

A D V A N C E M E N T
FOUNDATION

H U M B O L D T S T A T E U N I V E R S I T Y

**MINUTES
OF THE
FINANCE COMMITTEE**

**April 11, 2014
SBS Conference Room 349**

Present:

Guy Aronoff
Ken Davlin
Nick Frank
Dan Johnson (by phone)
Duncan Robins

Not present:

Patrick Cleary
Joyce Lopes
Chuck Petrusha

Guests:

Julia Clark
Nicholas Colbrun
Ken Fulgham
Mary Kay Hartman
Annette Penny

1. Call to order

The meeting was called to order by Committee Chair Ken Davlin at 11:12 a.m.

2. Visitor Comments

Students in attendance expressed their support for what the Committee had done thus far and were looking forward to having the Committee do more.

Ken Fulgham gave an update on three parcels on Greenwood Heights Road. He also indicated that conservation funding is still available

3. Approval of Minutes from February 20, 2014 meeting

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the Minutes of the February 20, 2014 meeting are approved.

4. Fossil fuel divestment

The Board of Directors has asked the Finance Committee to bring a recommendation regarding fossil fuel divestment to the next Board of Directors meeting. Duncan Robins prepared a draft proposal for the Committee to review and discuss.

Duncan reviewed the mission, vision and values of Humboldt State University, the long history of social and environmental initiatives at the University, and the history of commitment to responsible investing by the Humboldt State University Advancement Foundation.

Of particular note were the investment policy provisions guiding sound fiscal management. The Board of Directors is bound by strict fiduciary standards, requiring that investments be made in the sole interest of the Foundation's charitable beneficiaries with prudence and diligence and diversifying investments so as to minimize the risk of losses.

He also mentioned the constraints the Foundation was under, especially the small size of its investments relative to the size of the institutional funds in which it invests and the prohibitively high cost of directly managing the Foundation's investments.

Duncan presented a draft proposal entitled "Reducing and Mitigating Foundation Investments in Concerning Sectors" for proposed action. He noted that there are three possible actions: 1) maintain the status quo, which is a responsible position and better than many similar endowment funds, 2) make minor adjustments, which would improve upon the status quo, or 3) take bold, responsible action.

The goals of the bold, responsible action are to have a direct, positive and deliberate effect on a large, complex environmental issue. The intent is to increase Humboldt State University's impact on social, and environmental policy and decision-making, while remaining true to the Foundation's fiduciary mandate.

After discussion, it was determined to develop a "Socially and Environmentally Responsible Offset Policy" (SEROP) which would continue to abstain from direct investments in concerning sectors, and attempt to offset indirect investments in concerning sectors with direct or indirect investment in socially and environmentally responsible organizations, projects or assets that meet the Foundation's fiduciary requirements.

The proposed Socially and Environmentally Responsible Offset Policy would broaden the definition of socially or environmentally concerning sectors, continue the Foundation's practices of monitoring investments concerning sectors and abstaining from direct investments and limiting indirect investments and would define a category of Socially or Environmentally Responsible investments and begin tracking these investments as offsets to mitigate the remaining investments in concerning sectors.

The Foundation currently has about \$2.3 million of investments within the proposed expanded definition of concerning sectors. The current value of its offsetting investments, such as the

Schatz Energy Research Center, might be as much as \$4.4 million. The Foundation would continue to work to find additional offsets in order to increase the multiple of offsetting investments over investments in concerning sectors.

In reply to a student inquiries, Duncan responded to several questions as follows: 1) Would the policy allow the Foundation to broaden concerning sectors to include commercial prison operators? The answer is yes, but the Foundation is currently working on environmental issues, and that would be the focus right now. 2) Would the policy create fossil free investment opportunities? Yes. 3) Would the policy look into investing in green funds? Yes, the policy pushes the Foundation to do more in order to increase the multiple of offsets over concerning sector investments. 4) Would the policy allow investment in community development-type funds? The policy would not preclude that, but community development investments might not meet the Foundation's fiduciary requirements.

After further discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the program as outlined in the draft dated March 4, 2014 be recommended to the Board of Directors

FURTHER RESOLVED that the "SEROP" principles which read as follows:

**Principles of the Humboldt State University
Socially and Environmentally Responsible Offset and Mitigation Policy (SEROP)**

The Humboldt State University Advancement Foundation will:

1. Define Socially or Environmentally Concerning Sectors ("Concerning Sectors") in a broad, bold way so as to include:
 - a. Energy – extraction, distribution, refining and marketing (i.e. oil, natural gas, coal and related/supporting industries);
 - b. Utilities – electricity generation (i.e. utilities utilizing carbon-based fuels);
 - c. Aerospace/Defense, Alcohol, Tobacco, Gaming and Casino industries.

Revisit these definitions and revise as appropriate over time.

2. Continue to abstain from any direct investment in Concerning Sectors.
3. Monitor and report on the value of indirect investments in Concerning Sectors.
4. Make reasonable attempts to reduce the size of indirect investments in Concerning Sectors provided any divestments are consistent with the Foundation's fiduciary requirements.

5. Define Socially or environmentally Responsible (“SER”) organizations, projects or assets initially as ones which:
 - a. Are environmentally friendly (i.e. reduce the levels of atmospheric CO₂) or;
 - b. Improve the health and well-being of our community members.

Revisit these definitions and revise as appropriate over time.
6. Actively seek offsetting investment opportunities in SER organizations, projects or assets.
7. Invest directly in SER organizations, projects or assets provided that:
 - a. Investments meet the Foundation’s fiduciary requirements and policies.
 - b. Investments support the mission, vision and values of Humboldt State University.
8. Monitor and report on the value of direct investments in SER assets and active investments in SER organizations or projects.
9. Monitor and report on the value of obvious indirect investments in SER organizations, projects or assets.
10. Create a Socially and Environmentally Responsible Offset and Mitigation (SEROP) Fund (with appropriate policies) and actively seek donations of funds and assets that could be used to support the Humboldt State University SEROP principles.

be accepted in their entirety and submitted to the Board of Directors with the recommendation that the said principles adopted by the Humboldt State University Advancement Foundation.

FURTHER RESOLVED, that once adopted, the Board of Directors instruct the Finance Committee to implement the policy.

5. Quasi-endowment policy

The Schatz Tree Farm Quasi-endowment Fund was created in order to allow the Tree Farm to benefit from market returns on funds that it does not need for current use. Professor Fulgham has requested funds from the quasi-endowment in order to meet current needs. In the past, staff has approved such requests without Committee or Board action, but since these distributions require partial liquidation of the quasi-endowment, the Executive Director has asked that a policy be adopted to govern the handling of such distributions and liquidations. The Executive Director was directed to work with Professor Fulgham to provide the funds required in a timely fashion and to prepare a proposed policy for consideration by the Committee.

The meeting was adjourned at 12:31 p.m.