



# CAL STATE EAST BAY

## CSU East Bay Foundation, Inc.

September 30, 2022

2:00pm-3:30pm

Via Zoom

Board Meeting Minutes

### Members in Attendance

Evelyn Buchanan (Chair)	Walt Jacobs (Vice Chair)
Myeshia Armstrong (Secretary-Treasurer)	Kim Huggett
YuanYan Gao	Kaumudi Misra
Ashmita Ahluwalia	Tyler Luevano
Albert Gonzalez	Chandra Khan
Arazeli Barragan	

### Staff

May Hernandez, Director, Educational Foundation  
Maureen Pasag, Chair, Foundation Audit Committee  
Josephine Caparal, General Accounting Manager  
Rabi Joseph, University Controller

### Guests

Brian J. Sharpes, CIMA, Institutional Consulting Director, Morgan Stanley Graystone Institutional Consulting  
Dan Tichenor, Morgan Stanley Graystone Institutional Consulting

## MINUTES

- I. Meeting called to order by Chair Buchanan at 2:06 pm. Introductions of attendees were made. The agenda was reviewed and the following action was taken:

**Minute Action: To approve the agenda for September 30, 2022, Meeting**

Motion: Misra Second: Jacobs

Motion: Passed

- II. Approval of Minutes of February 11, 2022, Meeting

**Minute Action: To approve of minutes of February 11, 2022, Meeting**

Motion: Hugget Second: Gao

Motion: Passed

- III. Audit Committee Report

Maureen Pasag, Chair of the Audit Committee, introduced Rabi Joseph, the University Controller, to provide the audit committee report. The audit was passed with no findings, stating the net position of the Foundation decreased by \$4.1M, mostly attributed to the decrease in value of investment portfolio and the \$1.8M increase in pension liabilities.

The single audit report was passed with no instances of non-compliance. Clifton Larsen Allen, the auditing firm, provided an unmodified opinion and stated the audit was very clean and staff was knowledgeable and easy to work with. Rabi Joseph completed the report stating that this audit was

moved to the new GASB system and there were no issues related to the change.

#### IV. Financial Portfolio Review as of August 31, 2022

Brian Sharpes reviewed the portfolio with the board. The market is down in all sectors, which has affected the foundation portfolio, although it is performing better than some of our colleague campuses. It does not appear the market will perform well in the near future. Data suggests a longer-term battle on inflation.

Dan Tichenor took over to review the specific portfolio conditions, resulting in the following recommendations:

#### **Foundation & Extension Division Portfolios**

- **Establish NEW 2.5% position in Geneva Small Cap Growth SMA**
  - Focuses on high quality companies with sustainable competitive advantages, industry leadership, experienced management and low debt levels
  - The strategy's emphasis on stocks with durable and sustainable growth rates, as well as those with high return on equity and low debt levels, results in a quality portfolio with low beta and downside and upside capture ratios
  - Moderately diversified portfolio of 50-60 stocks with low turnover
  - Performance is benchmarked against the Russell 2000 Growth Index
  - Fund from S&P 1500 Composite Stock Market (SPTM) and Fuller & Thaler Small Cap
- **Terminate Virtus Newfleet Low Duration and establish NEW position in Western Asset Core Plus SMA**
  - Looking to diversify Fixed Income exposure and lock in higher yields as rates have increased
  - Opportunistic taxable core plus bond strategy investing in governments, corporates, mortgage securities, asset-backed securities, high yield and developed and emerging foreign securities
  - Seeks to add value through sector rotation, security selection, duration & curve management
  - Trim Breckinridge to meet SMA minimum requirements in Extension Division

#### **Foundation Portfolio**

- **Reaffirm asset allocation based upon 2022 Capital Market Assumptions**
  - US & International Equity -28.5%
  - Fixed Income -26%
  - Alternatives -17%
- **Establish NEW \$250K (~2.0%) commitment to Fortress Lending Fund III**
  - Private Credit fund investing in public, private, corporate, and asset-based loans
  - The fund can invest in a broad spectrum of strategies including Middle Market Lending, Broadly Syndicated Lending, Specialty Finance, DIP and Exit Financing, Litigation, CRE Lending, Royalty and Licensing, and Shipping and Aircraft
    - This flexible mandate should allow capital to be deployed in company-specific situational opportunities that can occur in all market environments even when experiencing a benign credit environment, and can expect an expanded opportunity set during distressed credit cycle

- 2-year commitment period; 4-year fund term subject to extensions (maximum +2 years)
- 1.25% management fee +15% carry over preferred return of 6%

**Minute Action: To approve the provided recommendations.**

Motion: Armstrong

Second: Jacobs

Motion: Passed

**V. Review FY 22/23 Budget & Reserves (Information)**

The budget was reviewed and because most members are new, the board did not have a prior opportunity to review and approve the FY 22/23 budget. Armstrong stated that retirement has increased for this year, as well as insurance expenses. The Foundation is part of CSURMA which is a pooled joint powers authority in which each campus shares in benefits and burdens-this year and last year we had more claims which increased premiums for this year.

The budget has a \$710K deficit as revenue sources remain stable, while expenses have increased. The largest source of foundation revenue is from the bookstore, and their revenue has decreased over the past few years.

The University Controller reviewed the foundation reserves. The balance at 6.30.22 was \$3,484,546. Total expenses are \$15.8M, the reserve requirement is 20% of expenses, so reserve required for this fiscal year is \$3,364,590. Recommendation is no adjustments to reserves.

**Minute Action: To approve amended FY22/23 budget**

Motion: Jacobs Second: Gonzalez

Motion: Passed

**VI. Approval of Slate of Officers and Board Nominations (Action)**

Due to university leadership transitions that specifically affected this board, it was decided that the slate would be formally approved at this meeting. There is new appointed officer leadership, Evelyn Buchanan, Vice President for Advancement will serve as Chair; Walt Jacobs, Provost, will serve as Vice Chair; and Myeshia Armstrong will serve as Secretary-Treasurer. Appointed directors were provided by Academic Senate are: Dr. Kaumudi Misra, Dr. Yuan Gao and Dr. Albert Gonzalez. Student Directors are Ashmita Ahluwalia, Associated Students President; Arazeli Barragan, ASI Executive Vice President; and Tyler Leuvano, ASI Vice President of Finance. The Community appointee remains Kim Huggett.

**Minute Action: To approve FY 22/23 Slate of Officers and Board Nominations**

Motion: Armstrong Second: Gao

Motion: Passed

**VI. Other Business**

Dr. Gonzalez stated that in a future meeting the board should discuss reviewing the ESG investment policies. Chair Buchanan said she will ask our investment advisors, Graystone Consulting, to provide a presentation on this at the next meeting.

With no other business to discuss, there was a motion to adjourn the meeting.



**Minute Action: Adjournment**

Motion: Misra Second: Jacobs

Motion: Passed

Meeting adjourned at 3:13 p.m.

*Myeshia Armstrong*

Myeshia Armstrong, Secretary-Treasurer

Apr 17, 2023

Date

*Recorded by May Hernandez*