



**MINUTES
OF THE
FINANCE COMMITTEE**

MARCH 11, 2016

Members Present:

Duncan Robins (Chair)
Guy Aronoff
Heidi Moore-Guynup
Chuck Petrusha (by phone)
Jason Ramos
Craig Wruck

Guests:

Charles Chamberlain (Schatz Energy Lab Representative)
Mike Burghart-HSU Director of Finance/Risk Management
Joyce Lopes-HSU VP of Admin Affairs
Brian Frasher-HSU Accountant
Kimberley Pittman-Schulz-HSU Executive Director of Philanthropy
Lola Alto-HSUAF Board Coordinator
Jamie Rich-HSU University Advancement Budget Analyst
Tracy Taylor-HSU Accountant

A meeting of the Humboldt State University Advancement Foundation Finance Committee was held on Friday, March 11, 2016 at 8:30 AM in Nelson Hall West 213 on the University campus.

1. Call to order

The meeting was called to order by Committee Chair Duncan Robins at 8:32 AM.

2. Visitor comments

There were no visitor comments.

3. Approval of Minutes from the November 19, 2015 meeting

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

RESOLVED, that the Minutes of the November 19, 2015 meeting are approved.

4. Second quarter financial review

HSU Accountant Brian Frasher reported that the transition from U.S. Bank to Wells Fargo Bank is complete. He presented the financial statements for the second quarter, October 1 through December 31, 2015, and noted no unusual variances.

5. HSU Sponsored Programs Foundation-Line of Credit

Executive Director Craig Wruck presented an overview of the Humboldt State University Sponsored Programs Foundation (HSUSPF) which manages research grants and contractual funding for the University. Some of these grants and contracts necessitate the expenditure of funds prior to payment of the grants. The HSUSPF currently holds a line of credit from a commercial bank in the event they would need cash funds for operations. To date the HSUSPF has never activated the Line of Credit.

The University has asked the HSUAF to consider providing a private \$1.0 million line of credit to the HSUSPF in lieu of its current arrangement with a commercial bank. The Committee discussed the need for additional information regarding the \$1.0 million amount given that the HSUSPF has not needed to activate the line of credit. The Committee requested information on structure, process and collateral. University Vice President of Administrative Affairs Joyce Lopes indicated that HSUSPF currently has reserves of approximately \$4.0 million upon which they could draw before utilizing this line of credit.

The Committee expressed concerned about the timing of this proposal in light of the pending real estate issues. There was also concern that extending a line of credit to HSUSPF might disrupt current investments if HSUSPF were to draw on it.

Vice President Lopes agreed to discuss the need with Steve Karp, HSUSPF Executive Director, and to provide the Committee with HSUSPF balance sheets, current line of credit documents, and other information to help the Committee reach a decision.

6. Women's Enrichment Fund Quasi-Endowment

The Women's Enrichment Fund Quasi Endowment proposal was submitted nearly two years ago. Approval was postponed pending verification that the terms of the agreement would be acceptable and legal under California Proposition 209. The HSUAF requested and has now received advice from the CSU Chancellor's Office which determined that while the terms of the agreement restrict the funds to the study of womens' issues, this is not prohibited by State law. During the time that advice was pending the HSUAF implemented a \$50,000 minimum for the creation of quasi-endowment funds, however the proposed Women's Enrichment Fund is \$30,000. In light of the circumstances, staff recommends that the \$50,000 minimum be waived for this fund.

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

RESOLVED, that the Finance Committee recommend to the Executive Committee that the Foundation accept the proposal to establish the Women's Enrichment Fund Quasi-Endowment and waive the usual minimum.

7. Real Estate

Executive Director Craig Wruck and University Vice President of Administrative Affairs Joyce Lopes reviewed the Foundation's real estate holdings and the issues involved with two properties that the University requested the Foundation acquire in 2008.

The Foundation acquired 1340 C Street ("the Annex") at the request of the University with the intention that ownership would be transferred to the University. The Annex is owned as an asset in the Foundation's permanent endowment and is carried at a value of \$1.675 million, the purchase price in 2008. The facility is leased to the University for the annual rental rate of \$139,200 plus an administrative fee of \$6,000 per year. The rental income is recognized as investment return by the permanent endowment and the administrative fee is operating income for the Foundation. The lease expires in August, 2018.

The property at 1601 Samoa Boulevard ("Samoa Blvd") was purchased at the request of the University with the intention that the University would relocate its corporation yard from campus to the site. The entire purchase price of the property was financed with a \$2.535 million loan from CSURMA, the CSU insurance exchange. The loan has a variable interest rate and requires interest only payments. In 2013 the University made a principal payment of \$535,000 on the loan, and CSURMA issued a new interest only loan for the balance of \$2.0 million# which is due in full in October of 2017. The University leases Samoa Blvd from the Foundation for rent of \$138,000 annually. The lease expires in August 2018. In addition to the principal payment, the University has made significant expenditures for capital maintenance on the property.

The Committee discussed the impending balloon payment and the potential loss of rental revenue should the University decide not to renew the leases. It was concluded that a working group should be established to research the issues and develop possible solutions. Craig Wruck, Duncan Robins, and Jason Ramos were asked to serve on the working group. The Committee recommended that the working group would engage attorney Erik Dryburgh, who has provided legal counsel to the Foundation in the past, for legal advice. The working group would report back to the Finance Committee at the May 2016 Finance Committee and to the full Board of Directors at the June 3, 2016 meeting.

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

RESOLVED, that the a HSUAF Finance Committee working group consisting of members Craig Wruck, Duncan Robins, and Jason Ramos convene to investigate possible solutions associated with the Annex and Samoa Blvd properties.

Executive Director Craig Wruck reported that, in order to better manage these and other real properties, the University has asked the Foundation to create a supporting organization to be called Humboldt State University Real Estate Holdings (HSUREH), under Section 509(a)(3) of the Internal Revenue Code. The HSUREH will own real estate acquired and held for programmatic purposes and will help to isolate expenses and liabilities and protect the endowment and other Foundation assets from the risks involved in real estate. Wruck also noted that HSUREH will help distinguish between real estate held for programmatic purposes and real estate investments as an asset class in the endowment.

8. Green Investments

Executive Director Wruck reported that the Foundation's investment RVK is having difficulty finding additional green investment options, especially fixed income. Chair Robins reminded the Committee that the Board has directed that up to 10% of the endowment should be invested in green funds by the end of the fiscal year, but that the Board did not specify whether the target should be met for the total fund or equities only. Since good alternatives for fixed income green funds are not available, it may be necessary to increase the portion of equities invested in green funds. However, increasing the investment in the current green fund, Parnassus Endeavor, would significantly reduce manager diversification. RVK has suggested a second green fund, Trillium, which will be interviewed in the coming months to determine whether or not can serve as a second alternative. The Committee voiced concern about investment timing especially in light of the impending real estate issues.

9. NACUBO

Executive Director Wruck presented the NACUBO report and noted that the CSU uses this report as a benchmark. He encouraged all Committee members to read the report which was uploaded to the Committee's online folder.

10. Other Business

There was no other business to come before the Committee.

11. 11. Adjournment

The meeting was adjourned at 9:55 A.M