



Finance Committee Meeting Minutes

Tuesday, May 26, 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 11:01am with the following members present:

Finance Committee Members Present

Kal Salama, Committee Chair

Jason Porth

Yasmin Aly

Yvonne Bui

Bonnie Li Victorino (arrived at 11:38am)

Finance Committee Members Absent

Brian Yoo

Neil Cohen

Gene Chelberg

Jay Orendorff

Others Present

Carl Chang, Kairos

Jonathan Needell, Kairos

Anna Reese, Kairos

Felix Lin, Beacon Pointe

Mitch Hughes, Beacon Pointe

Diana Bonilla, Board Clerk

Tammie Ridgell, AVP of Finance and Administration

Maggie Woo, Controller

Anthony Victoria, Associate Director, Finance and Administration

I. Call to Order by the Chair, Kal Salama

II. Review and Approval of Minutes: March 24, 2020 & April 28, 2020.

- Approval of meeting minutes for March 24, 2020 – Jason Porth moved, Yvonne Bui seconded, unanimously approved.
- Approval of meeting minutes for April 28, 2020 – Yvonne Bui moved, Jason Porth seconded, unanimously approved.

III. Kairos Investment Management

- Felix Lin introduced Kairos Investment Management
- Carl Chang stated the Federal Reserve Board outlined two scenarios:
 1. If a vaccine/cure is found in time for winter 2020, before the second wave of infections, GDP will be weak through 2021 and slowly rebound in 2022.
 2. If no vaccine/cure is found in time for winter 2020, GDP will likely be weak through 2022.
- The Fed is committed and has continued to pump liquidity into the system. Right now, the focus is the health care initiatives and getting through quarantine. No interest in increasing rates at this time.



- Still lots of concerns around second wave or extended first wave of infection but this is dependent on social distancing and preventative measures that are followed by the public. We won't see the data for another two weeks until infection rates change.
- Novavax, Inc. is doing multiple phase-two trials in multiple countries at the same time to, hopefully, use the data, (for ex: 10 different 1000 persons trials in different countries), as an efficacy test. This new technique will cut down the timeline and allow first responders and first line workers to receive the vaccine.
- Interest rates will remain low for the foreseeable future.
- One of the things that any recession does is it accelerates secular changes that are already in process in industries/companies. Not surprising JC Penney filed for bankruptcy.
- Kairos rent collections have been better than expected. In the month of April, they collected 94.1%. Usually it's around 98%-99%. 75 cents of every dollar are taken by the lender, local appointment and taxes. Kairos only receives 25 cents of every dollar of cash flow.
- Part of Kimpact Strategy and Affordable Workforce Housing Strategy is for asset class to best weather these types of situations. Compared to other asset classes like commercial retail or hospitality or offices, the amount of rent collections is down. As a whole Affordable Workforce Housing has worked exceptionally well.
- Generally, people are working from home. There will be some companies that will move towards that model more aggressively. There will be layoffs, certainly in hospitality and restaurants. There will be increases in vacancy in office spaces. Defaults and foreclosures will be seen in commercial retail, hotels and resorts.
- Unemployment benefits have been greater than the economic benefit that a service worker would be receiving on an hourly wage basis. In some regions, we are seeing a higher occupancy and collections as a result of this.
- For many, benefits like the stimulus payments, unemployment benefits and PPP loan did not hit in April. We will see the impact in the month of May. The month of June will determine if people will be able to extend those benefits through July.
- Q – How many businesses would need to start defaulting or going out of business for the Fed to offer a 2nd stimulus package vs letting it play its course? Jonathan replied: Bank regulations have been eased to make it so that reserves are not required for troubled loans. However, fiscal stimulus is more likely to support small businesses and tenants that can't pay rent right now. Giving them support is a way for them to survive. But some businesses are not seeing that as an option as they will run out of money anyway because covering payroll/rent does not cover all of costs completely.
- Q – Current interest rates? Jonathan stated they are still transacting. They have about half a dozen deals that are in process or finished in the last quarter for about \$107M across the portfolio, 4 of which were in Kimpact. Re-financed properties under 3% rate and built liquidity for future acquisitions. Were able to buy one property and are buying a second. Prices are down and getting some attractive deals. Fannie and Freddie are still in business which is enabling them to get those kinds of interest rates and double liquidity at this time.
- Temporarily stopped renovations.

IV. Report from Beacon Pointe, Felix Lin, President, Institutional Consulting Service

- Portfolio in line with benchmark.
- Equities have held up really well.
 - Fossil Fuel Free and ESG: Energy did not have the huge impact that we wanted but it has helped. Over the long term should have some positive return.
 - Aperio Group - Small Cap doing well.
 - Boston Common has done well.
- Fixed Income is the one area that is working its way back.
- Kimpact is being appropriately managed.
- The market has bounced back quite a bit. Instead of us being down 10%-20%, calendar YTD the portfolio is down about 5.5% net of fees.



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

- With investment returns almost coming back to zero for the fiscal year, our current projection is \$2.1M overall deficit. Almost all is attributed to no rent collection Mar – June (anticipating to fully right those off in June).
- We are continuing to pay salaries into June, particularly for our shops. We received \$538K through the PPP loan which will go to supporting the salaries that we already paid as well as some of our projects that have continued to pay employees that would have been laid-off.
- No change to revenue from last report.
- Will submit budget FY20/21 soon.
- Q – Have you touched based with the vendors for next year? Yes, we have started. Everything is very preliminary; nothing is official as things are still changing. For the budget we have budgeted revenue for our vendors to about 50% of what we would normally collect as we will be primarily having online instruction so there will be very few people on campus and it's still unclear if the vendors will open.
- Q – The new housing complex will be finished in the fall correct? Jason: It will be completed in June but will be very modestly occupied, if at all. But UCORP does not have any financial risk.
- Q – Have we revised the budget for this particular impact? For this year? Tammie: No, it was so late in the year we did not make revisions to the budget.
- Q – Will the PPP loan be paid back? Tammie: The loan becomes a forgivable loan if 75% of the funds are used to pay staff. Right now, that is our plan.
- Q – How long can we keep the staff employed using the loan? Tammie: It was supposed to cover an 8-week period of time but it is unclear when that timeline starts. Does it start when we received the funds? Or can we decide? UCORP started extending pay on March 15th but we did not receive the funds until the end of May.

VII. Schedule of Meetings

Finance Committee Meetings

Meetings held at least quarterly

Tuesday, June 16, 2020	11:00 a.m. to 12:30 p.m.	Via Zoom
------------------------	--------------------------	----------

Board of Directors

Meetings held at least bi-annually

Monday June 22, 2020	3:00 p.m. to 4:30 p.m.	Via Zoom
----------------------	------------------------	----------

II. Call for Adjournment

With no further business to discuss, the meeting was adjourned at 12:25 pm