



The University Corporation
San Francisco State

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

ucorp.sfsu.edu

Finance Committee Meeting

Tuesday, April 23, 2024

11:00am to 12:30pm

via Zoom

Jamillah Moore
Ly Chau
Tammie Ridgell
Kal Salama
Janey Wang

Guests

Bill Thompson, Beacon Pointe

UCorp Staff

Maggie Woo
Rosa Barragan

Called to order by **Kal** at 11:10am

- reviewed & approved agenda.
- Finance Committee Meeting Minutes – March 19, 2024, minutes reviewed; Janey/Jamillah motioned/seconded; approved unanimously

Investment Portfolio Update report by Bill – March, 2024

UCorp YTD Performance-update

- Beacon Pointe is concerned with two things:
 - Anticipation of a “recession” – mixed signals in terms of risk. Determining where the economy is on a cyclical basis has been a real challenge
 - Neutral rate – neutral rate of neutral level of interest rates. Historically it has been 2% or 2 ½%. The challenge is to determine whether the neutral rate is a higher number, maybe it is 3 ½% or 4%. If this is the case, then today Federal Funds are much closer to neutral than if it needed to get back down to 2% or 2 ½%. In summary, the Fed’s number one task is to constrain inflation and they have done a good job as inflation has come down dramatically from where it was eighteen months ago. Inflation remains above target and target is 2%, however, we are seeing evidence that we may be reaccelerating. Fed will keep interest rates elevated in an effort to slow down inflation. Meaning slower economic activity, slow down demand for goods and services and this should help constrain inflation. A question comes up and that is what are the implications on UCorp and it’s investments? Beacon Pointe is going to invest on diversification of the portfolio across asset classes. This is an investment for the long run. The economy is in good shape and as you know Beacon Pointe still thinks that the risk of recession remains low.
- Portfolio summary at the end of the first quarter – at just over \$33 million, up \$1 million, a nice quarter ending from a dollar return perspective
 - Returns we generated were from global equities, as the return was almost 8%.
- Fixed income is up 3% for the fiscal year-to-date.



- Strong performance for one month and strong month for equities in U.S.
- Outside U.S international equities had attractive returns
- U.S continues to be the place to be as emerging markets bounce back, at a nice month up almost 5%. Outperforming the developed international by 3%, this equates to a strong month
- Negative returns out of Bonds in general as yields traded up and bonds traded down.
- UCorp's portfolio: very good month in U.S equities, a good month for international equities
- Modest overweight to global equities, underweight to fixed income are very much in line with targets in terms of portfolio coming in at \$33million
- Quarter-to-date had a return of over \$1 million, this is just in the first quarter

Kal: asked if the cash allocation of \$200,000, that is sitting on the real estate side, of the report, is waiting to get invested?

Bill: No, this might be the uncalled capital amount

Kal: yes

Bill: there is usually a couple of weeks of notice to meet the call. Generally the source comes from the equity part of the portfolio.

Tammie: responded that recently the capital call came up and paperwork was signed and executed and it could have been for the \$200,000 and will double check. The amount which had not been wired at the end of March 24.

Kal: clarified that it was on its way out in April.

Bill: answered that the April report will show which will be reported in next month's report.

Kal: responded that board meeting questions are asked and that it is good to have answers.

Action Items:

- no action items recommended

Cash Investment Policy – Tammie

Discussion took place during the last Finance Committee around our idle cash and it was determined that we should implement a Cash Investment Policy which will provide policy structure around idle cash. This was brought-up by Jason to the committee. The discussion was on how to best handle idle cash that currently resides in LAIF and obtain a higher yield. A comparison was done by the committee on various options that UCorp could obtain higher yield on it's cash. UCorp did not have a formal structure for bringing that forward to the committee to consider. Kal did research and brought forth to the committee on how to properly handle the idle cash. This would be with a cash investment policy which would be kind of a build-out in our current investment policy, where we would state, how we segment the cash. We are looking currently to implement it, with Bill's support.



He has provided examples of how this is handled with other clients similar to UCorp by building-out their investment policy to include the cash management. Looking to define the segments and currently that would be the operating cash, which would be daily. This is based on UCorp's business model in terms of the money that is residing in UCorp generally needs to be available at any time. There is no way of predicting when a program is going to spend all of their funds or just a part of it and therefore the funds need to be highly liquid, and they need to be secure. LAIF has been the vehicle for this almost since the inception of the organization, and the campus uses a similar vehicle to LAIF which states use. It is like a money market account as the preservation of capital is something of paramount concern. This is used as cash flow for purposes of transferring money in and out of LAIF, as needed.

Looking to add a reserve cash component for investing, which would be a little longer term and have a little more risk and would have the same parameters of preserving cash. This will have more risk, that it would expose UCorp, however, this would be for cash that UCorp will not be needing immediately. Could be six months to a year and can have higher yield with more risk. This will guide the conversation/discussion around the investment policy. This policy would be reviewed on a yearly basis to set and looking at where to park the reserve cash for earning a higher yield. UCorp LAIF balance has grown from around \$6 to \$12 million during the year, being held during the year and usually ending between \$4 to \$6 million. Currently UCorp's LAIF balance is at \$20 million.

This amount for the LAIF balance, has been driven by two factors:

- 1) receiving a few multi-year grants, where we know the funds are not going to be spent in one year.
- 2) Foundation has changed their policy where they automatically disperse the funds to endowment spending accounts (campus programs and the scholarship funds) housed under UCorp and those funds could be dispersed all at one time or held longer. The figure dispersed annually is around \$6 million dollars.

Cash spending also will help in our discussion not only internally, but it also will help the discussion for the Board when we move potentially a resolution to invest this cash, whether it is Amalgamated Bank or with another institution. It will help to provide that structure as to what we looked at:

- a) What are the requirements?
- b) What are the bank's product/services?
- c) What about due diligence and issuer concentration?
- d) Other things as well

This item we could bring to the Finance Committee for Board approval in May or June, but mostly June, 2024 due to budget presented in May.

Kal noted that we as a committee are taking a step back because there were so many questions from the board around the decision on how Amalgamated Bank came about. It was



noted that we will be sharing with the full board is that the relationship with Amalgamated Bank did not come through Jason, but was recommended to him from our VP for Advancement when he met with Amalgamated Bank during one of the fundraising efforts for the university. Amalgamated Bank mentioned how they invest their funds and their community service. Jason wanted to also provide clarity to the full board. This will be done at the next board meeting. All of this had been discussed without framework with this committee in September. Since Jason's departure it has been more evident that we did need to have a structure in place that makes it clear how decisions are made and UCorp is not just making decisions based on relationships.

Kal: stated essentially the language will be drafted for a revision to the investment policy and everyone on this committee would have time to review it and then discuss it as it becomes available. The final version will be forwarded to the full board for the same conversation/discussion and then approval of the changes of the investment policy.

UCorp's Financial Report by Tammie

- Note: conversations have taken place about access to excess cash or generating higher returns. Given this information the committee needs to not lose track of the role as custodians and the management of funds for the restricted expenditures. Since this is done once a year, there are changes that are done internally and that affect these different funds, however, there is about \$40 million that is tied-up in restricted funds. The unrestricted funds have a small amount in terms of availability for the unrestricted purposes which have to be available to fund operations. Unrestricted funds are using more of the cash coming in and the cash that's being set aside is really the investment cash. UCorp does exist to support the university, however, there is caution used in order to be available, to support the university.

Financial Statement Report: March, 2024

Revenue Highlights:

- Highlighting that the program revenue is projected to be on target or over what was budgeted for the year
- IDC from Grants and Contracts continue performing higher than budgeted.

Expense Highlights:

Operating Expenses

- o Legal fees, no change
- o Insurance fees, no change
- o Consulting fees higher than budgeted. Mainly due to using Temp services for vacant position in the accounting side of UCorp.

Shops Performance



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- Lobby Shop - down about 10%, but it is up 20% from where we were a year-a-go today. Overall net profit is about \$7,000
- Healthy U – down about 10%, slightly under budget and performing well, with net profit of about \$13,000, but up twice where we were a year-a-go today. Still not a pre-pandemic level.
- CTRL -P – 2% over budget and performing extremely well, with net profit at about \$47,000 and is about \$19,000 ahead of last year.
- Open 24 –down as it should since the rest of the shops are performing well

Highlighting the first nine months:

- portfolio is ahead of budget roughly \$1million. Investment income, currently represents roughly, covering about 60% of UCorp's operations in terms of revenue.

-budget- the proposed budget was passed with a deficit of \$500,000. Right now the projection is that we won't end in a deficit and that is very good and the greater share is due to the performance of the investment portfolio.

Kal: adjourned meeting at 12:29pm