up of C level positions, who are experts in their fields. They work hand in hand with management to drive values.
- ESG Investing – large part for over a decade. Rated A+ by APR* given our methodology. Proactive approach to ESG. PG head of ESG is also a part of that committee. Part of that valuation business plan is looking at different aspects of ESG and how it could apply.
- Clients in evergreen funds – slide 7 in presentation.
- Private Equity Structure – slide 13 & 14
 - Run for about 2 decades. Structure = invest in company or fund. Those are subject to Swiss firm/structure. This gives us ability to gives access to true private equity in content and the ability to get fully invested from day 1. Direct buyout of company or building or infrastructure or asset.
 - Invest in private debt/credit. Shorter investment. Smaller balance 10% or less. Keeping investors invested in true private equity.
- Diversification
 - This fund has been used by a wide group of investors.
 - Groups see it as their main or only private equity holding. Program has over 200 investments in it. Incredible diversification across geographies, sectors, holdings,
 - Question (K) – The term “evergreen” – name for platform? Type of fund structure that is open-ended; there’s no finite life. This program has no finite life. (See slide 14). Investors determine when they want to request redemption.
 - Slide 16 - This is not a liquid investment. It’s not publicly traded investment. PG established recommended gates. Each quarter, investors can request a redemption of their holding.
 - Since inception of this fund and other evergreen funds, we’ve never had to enact gates. The most we saw during the 2008-9 crisis was 8-9% of total fund size.
 - Portfolio is constructed with normal downturns in mind – as we’ve seen them historically.
 - Question (K)- How does the geography of the maps align with the geography of the investments?
 - ½ of investing with this program is in North America, 27% in Western Europe, and spread out in the rest of the world in developing markets.
 - 40% in NA, 20% in Europe, 20% in rest of the world.
 - Directs are concentrated in NA, too? Yes, and similarly across our program. Roughly evenly split as a firm b/w NA and Europe. Lean towards NA. We do allocate investments to programs – take into account after tax local currency returns when making allocations.
- Slide 18 – 2010-2012 – Secondaries are high. Program has the ability to scale up.
- Slide 20, 21 – Ability to have that value across sectors
 - Question (K) – We’re not too familiar with private equity. Nothing trades, where do returns come from? Investment in this portfolio quarterly and monthly reports.
 - Underlying holdings are valued on a DCF basis. Looking at financial figures for business, for example. Apply valuation metrics. Done by a team, audited by PWC. Investments are feeding those calculations around the world.
 - Public markets are during trading hours, revalued by the minute. Private is smoothed, revalued over longer period of time. Allows them to focus more medium term than short term. More stable year to year, not being subject to minute to minute swings.
 - Question – When returns are reported, do they make adjustments after the audits? No, typically. Valuations – monthly – are set within 3 weeks of month



end. 25 days after month end reports come out. Those tend to be permanent valuations? The transactions occur at those valuations, if they're coming in and out of the funds? Correct.

- Question (J) – March and August pattern? Slide 21
 - Don't know if there's any logic to that. Quarter end, revalue each company and holdings. Going through and applying a discount or ---- proactively applying valuation. It's what the market needs in the business of buying and selling of a company.
 - Question (Felix) – Eye on risk management, downside protection, specifically here on campus, can you talk a little bit about the downside, if there's a recession, if the markets go down, how do you mitigate that?
 - Steve/PG – Over 20 year history, never had a vehicle that has not returned capital. Diversified mindset of how we invest. Have flexibility within sectors, to shift globally.
 - Taking opportunities of secondary markets. = more stability
 - Swiss culture and mindset – not taking leverage.
 - Invest in “boring businesses” – ones with growth over time.
 - Growth had cut down a bit, but still growth. We look for businesses that have a reason to be there when there's a downturn.
 - Question (Jason) – Monthly net position – Class I and class A?
 - Class I – BP is our client, all their clients benefit from that fee structure; that would apply to UCorp as well.
 - BP - We negotiated early on that BP clients fall under Class I shares.
 - Fundamentals
 - Assuming contraction – valuation, PG finds unique businesses that will persist. Conservative mindset and valuation approach.
 - Re: structure – nobody has seen an exact duplicate or competitor for this strategy. It takes a lot of resources – strategy, markets, content, and having control over the term of your hold, requires having a second platform, portfolio managements, know-how and resources, to be able to achieve this.
 - Comment (Jason) – This seems unique. Are we giving up any transparency? Are they putting in place appropriate screens? Would we be investing in anything that would be contrary to our values.
 - Felix – they are one of the first signers of UNPRI – the ESG team organization that spun directly out of United Nations. They provide guidelines for orgs and investment advisors that they need to qualify for, how they allocate assets. They take it as a big part of what they do. They do not, based on UNPRI, they avoid large areas of FF, they may have only 1 in their books right now. I might have a dedicated piece where they talk specifically about ESG and how that fits into their strategy. We can't control it 100% but they take specific care.
 - What are their top investments?
 - Felix – Emailed research team re: strategy, the look through and the reports we get from this group. Regarding what their actual exposure is. See what kind of transparency
- IV. Report from Beacon Pointe, Felix Lin, President, Institutional Consulting Service
- Page 1 – Benchmarks
 - YTD – that's a calendar YTD column. Everything is up 23%. We brought this up before. We're back to that same state – IR are low levels, this will stay this way for a while. We hit some major benchmarks
 - Our CEO leans towards slight risk. The administration will do what they need for re-election. Most people believe the recession won't happen soon.
 - Page 3 – Where our portfolio is relative to target allocation
 - Performance net of fees relative to benchmark
 - For the past 1 year return = 11% about 10.7 net of fees, the calendar date is right in line.



- Page 4
 - Black numbers represent: actuals for UCorp portfolio
 - Green numbers represent actuals before UCorp portfolio:
 - This is just the S&P 500 with our FF and ESG screen. Aperio over 1 year. They outperformed S&P. FF and ESG has benefitted them over the past year. Same for the small cap names. Positive compared to S&P
 - US Equity managers and international are performing within expectations.
 - Segall Bryant – intermediate duration bet. Will protect more should interest rates move up unexpectedly.
 - Re: Alternatives – Kimpact, Redwood. It will take a while for it to start humming along. Is FPA not FFF – sensitive. We would like to move that component out to a more dedicated one.
 - Equities, Fixed Income are doing well.

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

- Tammie gave the following review:
 - Following are updates, IT is doing upgrades of the finance system, therefore unable to access the full financial statements, pulled data manually.
- FSR – budgeted for unrestricted funds
 - 4 months review on areas that we're projecting over. For items that would be under, those things are items that fluctuate. 4 months is not necessarily a big indicator, waiting for grants to post, for example. Hard to tell at this point if it will stay the course.
 - Fee generating programs housed under UCorp. As the contribution number goes up, that should come in a little higher. We're down 13%.
 - Re: Change for next budget cycle: factor in additional revenue that flows through UCorp via the vending program that we offer. Generated 3-5,000 from the voucher program during Welcome Days. That's the 20% change.
 - Question (Jay) – Welcome Days. There's also the orientation. SA is going for a fee increase for the orientation. They want to double it and have an overnight program for their parents. Can we work out something – for all of their meals? Yes, Tammie will talk with Andrew about this, see what we can do. See what Sodexo's role in this would be.
 - Salaries – increase related to restructuring that has taken place within the shops, arena under Chris' leadership. Combined positions that were under a different fund. There have also been some pay increases. Not originally included in the budget due to unforeseen circumstances (i.e. people leaving).
 - Question (Jay) – Are we breaking out shops and operations salaries? For ease of viewing the current report, we show it as one – operations and shops, but it is broken out in the budget. This presentation shows them together.
 - Re: Expense part of paying vendors that shows up in operating expenses.
 - All other costs are projected to be either under to date or slightly up to about 5%.
 - Inconsistency with Board appropriations - Need to review with staff. Instead of higher number, there could be an error in recording.
 - Re: LAIF – 12% higher projecting. Based on what we've received TD based on our investment dividends. Definitely too early to count, since it's still fluctuating
 - Re: Shops
 - Lobby shop, Healthy U – first 4 months, revenue is in line with budget TD. For the semester, rev up 8%.
 - Payroll – 13% variance went over – due to staffing, restructuring, merging food truck, departure of staff, and taking over new programs.
 - Question – budget YTD? For the shops it's based on expectations of the month. Chris has budgeted it out monthly. When I'm budgeting, it would be a split. I'm not doing month-to-month, its YTD, but Operations does monthly and seasonal.
 - Question: Jay – Can the same be said on expense side for year end? What are your assumptions for expenses? Tammie – it would be looking at expenses and



rolling it forward for some items. For example, auditing. Some things are in alignment with reoccurring items and don't require detailed analysis. Example, auditing, rates could go up, AP = salaries, you budget out for the whole year.

- CTRL + P – ahead of where they were last year. 4% increase in payroll.
- Employees are set up where they can move between stores. If someone leaves, they all have to readjust.
- Open24 – first time since new equipment and first time since 2016/17 – its' in alignment with budget.
- Decrease in credit card fees, but people are using credit cards more. Working with vendor periodically to have things stay the same, or reduce fees where possible. The threshold was \$2, when they raise it to 5, it might lose the sale.
 - Shop24 accept credit cards? Yes, except when we had to turn it off. Open24 does. Apple pay – we lost ability to do debit cards. We didn't understand that at the time of the contract.
- Question – Hospitality expense? It must be a misclassification. Tammie will investigate.

VI. Discussion of Beacon Pointe's Recommendation

- This was postponed. This will take place next meeting so that additional committee members may attend and the committee is awaiting ESG information from Felix on Partners Group.

VII. Schedule of Meetings

Finance Committee Meetings

Meetings held at least quarterly

Tuesday, December 17, 2019	11:00 a.m. to 12:30 p.m.	3rd Floor, ADM 354
Tuesday, January 28, 2020	11:00 a.m. to 12:30 p.m.	3rd Floor, ADM 354
Tuesday, February 25, 2020	11:00 a.m. to 12:30 p.m.	3rd Floor, ADM 354
Tuesday, March 24, 2020	11:00 a.m. to 12:30 p.m.	3rd Floor, ADM 354
Tuesday, April 28, 2020	11:00 a.m. to 12:30 p.m.	3rd Floor, ADM 354
Tuesday, May 26, 2020	11:00 a.m. to 12:30 p.m.	3rd Floor, ADM 354
Tuesday, June 16, 2020	11:00 a.m. to 12:30 p.m.	3rd Floor, ADM 354

Board of Directors

Meetings held at least bi-annually

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



**The University Corporation
San Francisco State**

Room ADM 361
1600 Holloway Ave.
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VIII. Call for Adjournment

With no further business to discuss, the meeting was adjourned at 12:40 p.m.