

# Cal Poly Humboldt FOUNDATION

## MINUTES OF THE FINANCE & INVESTMENT COMMITTEE

September 30, 2022  
ZOOM TELECONFERENCE MEETING

### Members Present:

Ken Fulgham, Chair  
Philip Anton  
Scott Hunt  
Frank Whitlatch

### Members Absent:

Robin Bailie  
Gary Blatnick  
Jason Carlson  
Dan Johnson  
Heidi Moore-Guynup

**Guests:** Peter Lehman, Stacie Lyans, Angie Petroske, Dan Phillips, Kyle Plitt, Samantha Puentes, Jamie Rich, Robin Smith, Travis Williams

A meeting of the Cal Poly Humboldt Foundation Finance & Investment Committee was held on Friday, September 30, 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 2:31 PM.

### 2. Public Comments

Dan Phillips, Chair of the Boldly Rising Campaign Cabinet, reminded the committee the public launch of the campaign will occur the week of October 24<sup>th</sup>, during Donor Appreciation Week.

### 3. Acceptance of Minutes from the August 5, 2022 Meeting

After discussion and upon motion duly made (Scott Hunt), seconded (Philip Anton), and unanimously carried, it was:

RESOLVED, that the Minutes of the August 5, 2022 meeting are accepted.

#### 4. Investment Portfolio Update

Kyle Plitt, RVK Investment Manager, presented the Foundation's Investment Portfolio Update for the first quarter of the current fiscal year: July 1, 2022 through September 23, 2022. The Fund's estimated market value has decreased from \$44.6 million (6/30/22) to \$41.9 million (9/23/22), reflecting a -2.6% return. Following a rebound in global equity markets through mid-August, investors are responding to Federal comments indicating interest rate tightening will continue until inflation is brought under control. Regarding asset allocation, Kyle noted that fiscal year 2023 distributions occurred this month, reducing assets by \$1.5 million, resulting in an increase in the allocation to real estate (estimated at 31.5%, its highest allocation this year).

At the August 5, 2022 Finance & Investment Committee meeting, the Committee directed RVK to assist in preparing Policy edits reflecting:

- Acknowledgement of the inability to rebalance illiquid real estate allocations;
- The potential for illiquid real estate allocations to surpass minimum or maximum allocations;
- The appropriateness of a waiver to rebalance portfolio assets in unusual market conditions.

RVK has circulated redline Policy language for review and potential formal adoption at the October 28, 2022 Board of Directors meeting.

Kyle commented the portfolio had a fairly good start to the 1<sup>st</sup> quarter with inflation ticking back down and the Federal Reserve potentially lowering interest rates. However, that initial outlook has completely reversed - interest rates have increased and will likely be higher than previously communicated.

There is a looming concern for recession and the returns are likely at -4% by today. However, due to the currently high allocation to real estate, nearly 1/3 of the Foundation's overall assets have a positive return. Once the Craftsman Mall is divested, the Foundation's allocation to real estate will decrease by 9%.

Kyle is working with Humboldt's Accounting team to transfer approximately \$750,000 into the portfolio, executing the necessary trades to align policy targets. This influx is due to new endowments and donations starting in January 2022 and includes a quarter's worth of interest. This will add to the Foundation's market value and returns.

#### 5. Current Market Value of Endowments as of June 30, 2022

Frank Whitlatch, Executive Director of the Foundation, presented a report detailing the current market value of each endowed fund held by the Foundation and commented how the Check 5 process findings presented at the Donor Intention & Fulfillment Committee meetings help to spot trends and identify when funds are not being used to their fullest potential. This report includes contributions as endowments but not current use funds.

## 6. Investment Policy Update

After discussion and upon motion duly made (Frank Whitlatch), seconded (Scott Hunt), and unanimously carried, it was:

RESOLVED, that the Finance & Investment Committee recommends the Foundation Board of Directors accept the following changes to the Investment Policy:

- University name change;
- Income derived from loans used to finance local properties shall be used to support the liquidity needs of the Foundation;
- Addition of Environmentally-responsible investing language; and
- Acknowledgement that rebalancing less-liquid allocations (including allocations to real estate) may not be feasible in a timely manner.

## 7. Endowment Distribution Rate for FYE 2024

Endowment funds are governed by the State of California Uniform Prudent Management of Institutional Fund Act (“UPMIFA”) which requires the Board of Directors to invest and manage the Foundation’s endowment funds in order to provide a consistent level of distribution for charitable purposes while preserving the capital value of the endowment over time. In order to determine the annual endowment distribution, the Board must take into account expected investment return, expected inflation, and the 1.5% service charge and balance these with the need to provide a payout amount which is meaningful to the students, programs, and departments that benefit from the endowment. The average market value (AMV) of the endowment over 12 quarters is used as a basis for comparison against the current market value (CMV) to mitigate for unusual market activity.

After discussion and upon motion duly made (Scott Hunt), seconded (Ken Fulgham), and unanimously carried, it was:

RESOLVED, a recommendation to the Cal Poly Humboldt Foundation Board that the endowment distribution amount for fiscal year ending 2024 shall be based upon a rate of 4.5%.

## 8. Other Business

Ken Fulgham mentioned that the Golden Grad celebration is this weekend and Frank added that this will be the largest Golden Grad event yet, with 45 golden grads attending. Attendees are eligible to wear golden robes and participate in the spring commencement exercises.

8. Adjournment

Without objection, the meeting was adjourned at 3:42 PM.