



**Finance Committee Meeting Minutes**

Tuesday, March 24, 2020 (11:00 a.m. to 12:30 p.m.)

Zoom Meeting

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 via Zoom, at 11:03am with the following members present:

**Finance Committee Members Present**

Kal Salama, Committee Chair

Bonnie Li Victorino

Jason Porth

Jay Orendorff

Yasmin Aly (entered at 11:35am)

Yvonne Bui

**Finance Committee Members Absent**

Brian Yoo

Neil Cohen

Gene Chelberg

**Others Present**

Marjorie Scholtz, Verbhouse

Max Straube, Verbhouse

Felix Lin, Beacon Pointe

Diana Bonilla, Board Clerk

Tammie Ridgell, AVP of Finance and Administration

Maggie Woo, Controller

Anthony Victoria, Associate Director, Finance and Administration

II. Review and Approval of Minutes: February 25, 2020, Jay Orendorff moved, Bonnie Li Victorino seconded, unanimously approved.

III. Verbhouse Presentation, Marjorie Scholtz

- Jason Porth introduced Marjorie Scholtz and Verbhouse.
- Marjorie Scholtz presented Verbhouse's history.
- Although there is an affordability crisis for housing in the Bay area, for faculty/staff with a household income between \$85K-\$200K, Verbhouse has identified homes that are affordable, or reasonably affordable, within a purchase price range of \$400K to \$1M.
- Verbhouse's goal is to transition people into homeownership. Key points/concerns include but are not limited to, the high initial down payment & ability to build equity. A partnership with a large institution, such as a University or healthcare organization, who may provide the necessary capital, may result in home ownership being a distinct possibility.
- Verbhouse would facilitate the entire process until the faculty/staff member is ready to purchase a property or exercise other options.
- As a primary stakeholder, the University is very much involved in determining the return on their investment.
- Jason Porth clarified if the faculty/staff identified a home they would like to purchase, entered into an agreement with UCorp, a bank is identified that is willing to loan the money with a particular rate of return. Regardless if the faculty/staff decides to purchase the home or discontinue the relationship with the University, there is little risk of loss to the University. And, the faculty/staff would have the equity they have built-up.



- Kal Salama commented that it is important to understand the option down payment amount. The \$50,000 is the option value of having the choice to purchase or not to purchase. Which means it is not actually a down payment that goes into equity. In the first example with 3% annual home appreciation, the \$50,000 option value becomes worth \$233,931 in total equity minus \$74,657 added equity or \$159,274. He also added that this program could attract future SFSU employees to the Bay Area.
  - Yvonne Bui expressed concern with the household income threshold as most faculty income is an average of \$85,000. The \$215,000 income threshold would be really high, and most would not be able to meet this. She also added that the monthly payment of \$5,388 is out of range for faculty as that is most, if not all, of their monthly pay.
  - Verbhuse is to be invited to the next Finance Committee to continue answering questions.
- IV. Report from Beacon Pointe, Felix Lin, President, Institutional Consulting Service
- Felix stated the Corona Virus has obviously impacted the economy significantly and there will be ramifications that they have yet to identify.
  - The WH Administration will do what they need to do to get re-elected. They have said they are working with Congress to stabilize the markets. Another concern is unemployment rates. The WH Administration does not want high numbers of unemployment. There continues to be pressure to soften the quarantine to get people to work to ease off unemployment in time for re-election.
  - Feb 29<sup>th</sup> market value report was still doing well. However, the Mar 23<sup>rd</sup> market value report has dropped down to 22.9M. For year 2020 through Mar 23<sup>rd</sup>, UCorp's portfolio has dropped 18%.
  - Hopefully, in a year we are back on stable ground.
  - Beacon Pointe showed the portfolio impact of leaving the additional 4% in alternatives (American Realty) or in a 60/40 equity/bond component. Last meeting American Realty was suggested. However, when the economy is in a recession, they will be affected. At this time, there is no reason to put money in American Realty. In the future, if nothing has changed with the company, it may be appropriate to put money in American Realty if/when we are in a recession as UCorp will be able to buy in at a lower price.
- V. Discussion of Beacon Pointe's Recommendation
- No change/action needs to be taken at this time.
- VI. Report from the AVP of Finance and Administration, Tammie Ridgell
- Grants and Contracts are currently projected at 25% below budget. In reviewing the variance, it was determined that there are a few grants where expenses have yet to begin which effects the IDC earned. If expenses on those grants are realized, then the variance will be reduced potentially by 10%.
  - Program Revenue projecting will be down 16%. This number is expected to increase as a lot of fee generating programs are not able to run their programs/events. For ex: PLI is unable to offer any activities. Revenue earned from these fee generating programs is Revenue earned from these fee generating programs is 10%. Graduation was cancelled and this will be loss will be a big loss of IDC that UCorp would earn from those those expenditures.
  - Food vendors and Other Bus Revenue as mentioned in past meetings is showing that revenue is 33% over budget which is directly related to the pass-through revenue from the vendor program facilitating with our vendors to provide services for welcome days and other similar programs. The offsetting expenses shows up in the Business Services expense line item.
  - Follett is not expected to go further down from 12%.
  - Audit costs expected to stay the same.
  - More information re: ADP to be reported at next Finance Committee meeting.
  - Additional support was given to the campus. More information to follow at next Finance Committee meeting.
  - Investment income through February UCorp has lost half of what was earned. Just through March it is down 30-40%. Overall net income with unrestricted funds will end the year in a deficit.
  - Stores: In February they were doing well but this will change significantly as the stores are currently not open and will likely not open through April-May.
    - Lobby Shop revenue was up 6% in Feb.



- Healthy-U revenue was up 5%
  - Ctrl+P continues to perform well. Revenue up 18%.
  - Open24 starting to even out. Revenue down 10%.
- Jay Orendorff asked about rental and recharges that UCorp would not be collecting and where it was reflected in FSR.
  - Tammie Ridgell clarified this was not reflected in this projection as UCorp was still gathering this information.
- Jay Orendorff and his team are putting together FEMA information and is unsure how to incorporate UCorp's losses into the report.
  - Tammie Ridgell stated UCorp will continue to work closely with the University to ensure they are kept informed as losses are incurred/reported. And, UCorp still trying to determine how to show the loss of rent as they will not be invoiced.
- Jay Orendorff stated CSU will be hiring a FEMA consultant which will help the campuses on how to proceed. Michael Beatty is leading this.
- Jason Porth commented UCorp has contacted University Corporation council, Steve Farrand, when UCorp was starting to think of potential contractual issues. Steve Farrand stated this situation is to be considered a force majeure, or an act of God, which essentially allows vendors not to have to pay rent. Chris Farmer and Andrew Lok were asked to model a few scenarios on what were to happen if vendors don't pay rent Mar-May. The contracts will guide on how UCorp will respond. Additionally, force majeure is the language used in most of the contracts with our vendors.
- Kal Salama stated that on the investment side, what UCorp has experienced in the markets in this short amount of time is about ¼ of what happened in the 2008 recession.

VII. Schedule of Meetings

**Finance Committee Meetings**

Meetings held at least quarterly

Tuesday, March 24, 2020	11:00 a.m. to 12:30 p.m.	Via Zoom
Tuesday, April 28, 2020	11:00 a.m. to 12:30 p.m.	Via Zoom
Tuesday, May 26, 2020	11:00 a.m. to 12:30 p.m.	Via Zoom
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, April 6, 2020	3:00 p.m. to 4:30 p.m.	Via Zoom
Monday, May 4, 2020	3:00 p.m. to 4:30 p.m.	Via Zoom
Monday June 22, 2020	3:00 p.m. to 4:30 p.m.	ADM 460

VIII. Call for Adjournment

With no further business to discuss, the meeting was adjourned at 12:50pm.