

**STUDENT UNION BOARD OF DIRECTORS
FINANCE COMMITTEE**

**Meeting Minutes
February 27, 2023
1:00 PM**

This is a hybrid meeting.

In-person: Student Union Inc. Building, Conference Room 6

Telecommute meeting by Zoom Video Conference.

This meeting is being facilitated in person and through an online Zoom format.

Voting Members Present: Kathryn Blackmer Reyes, Sara Bonakdar (BOD Designee)
Andrea Cabrera-Sanchez, Dr. Sonja G. Daniels, James Figueroa,
Jeet Parekh

Voting Members Absent: Peter Lee

Updates Attendance: Dr. Sonja G. Daniels updated to absent at 1:58 PM

Non-Voting Member Present: Tamsen Burke

Guests: Caryn Collopy, Ryan Fetzer, Jeff Hill, Joe Lopez II

I. CALL TO ORDER

Director Cabrera-Sanchez called the meeting to order at 1:04 p.m.

II. ROLL CALL

Director Cabrera-Sanchez asked Kelly Goldsmith to take roll. Kelly Goldsmith completed a verbal roll call.

III. APPROVAL OF FEBRUARY 27, 2023 MEETING AGENDA

Director Cabrera-Sanchez asked for any changes to the agenda.

A recommendation was made to move Discussion/Action item I.D. Approve SRAC Membership & Pricing Proposal to V. Discussion.

Director Cabrera-Sanchez asked for a motion to approve the agenda with the recommended change.

Director Daniels motioned to approve the agenda with the recommended change; Director Figueroa seconded the motion.

Vote on the Motion:

6-0-0

Motion Passed

IV. APPROVAL OF DECEMBER 7, 2022 MEETING MINUTES

Director Cabrera-Sanchez asked for any changes to the minutes.

Director Cabrera-Sanchez asked for a motion to approve the meeting minutes as presented.

Director Figueroa motioned to approve the meeting minutes as presented; Director Blackmer Reyes seconded the motion.

Vote on the Motion:

4-0-2

Motion Passed

Abstain: Director Daniels and Ms. Bonakdar

V. DISCUSSION ITEMS

A. Market Outlook & Investment Presentation by UBS

Director Cabrera-Sanchez introduced Jeff Hill, Senior Vice President of Wealth Management, Lakeshore Partners, UBS Financial Services, Inc., to present this item.

Mr. Hill provided a high level overview of the Student Union's long term account, what occurred last year, and the outlook going forward for 2023. The key drivers of how the market performed in 2022 were three different risks that unfolded at the same time. This included a 4.5% increase in interest rates and increased inflation. These two factors combined really shifted the way the markets have performed in all historical contexts. Mr. Hill reviewed the asset allocation, portfolio value and investment results. The investments are within the threshold from the investment policy statement, which is a minimum of 30%. The board approved an increase in the mandate of up to 60% in equities. Commodities were added last year to hedge inflation and performed quite well. Mr. Hill mentioned during last year's presentation, he discussed a private investment company called Blackstone Real Estate and whether or not that was eligible for this account specifically. In 2022, Blackstone investment was up roughly 8.5%. In January, the UC system allocated \$4.5 billion dollars to Blackstone investment. For calendar year 2022, the Student Union account was down but all things considered, the account actually did a little bit better than how the market had performed. Late 2020-2021, the account dropped from about \$9 million dollars to \$1 million dollar threshold, which is where we are at now. The drop was based on policy changes within the Student Union as well as the university. The outlook for 2023 depends on a couple of things, interest rates, inflation, and some of the geopolitical risk. The expectation is that there will continue to be a gradual raise in rates through mid-year, at which point there will be a pause. A large number of consumers are still in a pretty strong financial position when it comes to savings so inflation will continue to fluctuate until the consumer starts to have more financial issues. Investments have been added to take advantage of the volatility and are extremely short when it comes to fixed incomes. Mr. Hill explained that in January, they received \$5 million dollars from the Student Union which went into UBS core savings; higher yielding money market account. This account allows for flexibility without penalties or time constraints to allow funds to be pulled out for the monthly draw for expenses.

Mr. Hill addressed questions from the committee which included that Blackstone is the world's largest private equity firm. UBS has access to their two flagship perpetual funds; Blackstone Real, and Blackstone Credit. As of right now, Mr. Hill would take advantage of other areas on the market in this account to help increase cash flow so that on a total return perspective we're generating more cash flow in the account. Investing in Blackstone was just thought of as a possible opportunity last year.

Ms. Burke asked the committee if they would like additional information prepared on the existing investment policy and non-traditional option of Blackstone for your consideration?

The committee requested more information, specifically non-traditional.

Mr. Hill explained that based on the size of this account right now, and the qualified investor restrictions for a lot of these different funds, there are only three categories that would qualify in the space for that nontraditional perpetual type fund; private real estate, private real estate debt, or private credit. At this point all three produce 1099, rather than a K-1, which is important as well. Based on all three, there's different liquidity restrictions. All three categories are a monthly draw, you can invest once per month, and each one is a little bit different on redemption. Some you can pull your funds out monthly, and some are quarterly. The minimum investment on any of them is going to be \$25,000. Mr. Hill will work on some of the nontraditional private equity investments or private investments that they work with. In closing, he explained that things are going to look a lot different this year going forward compared to where we have been. We're in a world where we can get 5% on a 1 year CD and actually have interest rates on cash and short-term fixed income. Positioning just for more volatility going forward and taking advantage of that where we can, and not diving back in the markets and trying to chase returns at this point is really where we have the account position going forward for the calendar year.

B. Update FY 2023-2024 Budget Process

Mr. Alves, Associate Director of Accounting and Finance, explained that they are on schedule with the budget process timeline. The department budget hearings have been scheduled for this week. The committee was invited to attend any of the hearings.

C. Student Union Cash Flow & January Close

Mr. Alves explained the information being presented is the results of operations for the 7 months into January 31, 2023 and the re-forecast that occurred during the mid year forecast process in January. We currently have about \$1.2 million dollars of residual available at the end of the 7 month period. There is \$4.2 million dollars listed for Student Union Fee Funding requests remaining. Based on the midyear forecast that was turned into campus, an invoice has been sent to campus for the \$4.2 million dollars. Ms. Bonakdar explained that the Student Union does not actually collect students fees and that this category is not appropriately categorized. Her understanding is that this is the allocated budget from the university in this particular category. She requested that the line item specifically saying student fees, be changed to the Student Union Fee Funding Request. Mr. Alves clarified that the external audit report reflects those as “program fees”. Ms. Bonakdar will look into that..

Mr. Alves explained that the forecast was a calculation that we went through in January for the first 6 months of the year which essentially reduced our spending. The expenses were reduced by approximately \$3 million dollars which resulted in an increase of that amount to the original budget amount. Ms. Burke stated expenses were reduced as funds were not received until December. Funds would have been spent, however without sufficient funding, we had to change our business model July through November.

The committee requested that there be some type of hybrid category so the board understands that historically it goes back to the collected Student Union fees that students have paid from referendums to the institution. That clarity can't be lost in the wording as the board transitions every year. The committee asked Ms. Burke to have that conversation.

Ms. Bonakdar suggested some type of asterisk or definition so there is background. It needs to be clear that the Student Union is not collecting student fees because that is not accurate. Ms. Burke asked how we mimic what is happening in the language without losing what is the actual money and where the money is coming from? Ms. Prunty explained that Student Union fees are one of the campus mandatory fees. It was voted through a process years ago through the student government body; Associated Students. When Student Union fees are listed as revenue in the budget, it does imply that the Student Union is directly collecting a fee, which the Student Union is not. Some of the language being used also implies that all of that fee is somehow part of the Student Union, Inc., which it is not. There are several items that get paid first out of that fee which includes, building debt, utilities, and maintenance and repairs. To access what is set aside for operations and student programming, the Student Union board of directors and the executive team create a budget request that is put forward to the university requesting funding to fund operations. Ms. Prunty does not see that there would be a loss of the idea that this is student fees. It could be a budgetary request of Student Union fee funding but it is not directly student fees.

The committee wants to make sure that as a CSU entity, it's not forgotten that those fees are part of the mandatory fees. While all the fees don't come back to the Student Union, Inc., they do pay for a variety of services as explained by Ms. Prunty, it's very important that the fees are noted that they originate from students

Mr. Alves reviewed the expenses and explained that although it appears some of the categories have been under spent in the first 7 months, a lot of the expenses were kept down because funding was not received until December. The expectation is that most of the operating expenses will be incurred in the remaining 5 months of the fiscal year. Utilities are zero because the Student Union is no longer billed directly for utilities. Prior to the utility accounts for the ATM kiosk building and the Event Center water being transferred to campus, the Student Union continued to pay those utilities in July and August. In January, the Student Union received refunds from campus for these payments. Mr. Alves discussed the available cash balance as of February 24, 2023, and the projected cash balance at March 31, 2023. The expectation is that the Student Union would receive payment for the invoice of \$4.2 million dollars of university allocated fees by mid-March so there is enough funds to keep operations going. Ms. Bonakdar requested the term "student fees" be changed where it references invoice number 20205. Mr. Alves reviewed the SSETF funding received for club sports and intramurals and the expenses through January 31, 2023. There is \$51 thousand dollars remaining which is expected to be fully utilized by both club sports and intramurals.

Item moved to Discussion during the approval of the agenda.

D. Approve SRAC Membership & Pricing Proposal

Mr. Fetzer, Director of SRAC, explained that updates were made to the proposal based on the feedback from the committee during the last meeting. The philosophy of the membership is to serve students first, campus community and alumni second, and then the outside community. Mr. Lopez II reviewed the proposed changes which included lowering the cost of faculty, staff, and alumni memberships. Mr. Fetzer explained that the pricing structure is high when compared to other campuses and some surrounding

facilities in the community. SRAC is one of the only recreation centers in the CSU system to offer a type of open community membership. To align with the other recreation facilities, a sponsor community membership is included in the proposal which will replace the open membership. Current members who have an open community membership would be grandfathered into the sponsor community membership. The membership proposal also includes lowering the cost of a guest pass for students and increasing the cost for community members. Mr. Lopez II reviewed the first quarter revenue and what the revenue would have been with the proposed membership costs. The difference could be recovered by selling six more staff and faculty annual memberships. By lowering the membership costs, the hope is that more staff and faculty will purchase a membership. As of January 2023, there were 101 community memberships, 75 alumni memberships, and 66 staff/faculty memberships.

The committee discussed the proposal. There was a concern about the elimination of the aquatic monthly family membership, which has a high number of users, and how that revenue would be recouped.

Mr. Fetzer answered questions from the committee which included that they have done a couple staff/faculty membership drives and will continue to work with the marketing team. A marketing budget hasn't been determined yet but in the past, the staff/faculty membership drives had a minimal cost. There are more classes being taught in person so the feeling is that there is an opportunity to increase memberships. Based on feedback from last summer, a lot of families were not necessarily interested in purchasing a month family membership but were more interested in purchasing a day pass to allow more flexibility with a lower cost. Mr. Fetzer explained that there would be two types of day passes offered, one for just the pool area and one for the entire facility. Towles are currently not being offered which is inline with what other CSU facilities are doing.

The committee requested a marketing plan be included in the proposal because those costs also need to be considered.

I. DISCUSSION/ACTION ITEMS

Item moved to Discussion during the approval of the agenda.

E. Approve SRAC Membership & Pricing Proposal

VI. MEETING ADJOURNMENT

Director Cabrera-Sanchez asked if there were any objections to adjourning the meeting. Hearing no objections, the meeting was adjourned at 2:19 p.m.