



Finance Committee Meeting

Tuesday, June 04, 2024

11:00am to 12:30pm

via Zoom

Guests

Jamilah Moore
Ly Chau
Tammie Ridgell
Kal Salama
Janey Wang
Jessica

Bill Thompson, Beacon Pointe

UCorp Staff

Rosa Barragan
Maggie Woo

Called to order by **Kal** at 11:05am

- reviewed & approved agenda.
- Finance Committee Meeting Minutes – May 14, 2024, minutes reviewed; Jamilah /Tammie motioned/seconded; approved unanimously

Investment Portfolio Update report by Bill Thompson – May 31, 2024

- Beacon Pointe Report:
 - May was a good month we bounced back from April 2024; S&P 500 was up about 5%
 - Large Cap growth outperformed in general. Small caps return 5%. Large Cap in general have outperformed Small Cap in recent months. Large Cap companies are carrying more cash and have locked in some long term, low-interest rate debt. Large cap companies as a result are more insulated from higher interest rate environment.
 - On a relative basis, developed international markets have been strong in the month, around 4%
 - Fixed Income was also relatively strong for the month of May
- Portfolio was at around \$33 million. QTR to date we're down a little bit. We're up just under \$2 million dollars in the fiscal year-to-date in terms of net investment gains.
- In the month of May the portfolio is up 2.3% compared with 2.8% on the index for the month, but some portfolio components have not yet reported.
- For the month of May we didn't report a return for Boston Common
- Fossil free ETF had a nice month of May, and a trailing year to date as well. It was up 5% relative to the index's 3.9% in the month.



- Fixed Income for one month is up 1.4%, and flat through the year but outperforming the index.
- Returns not posted for the alternatives at the end of May.

Kal: asked to get thoughts on the revisions to the investment policy regarding cash. Does that seem reasonable?

Bill: Absolutely, articulating policies around cash and segmenting it out is similar to what he sees other clients do. Purpose of the cash, and then that aligns with the way that cash is managed, and I think the way you have it set up. You know the limitations, constraints, and definitions for UCorp.. Make sure you know the constraints.

Kal: asked any questions for Bill?

UCorp's Investment Policy update by Tammie

- A couple of meetings ago we talked about creating a cash investment policy around our idle cash so that we would have a framework in place for how we manage our cash.
- This was brought as we sought to enter into a relationship with Amalgamated Bank and questions raised by the board we decided to step back and strengthen and formalize the process around handling idle cash which could drive the conversation if we bring in someone like Amalgamated Bank or any other type of investment.
- We did do some comparison and weren't just looking at Amalgamated Bank at the time, but we didn't have a documented process or procedure for handling that and bringing them in.
- In discussion with Kal and Bill around the best way to incorporate that information. How should it live in relationship to our regular investment policy? How does it differ? When we went back to our current investment policy it was noted that we did already have a section in the investment policy dealing with the cash side, but it was never built out.
- It was a small holding place that talked about our liquidity and short-term cash guidelines, but that section was not built out. In consultation with Kal and Bill it was determined that this would be a place to build out our short-term needs and define them and further segment them.
- The liquidity section, which is basically for short-term, 2 years or less and would fit the needs of our idle cash.
- We have defined Short-term cash
 - Operating cash – day to day needs requiring same day liquidity and high level of security- LAIF is generally used for this type
 - Reserve cash – which is more medium term where we might take on a little bit more risk. To earn more interest income
 - Reserve cash consists of 3 segments (operating reserves, plant fund reserve and idle cash) which their purpose has been defined



- For the idle cash which generally comes from multi-year grants where all the funds received will not be needed in 12 months. On an annual basis, we could determine amount available.

Janey asked: Do we have liquidity benchmark or similar?

Tammie responded: We haven't changed our cash benchmark or cash asset allocation to include fixed income. Would rely on Beacon Pointe's expertise in terms of how we would structure the target allocations.

Jamillah asked: What would be the challenges forthcoming for the upcoming fiscal year which we would need to be concerned.

Tammie responded: when the question is asked looking out for forthcoming challenges do you mean looking out for expenses or what we can consider when taking risk?

Jamillah asked: Expenses, for example if revenue is reduced

Tammie responded: with investment of idle cash the goal with the guidelines here is to make sure there's sufficient liquidity to cover all current spending needs. Investments would need to be available whenever we need the funds even it long term. Our LAIF funds operate like interest-paying checking and would be available every day. When we are looking at reserves. When investing the operating reserves or plant fund reserves it would be with the idea those funds would not be needed in 12 months. If we had to tap into operating reserves as they represent six months of operations that would be a larger conversation for the continuation of the organization. When looking at idle cash we are looking at funds that might come in from a grant such as Genentech where we could receive all of the \$10 million dollar grant within the first 3 years which means there could be approximately \$3 million that is not needed in the next 12 months and could be invested to yield a higher return. However, when seeking a higher return, it still would be in a safe and conservative vehicle as we could not afford to lose the principal. Then we could consider Amalgamated Bank or another vehicle.

Kal asked: If enrollment ends up being lower than expected how does that move through the budget? Would it change our liquidity assumptions, or needs in the near term?

Tammie responded: Yes, if enrollment is down, it could impact our retail and vending operations. With our vendors right now, we hope we're at a plateau. We have renegotiated a new rent structure with our vendors roughly 50 to 60% of what they were paying pre-pandemic. If enrollment dropped significantly where the vendors had a problem paying the current rent structure without concessions that could start to erode UCorp's bottom line. For campus programs or other programs, they are cash operating meaning if they don't have funds then they can't operate. Where you could see the impact to UCorp is through the indirect cost or accounting service fee that we earn managing those programs

Bill asked: How dynamic is the mix of the operating cash day to day in the reserves. Does it fluctuate significantly year over year or is it relatively static?

Tammie responded: I would probably say that it is dynamic year to year previously. I would say probably pre pandemic more static. The reserves however are amounts that we are supposed to have set aside which we could invest those dollars



Kal responded: just to answer with a little more clarity. Perhaps the right asset class list in the cash section of the IPS isn't fixed income and cash.. Maybe enhanced cash or 0-2 years. Something that looks like where we would put the reserve cash and the 0 – 100 makes sense, just because the default may just be LAIF and the other bucket populated could go into the enhanced or additional return cash such as money market, short term securities, cd.

Bill responded: This was helpful as he wants to ensure that the definitions and ranges don't become overly constraining. Obviously, we want to be disciplined but just given that mix and change year to year want to ensure that gives you sufficient flexibility. In the allocation mix then we could remove (LAIF) as it is all cash and should be defined more broadly. What the table is showing is that this is meant to be cash adding a little bit of flexibility.

Tammie asked: Is there more discussion or questions? Do we feel comfortable moving this forward to the board?

Kal asked: If there are any more questions?

Ly asked: by removing LAIF from cash, it makes things more broad
Jamillah brought motion to move the investment policy changes to the full board
Yessica, second the motion

UCorp April Financial Reports by Maggie

FSR – through 10 months of the year

- Revenue: Indirect and Admin fee from the campus programs and business partnerships continue to project ahead of budget or on target.
 - Business revenue is projected ahead of budget approximately 7%, mainly due to additional parking vendors, renting parking lot space (lot 25 and Sutro)
 - Shops – Lobby Shops revenue is up 13% over budget and 21% of a year ago. Gross profit is 3% over budget.
 - Healthy U - Revenue is 3% over budget and 42% ahead of a year ago. Gross profit is 10% below budget
 - Ctrl P revenue is 6% over budget and 10% ahead of last year.
 - Open 24 is 46% below budget, Revenue has picked up in May
 - The overall revenue is 5% ahead of budget. Gross profit is 2% down from budget but 16% ahead of last year. The net profit is \$62,000 below budget but \$102,000 ahead of last year
- Expenses
- There are no significant changes in expenses, and all the significant variance has been disclosed in previous meetings.

Nonoperating Revenue/Expense

- In April there was a loss in investment income of approximately \$800,000. However, the investments still projected ahead of budget by 26%. We are looking at a smaller deficit than budgeted due to investment income earned. This is still speculated as things could change coming 2 months.



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Tammie informed the committee that the 1st meeting with the working group assembled to work with the students will start on Monday, June 10th and there will be more to come in terms of any final agreement will be around policies, and investments.

Kal: adjourned meeting at 11:58pm