FINANCE COMMITTEE MINUTES

SSUAF Finance Committee
Tuesday August 18, 2015
VP Conference Room, Salazar Hall

Members Present: Ian Hannah, Amanda Visser, Robert Eyler (tele.), Tom Gillespie (tele.), Wally Lowry, Mike Marovich, Mike Sullivan, Irv Rothenberg, Brent Thomas

Committee Staff Present: Jennifer Benson

Guests: Todd Au, Tony Parmisano - Graystone Consulting

Members Absent: Erik Greeny, Laurence Furukawa-Schlereth, Michael Troy

I. OPENING COMMENTS

Ian Hannah welcomed the committee members and opened the meeting at 3:05 p.m.

II. APPROVAL OF THE MINUTES- March 10, 2015 and June 2, 2015
(See August 18, 2015 agenda packet.)

Minutes were unanimously approved for both March 10, 2015 and June 2, 2015 meetings.

III. 2015/16 SSUAF OPERATING BUDGET & INSURANCE COVERAGE
(See August 18, 2015 agenda packet.)

The committee reviewed the draft SSUAF General Fund Budget for fiscal year 2015/2016. It was presented as a balanced budget with revenues equaling expenses to the amount of $153,000 which is lower as compared to the previous year’s budget. Prior year expenses came in under budget, due largely to lower than expected expenses in the “contingency” category. Hannah noted that legal expenses have been winding down and are on track to continue that trend throughout the upcoming year. There was a carryforward (operating reserve) balance of approximately $300,000, representing about two years of operating expenses. Achieving two years of operating expenses in reserve has been a goal of the Committee for some time.
Hannah then noted there is a new compliance requirement to review insurance coverage as part of the annual budget approval process. The committee reviewed SSUAF’s Certificate of Coverage issued by Alliant Insurance Services showing aggregate general liability coverage limits of $5,000,000 under the CSU AORMA policy.

**Motion:** Forward the proposed 2015/2016 SSUAF Operating Budget to the full Board for their approval.

**Action:** Unanimously approved.

IV. **TOWNHOME RENTAL RATES FOR 2016/2017**
(See August 18, 2015 agenda packet)

The townhome rental rate comparison spreadsheet was discussed along with a review of historical rental rates charged for SSUAF’s ten townhomes. Hannah explained that in order to avoid a tax implication, the rental rate needs to be within the range of comparable units (as found on Craigslist.com), which, according to the spreadsheet, is between $1,800 and $2,800. This represents an overall significant increase from the prior year. An October 2014 article from The Press Democrat was then discussed which stated that rents have increased 30% in Sonoma County over the prior three years.

Hannah reminded the committee that the townhomes provide a service of affordable housing for new faculty, so while they should remain within the range, they typically fall to the lower end of the spectrum. Upon further discussion, the committee determined that $1,900 per month would be an appropriate amount, while still remaining within tax compliance.

**Motion:** Increase SSUAF Townhome rent from $1,700 per month to $1,900 per month for the 2016/2017 fiscal year, effective 7/1/16.

**Action:** Unanimously approved.

V. **INVESTMENT POOLS AS OF 6/30/15**
(See August 18, 2015 agenda packet.)

The annual “SSUAF Investment Pools” sheet is an analysis done once per year as per a recommendation from the Chancellor’s Office. It provides the breakout of underlying assets and values of SSUAF’s various investment pools as described in SSUAF’s Investment Policy. This analysis assists committee members with reviewing cash and investments for both the Endowment and non-endowed assets of the Foundation. The Endowment values reflected in this analysis will be reported in the annual NACUBO-Commonfund Study of Endowments.

In addition to the approximately $44.6M in endowment assets as of 6/30/15, there was also approximately $6.2M in Charitable Remainder Trusts, cash, and other assets. Hannah explained that these numbers differ from the financial statements largely because the townhomes are valued at their estimated market value (as per Zillow.com averages) on this spreadsheet, as opposed to cost net of depreciation as shown in the financial statements.
VI. GALBREATH ENDOWMENT INVESTMENT UPDATE
(See August 18, 2015 agenda packet.)

The committee briefly reviewed the June 30th Galbreath Endowment investment portfolio statement, as well as a letter received from investment manager Philip Brewster at Merrill Lynch. Hannah noted that this endowment is managed to be more income oriented than the Pooled Endowment. With a value of over $1.1M, approximately $50,000 of earned income was distributed over the year to support operation of the SSU Galbreath Preserves.

VII. GRAYSTONE – POOLED ENDOWMENT INVESTMENTS
(See August 18, 2015 agenda packet.)

Todd Au and Tony Parmisano from Graystone Consulting presented the portfolio review to the committee members, as well as the balances and asset allocation as of 6/30/15. The endowment portfolio saw essentially flat performance for the latest quarter and FY 14/15 as a whole (-0.8% FYTD), with domestic equities being the asset class with the strongest performance and real assets being the largest performance detractor for the fiscal year. Total funds invested with Graystone stood at $36.9M as of 6/30/15. Asset allocation was slightly over target in Public Equities due to Private Equity commitments not yet fully funded.

Au then moved on to discuss a recommendation regarding a Small/Mid Cap Value fund investment. SSUAF currently holds a position with the Keeley Small/Mid Cap Value fund which has long been a strong performer. Unfortunately, the lead portfolio manager recently passed away. After interviewing and analyzing the impact of this change, Graystone is recommending that this position be terminated. The recommendation is to move this allocation to the Natixis Vaughan Nelson Value Opportunity Fund. Vaughan Nelson has a disciplined approach to managing investments and have delivered strong absolute and risk adjusted returns over time. Discussion ensued and the committee decided to accept Graystone’s recommendation.

**Motion:** Terminate SSUAF’s position of approximately $528k with Keeley Small/Mid Cap Value fund and allocate these monies to Natixis Vaughan Nelson Value Opportunity fund.

**Action:** Unanimously approved.

Graystone’s final recommendation is within the Hedge Fund allocated portion of the portfolio and consists of partially redeeming SSUAF’s position with SCS Opportunities Fund and instead invest a 2.5% target allocation (approximately $1M) with Balyasny Asset Management. Balyasny is a single manager, multi-strategy hedge fund, and has an approach that will reduce the expenses of the fund while rewarding managers that have improved risk/return characteristics. Due to timing issues, SSUAF would need to commit to Balyasny now and fund the position by rebalancing the portfolio. SCS Opportunities would be notified in October of
the intent to redeem as of the end of January 2016, due to liquidity limitations. When funding from the redemption has been received, the portfolio would be rebalanced.

Motion: Immediately fund $1M to Balyasny Asset Management (Atlas Enhanced Fund) through a proportional reduction of equity, fixed income and real assets in order to preserve the risk/return characteristics of the portfolio. Partially redeem SCS Opportunities as soon as possible, and then rebalance the portfolio when funds are received.

Action: Unanimously approved.

Au also passed out a revised document on SSUAF’s Investment Objectives, Strategy, Philosophy, & Expectations, reflecting edits suggested by committee members at the last meeting.

VIII. OPEN ITEMS

None.

Meeting adjourned at 4:50 p.m.

Minutes Approved by: 
Amanda Visser
Chief Financial Officer, SSUAF

Minutes Prepared by:
Jennifer Benson
Staff, SSUAF