

CAL POLY HUMBOLDT FOUNDATION

MINUTES OF THE FINANCE & INVESTMENT COMMITTEE

August 5, 2022
ZOOM TELECONFERENCE MEETING

Members Present:

Ken Fulgham (chair)
Philip Anton
Robin Bailie
Gary Blatnick
Jason Carlson
Scott Hunt
Frank Whitlatch

Members Absent:

Dan Johnson
Heidi Moore-Guynup

Guests: Amber Blakeslee, Katie Koscielak, Peter Lehman, Stacie Lyans, Jack McGurk, Angie Petroske, Kyle Plitt, Samantha Puentes, Deborah Rice, Jamie Rich, Guido Setton, Jen Showalter, and Robin Smith

A meeting of the Cal Poly Humboldt Foundation Finance & Investment Committee was held on Friday, August 5, 2022 at 2:30 PM via Zoom Teleconference.

1. Call to Order/Roll Call

The meeting was called to order by Finance & Investment Committee Chair, Ken Fulgham, Ph.D. at 2:32 PM.

2. Public Comments

Peter Lehman, Founding Director of the Schatz Energy Research Center (SERC), shared with the committee that the Redwood Coast microgrid is now operational and that SERC helped the Humboldt Transit Authority write a \$39 million grant to buy 11 new Hydrogen fuel cell buses, build a Hydrogen fueling center, and build a new transit and housing center in downtown Eureka. SERC has been instrumental in writing additional grants as well: an energy commission grant to study off-shore wind (getting power from generation-to-use point) and another grant for the Yurok Tribe to create a tribal utility.

3. Acceptance of Minutes from the May 27, 2022 Meeting

Upon motion duly made (Scott Hunt), seconded (Jason Carlson) and unanimously carried, it was:

RESOLVED, that the Minutes of the May 27, 2021 meeting are accepted.

4. Property Update

Frank Whitlatch, Executive Director, provided information on the three properties the Foundation has invested in, each providing value for the University. The three properties are as follows:

1. Craftsmans Mall
 - a. Purchased about two years ago by the Foundation, currently held in Real Estate Holdings
 - b. Revenue through rent
 - c. To be purchased by the State in early 2023
 - d. On track to become student housing by 2025; groundbreaking early next year
2. Stewart Property
 - a. Prior elementary school, located across the street from Arcata High School
 - b. University is leasing the property from the Foundation (7% return to endowment) and sub-letting to tenants
 - c. To be purchased by the State in late 2023
3. Campus Store
 - a. Located off the Arcata Plaza
 - b. University is leasing the property from the Foundation (7% return to endowment)
 - c. Property could be sold to the State or held in the Foundation for medium- to long-term

A discussion followed regarding continuing the practice of community-mindedness when the Foundation purchases properties and interest in an effort to educate community members and donors about the difference between the Foundation and the University and the benefits of investing in real estate. This effort would be in line with the University President's interest in the Foundation becoming more forward-facing and shown as a long-term stable organization in support of the University.

5. Investment Portfolio Update

Kyle Plitt, RVK Investment Manager, presented the Foundation's Investment Portfolio Update for the fiscal year beginning July 1, 2021 and ending June 30, 2022. The Fund's estimated market value has decreased from \$49.5 million (6/30/21) to \$44.6 million (6/30/22). This decline includes a negative net cash flow of -\$0.7 million, largely attributed to annual distributions. RVK expects fiscal year 2023 distributions will occur by the end of the first quarter (i.e September) and must be made from liquid assets (equities, fixed income, cash).

This was the worst fiscal year for Foundation investments since the global financial crisis. The Fiscal Year to Date return is -8% (compared to median foundations at -11%) and the Calendar Year to Date return is -11.3% (median foundation at -14.3%). While performance was negative on an absolute basis, the Foundation has substantially outperformed peers, the result of:

- Significantly higher allocation to real estate, including local holdings;
- Lower allocation to fixed income (i.e. bonds), which have been negatively impacted by rising interest rates; and
- Higher than average performance by select investment managers

The Foundation's current allocation to real estate is now above its Policy maximum allocation of 28.0%. RVK recommends the Committee formally address this Policy breach, the potential timeline for exiting local property holdings, and a temporary waiver on rebalancing.

6. Real Estate Investments

The Committee discussed the Foundation's over-allocation in real estate investments and the need to formally address this Investment Policy breach by acknowledging that this is an unusual event and that holdings are illiquid and temporary in nature. A change in policy is not recommended at this time.

Real Estate has a target allocation of 18% with a variance of 8% to 28%. As of June 30, 2022, the allocation grew to 29.2%. The investment manager is monitoring this allocation quarterly. The Committee acknowledges this variance to the Investment Policy as an unusual event given the market volatility and the temporary holdings of local real property on behalf of Cal Poly Humboldt and will report to the Executive Committee.

A working group consisting of Kyle Plitt, Frank Whitlatch, Ken Fulgham, Scott Hunt, and Jason Carlson will convene to create a document with various options regarding a temporary waiver, potential widening of target allocation, and an acknowledgement of over-target investments.

7. Green Investing Review & Process Recommendation

Frank Whitlatch, Executive Director, shared that the current green investment policy is no longer as cutting-edge as it was upon its creation and that energy companies now are more 'green' than they had previously been. STARS reporting evaluates how we are acting as a sustainable campus and a small piece of that reporting includes investments and the investment policy. The campus has a goal of earning a platinum rating within 4-5 years, and will likely earn a gold rating in the next cycle. Only 12 universities currently have a platinum rating. Frank suggests forming a Green Investment Working Group to spend fiscal year 2022-23 looking at green investing with the goal of providing recommendations to the Finance & Investment Committee on changing investments or making updates to the investment policy, on both social and environmental investing. This working group would be part of the strategic priorities for the Board.

After discussion and upon motion duly made (Jason Carlson), seconded (Robin Bailie), and unanimously carried, it was:

RESOLVED, a recommendation be made to the Foundation Executive Committee to form an environmentally- and socially-responsible investing review consisting of:

- a Foundation Board member (appointed by the Executive Committee)
- the Foundation's investment manager, Kyle Plitt
- the Vice President for University Advancement, Frank Whitlatch
- a member of the public, Peter Lehman
- the University Sustainability Analyst, Katie Koscielak
- the Chair of the Finance & Investment Committee, Ken Fulgham
- a current Cal Poly Humboldt student (selected by the University Sustainability Analyst)

8. Other Business

No other business was discussed.

8. Adjournment

Without objection, the meeting was adjourned at 3:57 PM.