

CAL POLY POMONA FOUNDATION, INC.
FINANCE & INVESTMENT COMMITTEE
Tuesday, May 21, 2024
1:30 p.m.-3:30 p.m.

Join Zoom Meeting
<https://cpp.zoom.us/j/87642121586>

Meeting ID: 876 4212 1586

AGENDA

Committee Chair: Ysabel Trinidad
Members: Michelle Cardona, Dr. Rita Kumar, Carol Lee, Dr. Phyllis Nelson, Cynthia Nelson, Naman Pandadiya, Stephanie Pastor, Ruby Suchecki, Kris Zoleta
Staff: Claudia Burciaga-Ramos, Jared Ceja, Lisa Coats, Ernest Diaz, Tariq Marji
Guests: Andy Price, Karin Longhurst

I. ACKNOWLEDGEMENT OF MEMBERS OF THE PUBLIC

Who may or may not be commenting on a specific item or making a general comment.

II. CONSENT ACTION ITEMS

Items in this section are considered to be routine and acted on by the committee in one motion. Each item of the Consent agenda approved by the committee shall be deemed to have been considered in full and adopted as recommended. Any committee member may request that a consent item be removed from the consent agenda to be considered as a separate action item. If no additional information is requested, the approval vote will be taken without discussion. An "A" distinguishes items requiring approval.

A. Reading of Minutes	Ysabel Trinidad, Chair	Page
Approval of Meeting Minutes – February 13, 2024		2 - 6

III. GENERAL UPDATES

B. Introduction of Tariq Marji, Interim CFO (Attachment)	Jared Ceja, CEO
C. CEO's Report	Jared Ceja

IV. INFORMATION & DISCUSSION ITEMS

D. Financial Highlights - Q3 2023-2024	Jared Ceja Tariq Marji, CFO
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V. ACTION ITEMS

E. Investment Portfolio Report Q3 2023-2024	Tariq Marji Andy Price & Karin Longhurst, Graystone
F. Proposed Operating & Capital Budgets 24/25 & Proforma	Jared Ceja Tariq Marji
G. Policy #170 Update – Ag Reserve Policy	Tariq Marji
H. Transfer to VEBA Trust	Tariq Marji

VI. OPEN FORUM

VII. <u>ADJOURNMENT</u>	Ysabel Trinidad	
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CAL POLY POMONA FOUNDATION, INC.
Finance & Investment Committee Meeting Minutes
Tuesday, February 13, 2024
9:00-11:00 a.m.

Minutes

Notice is hereby given that a regular meeting of the Finance/Investment Committee was held by video conference/teleconference on Tuesday, February 13, 2024, at 9:00 a.m. to discuss matters on the posted agenda. The meeting notice in its entirety was posted on the internet at <https://foundation.cpp.edu/content/d/Meeting%20Packets/Finance%20&%20Investment%20Packet%20021324%20-%20Final.pdf>

Members: Michelle Cardona, Dr. Rita Kumar, Dr. Phyllis Nelson, Stephanie Pastor, Ruby Suchecki, Ysabel Trinidad, Kris Zoleta

Staff: Claudia Burciaga-Ramos, Jared Ceja, Lisa Coats, Ernest Diaz, Joanne Mathew, Thomas Sekayan

Absent: Cynthia Nelson, Naman Pandadiya

Guest(s): Allison Johnson, Karin Longhurst, Andy Price, Jola Tuck

CALL TO ORDER

Committee Chair Ysabel Trinidad began meeting discussion at 9:00 a.m.

CONSENT ACTION ITEMS

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1. Approval Finance & Investment Committee Minutes, November 21, 2023
A motion was made by Dr. Phyllis Nelson and seconded by Kris Zoleta to approve the minutes. There was no opposition; the minutes were approved.

GENERAL UPDATES

2 CEO's Report

Jared Ceja discussed the impact of recent weather events and closures on campus operations, resulting in around half a million dollars in revenue losses. Jared outlined proposed rule changes from the Department of Education, focusing on modifications to meal plan management and restrictions on the use of financial aid for books and supplies. Discussion was held on the potential unintended consequences, particularly regarding student food insecurity and access to course materials for student success.

Mr. Ceja provided updates on a housing project near campus, including potential partnerships for shuttle services and operating a market. These partnerships aim to benefit both students and our institution economically. Additionally, Jared mentioned the upcoming arrival of Schools First Credit Union on campus, offering banking services to faculty, staff, and eligible students.

Information was provided on the Instant Access Complete subsidy, which aims to support students facing financial challenges by reducing IAC costs to \$50 per semester, distributing \$30,000 this semester, and planning continued support by building a reserve. Details were shared about an annual scholarship partnership with Pepsi, targeting our 1300+ students, with up to \$1,000 in support for educational expenses. We will distribute between \$25,000 and \$50,000 this year.

INFORMATION & DISCUSSION ITEMS

3. Financial Highlights 2nd Quarter 2023-2024

Joanne Mathew led the discussion on the financial update for quarter two, providing insights into key financial reports. Three key reports were reviewed: the Statement of Activities, the Fund Balance report, and the Cash Flow Forecast. Enterprise activities concluded with a surplus of \$2.8 million. Kellogg West has continued to face challenges ending the period in a deficit of \$543K. The Village performed exceptionally well at a surplus of \$1.6 million. Investments have also been stellar. Overall, Enterprise Activities ended the quarter in a surplus position of \$3.8 million for Q2. In addition, we are forecasting a surplus of \$4.5 million by year's end. The total fund balance stands at \$21.4 million for Enterprise Activities. Agriculture is encountering delays in crop sales at Westwind Ranch, accounting for the deficit forecast. CPGE is trending well ahead of budget.

Per the Fund Balance report, we are in a strong position at the end of Q2 with a total of \$136M in Current Assets. The current ratio is at 6.04 for the period.

The cash flow forecast highlights our current cash position out to November 2024. It also illustrates the movement of funds between investments and bank accounts to optimize earnings.

4. CalPERS Public Agency Valuation Reports

Joanne provided an update on the CalPERS retirement plans, detailing three tiers: Tier 1 (2% at 55), Tier 2 (2% at 60), and PEPRA (2% at 62). She highlighted the funding levels and contribution rates for each tier, noting that valuations are done with a gap of a year, based on data as of June 30, 2022.

For Tier 1, the funding level is at 77.3%, with an expected contribution rate of 13.88% for the next fiscal year. Tier 2's funding level is slightly under 90% with a contribution rate of 10.15%, while PEPRA's funding level is at 87.6% with a contribution rate of 7.87%.

Joanne mentioned proactive measures are now being undertaken, such as a \$1 million payment towards Tier 2 funding that was made last year, aiming to maintain lower contribution rates. She also noted that, despite minimal increases in expenses, funding rates remain strong compared to our peers. Jared added that these rates are market-driven and are dated as of June 2022, which impacts the timeliness of adjustments in financial planning.

Overall, the update highlighted the stability of contribution rates and funding levels, albeit with some lag due to market performance and the timing of data availability.

5. Budget Assumptions for 24/25

Mr. Ceja discussed the budget assumptions for the upcoming year, emphasizing the need for a conservative yet realistic approach. He started with enrollment projections, aiming for 22,265 FTE, with mechanisms in place for adjustments as needed. Inflation is budgeted at 4%, impacting various cost and revenue categories. Housing assumptions start with a 93% occupancy rate due to a nearby property's opening, offering 636 beds and posing uncertainty about its impact. Instant Access Complete pricing remains at \$250 without an increase, despite inflation. Compensation includes a 3.5% general increase and a 2.5% merit pool while also factoring in the impact of California's minimum wage laws. On-campus foot traffic correlates with enrollment, mainly measured through dining transactions, but is influenced by remote and hybrid classes. Discussion was held regarding competition from a luxury off-campus property, The Current Apartments, prompting efforts to retain residents and remain competitive, emphasizing CPPE's university housing's unique advantages.

ACTION ITEMS

6. Investment Portfolio Report, 2nd Quarter 2023 – 2024

Joanne, along with Andy Price and Karin Longhurst, provided an update on the university's investment portfolio, primarily managed by Graystone, a department of Morgan Stanley. Joanne noted a small portion managed by the Common Fund, separate from the main portfolio.

Andy highlighted recent market trends, including a rally in stocks and a drop in treasury yields after the Federal Reserve indicated a halt in rate hikes. However, concerns were raised about high valuations and potential inflationary pressures. They anticipated future rate cuts by the Fed.

Karin discussed the portfolio's asset allocation, which intentionally underweights equities and overweights fixed income, reflecting a cautious stance given market conditions. They emphasized the importance of diversification and identified areas of opportunity in international markets and alternative investments.

The investment performance for the fiscal year-to-date and calendar year 2023 was reviewed, with strong returns attributed to defensive positioning and overweighting in fixed income. They highlighted specific sectors within the portfolio, such as large-cap growth and value stocks, as well as international investments and alternatives. Changes in the fixed income allocation were discussed, including a shift towards longer-duration bonds to capitalize on yield opportunities. Additionally, alternative investments, including hedge funds and real estate funds, were highlighted for their contribution to portfolio diversification.

A motion was made by Ruby Suchecki and seconded by Carol Lee that the members of the Finance & Investment Committee have reviewed the comprehensive quarterly investment portfolio report and believe the report follows the investment policy and recommend it be presented to the Board of Directors at their next regularly scheduled meeting. There was no opposition, and the motion was approved unanimously.

7. 990 Tax Return Review

Forms 990 and 990-T, which are tax forms for exempt organizations, were presented to the Committee. Electronic versions were made available for review in advance of the meeting. Joanne introduced Jola Tuck and Alison Johnson from CohnReznick as the individuals responsible for completing the returns, specializing in exempt organization tax services. They discussed the importance of the 990, its public accessibility, and the need for accuracy in reporting to reflect the organization's activities and financial status. They went through the various parts of the 990, explaining the detail as presented in the return, along with each section's significance and any changes from previous years. Schedules A, B, D, I, J, O, and R are discussed, covering aspects such as tax-exempt status, contributions, financial transactions, grants, compensation, and Board involvement. The due date for filing the returns is May 15th for the fiscal year ending in June per the extension that was filed for the year.

A motion was made by Carol Lee and seconded by Michelle Cardona that Form 990, 990-T, and all supporting schedules are recommended by the Finance & Investment Committee for review and approval by the Board of Directors at their next regularly scheduled Board of Directors meeting. There was no opposition; the motion was approved.

8. Capital Budget 2024 - 2025

The discussion focused on reviewing the capital budget for the upcoming year. Jared and Joanne provided a detailed overview of the various capital requests, including expenditures for the Bookstore, Dining, Administration, IT, and other areas. They highlighted significant projects such as updates to Centerpointe, converting Roundtable Pizza to an Innovation Brew Works location, and converting Sushi Bar to a TaKorean. They also discussed the allocation of funds for emergencies and unanticipated needs for administration. Additional detail around specific capital items was provided with a focus on Kellogg West, the Farm Store, CTTI and the Bookstore.

There was a discussion about the prioritization of projects, especially concerning health and safety matters and deferred maintenance. Members requested more information about the amount of carryover from previous years and the process for addressing older projects versus approving new ones. Joanne and Jared provided insights on the differences between projects controlled internally and those done in collaboration with the University. Chair Trinidad added depth on some of the challenges facing the University's Facilities Planning & Management in recent periods and their efforts to improve the project management processes.

A motion was made by Dr. Phyllis Nelson and seconded by Ruby Suchecki that the members of the Finance & Investment Committee have reviewed and approved the presented 2024–2025 Capital Budget and forward this resolution to the Board of Directors for consideration at their next scheduled meeting.

OPEN FORUM

Jared announced that Joanne would be stepping down from her CFO role, and a replacement search was in progress. Mrs. Mathew will be moving into a part-time role with the organization, carving out some time to onboard her successor. Members expressed appreciation for Joanne's contributions and wished her well in her future endeavors.

ADJOURNMENT

Committee Chair Ysabel Trinidad adjourned the meeting at 11:02 a.m.

Ysabel Trinidad
Finance & Investment Committee, Chair