

2-8-2018

Finance Committee Meeting – Minutes 02/08/ 2018

UC Hastings Board of Directors

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**UNIVERSITY OF CALIFORNIA
HASTINGS COLLEGE OF THE LAW**

**FINANCE COMMITTEE
MEETING MINUTES**

FEBRUARY 8, 2018

1. Roll Call

Board of Directors Present:

Chair Don Bradley
Director Tina Combs
Director Marci Dragun
Director Chip Robertson
Director Courtney Power
Director Tom Gede (Ex-Officio)

Staff Present:

General Counsel Elise Traynum
Chancellor & Dean David Faigman
Academic Dean Morris Ratner
Chief Financial Officer David Seward
Chief of Staff Anne Marie Helm

Other Participants:

Trustee Robert Sall

2. Public Comment

(Written)

Chair Bradley opened the Public Comment period. Hearing no requests from the public to speak, Chair Bradley closed the Public Comment period.

***3. Approval of Minutes — November 9, 2017**

(Written)

Chair Bradley called for the approval of the November 9, 2017 minutes. The minutes were approved as distributed.

4. Investment Report as of December 31, 2017
Presented by Chief Financial Officer David Seward

(Written)

Chief Financial Officer David Seward reported that the General Endowment Pool (GEP) experienced total returns of 6.67% as of December 31, 2017. On a calendar year basis, GEP had a total return of 14.64%. Additionally, the Short Term Investment Pool (STIP) experienced total returns of .72% as of December 31, 2017. On a calendar year basis, STIP had a total return of 1.38%.

Referencing the Rates of Return summary in the meeting materials, a director asked for more information about the Planned Giving category. Mr. Seward explained that this is a UC managed investment pool where annuity payments are allocated for individuals who participate in the UC planned giving program. There was a brief discussion about current gifts versus testamentary gifts.

***5. State Budget Report for 2017-18—As of December 31, 2017, and
Mid-Year Budget Changes**
Presented by Chief Financial Officer David Seward

(Written)

Mr. Seward provided a brief overview of the College's mid-year budget review process. He explained that the mid-year revised budget is developed after reviewing departmental budget performance and evaluating revenues and expenditures based on year-to-date figures. This involves evaluating any changes in enrollment (based on the early assumptions made in the beginning of the fiscal year). These evaluations attempt to estimate attrition and incorporate budget adjustments for aspects such as planned giving officer.

Mr. Seward explained that the fiscal year began with an approved budget with an operating deficit of \$8.1 million for state operations, which are core operations. To date, the deficit has been reduced to about \$7.8 million. Mr. Seward explained that additional revenue was captured as a result of the strong incoming class. The reserve burn is as projected, Mr. Seward said.

Moving on to expenditures, Mr. Seward explained that the College is preparing a compensation package for non-represented employees and faculty. The proposed package would be effective July 1, 2018, making it a FY18-19 cost. Mr. Seward added that these figures are not final. Mr. Seward noted that one of the budget adjustments is the removal of the allocation, as the Board initially provided for a 1.5% compensation pool for non-represented staff and faculty. Mr. Seward explained that the upcoming package may be a higher award than the College typically makes because there is an element of "catching up," as non-represented employees' pay rates are currently 3.5-4 % behind that of represented employees.

Moving on to deferred maintenance, Mr. Seward explained that included in the State Budget Act of 2016 Section 6.10 is a one-time \$2,000,000 General Fund allocation to the College to address deferred maintenance items. He elaborated that funding is available for expenditure over two years, through June 30, 2018. Mr. Seward noted that in 2016-17, expenditures of \$20,224 were incurred. He added that at the October 2017 Special Meeting, the Board of Directors authorized

additional funding of \$378,000 from nonstate unrestricted Hastings-Digardi-Hall funds, and a roof replacement contract with Roebuck Construction has since committed \$2,132,565 use of the funding. Also included in the budget, he said, is a request for an allocation of \$3.4 million to allow the College to continue renovations on the 6th floor of 200 McAllister. This would create new configurations for 4 of the College's centers (Work-Life Law, CGRS, Innovation Law, and the Consortium). Mr. Seward noted that the College will add two additional classrooms on the sixth floor.

Chancellor & Dean David Faigman interjected that the new facilities at 198 McAllister and 100 McAllister are expected to be gains, as the administration anticipates retail space. In addition to the 6th floor of 200 McAllister, Chancellor & Dean David Faigman said, the administration will be investing in improvements to the first and second floors of 200 McAllister. Some of the operations currently housed in those locations will be relocated to make room for rentable space. For example, Chancellor & Dean David Faigman said administration is seeking to repurpose some of the first floor of 200 McAllister — perhaps as a retail coffee shop. Another consideration is devoting the entire second floor of 200 McAllister as a space for Student Services, Career Development, and academic support.

Upon motion duly made, seconded, and carried, the Finance Committee recommended that the Board of Directors approve the 2017-18 State Budget for core operations as revised at mid-year, and an allocation of \$3.4 million from Plant Fund Reserves for the Kane Hall 6th Floor Repurposing Project.

***6. STATE CONTRACTS IN EXCESS OF \$50,000**

Presented by Chief Financial Officer David Seward

***6.1 Hastings Magazine** (Written)
Not discussed.

***6.2 Library Management System – ExLibris** (Written)
Not discussed.

***6.3 Enterprise CRM – Salesforce Foundation** (Written)
Not discussed.

Upon motion duly made, seconded, and carried, the Finance Committee recommended that the Board of Directors authorize award of the 2017-18 state contracts listed in *6.1, *6.2, and *6.3.

***7. Auxillary Enterprises Budget Report as of December 31, 2017 and Midyear Budget Changes**

Presented by Chief Financial Officer David Seward

Regarding revenues, Mr. Seward described a downward adjustment of approximately \$140,000 on projected revenues for the Tower apartments. Mr. Seward reported a current vacancy rate of 3% (8 vacancies: 252 rental units). There was some discussion about the rental rate in the Tower apartments.

Moving on to expenditures, Mr. Seward noted increased utility expense, particularly an adjustment to water totaling nearly \$34,000. Mr. Seward explained that the Facilities Manager has not yet investigated the matter.

Upon motion duly made, seconded, and carried, the Finance Committee recommended that the Board of Directors approve the revised auxiliary enterprise budgets and general ledger adjustment for 2017-18.

***8. Nonstate Contracts and Grants in Excess of \$50,000**

Presented by Chief Financial Officer David Seward

***8.1 CGRS Database Project**

(Written)

Not discussed.

***8.2 Professional Services – Society for Women Engineers**

(Written)

Mr. Seward said that the Center for Work-Life Law is providing professional services to the Society for Women Engineers. In addition, the College has hired a contracts and grants manager, who directly supports the Innovation Law program and the Consortium. Mr. Seward noted that the College's goal is being able to support federal NSF grants. Once these procedures are codified, he said, the College will extend them into the other grants that also have NSF federal monies.

***8.3 Grant – Consortium – Robert Wood-Johnson Foundation**

(Written)

Not discussed.

***8.4 Grant – Consortium – Stupski Foundation**

(Written)

Not discussed.

Upon motion duly made, seconded, and carried, the Finance Committee recommended that the Board of Directors authorize award of the 2017-18 nonstate contracts and grants in excess of \$50,000 listed in *8.1, *8.2, *8.3 and *8.4.

***9. Endowment Management – Spending Rate for 2018-19**

(Written)

Presented by Chief Financial Officer David Seward

Mr. Seward reported that The Board of Directors has adopted a 'total return' spending policy for the College's General Endowment Pool (GEP). The policy established a baseline spending rate of 4%, calculated on a 12-quarter rolling average of the market value of endowed funds. Mr. Seward explained that the spending rate for any given year would be reflective of market conditions and/or College needs. He added that the Board of Directors approved a modification of the process by adding an Endowment Management Surcharge of .35% for cost recovery purposes. Mr. Seward recommends maintaining a spending rate of 4.35%. Of that 4.35% amount, 0.35% supports the office of Advancement and 4% supports the endowed activities, scholarships and professorships. This rate and structure is in line with UC practices, Mr. Seward

said. He noted that the endowment has not grown significantly, as the focus has been on current use.

Upon motion duly made, seconded, and carried, the Finance Committee recommended that the Board of Directors approve an endowment payout rate of 4.35% for 2018-19.

***10. Student Housing - Residential Rent Increase for 2018-19** (Written)
Presented by Chief Financial Officer David Seward

Mr. Seward recommended that the Board of Directors approve a 3.5% rental rate increase for residential student housing effective August 1, 2018. This proposed increase is based on the Rent Pricing Analysis prepared by Tower Manager Jarda Brych.

Responding to a question about past increases, Mr. Seward clarified that the rental rate has been increased by 7% each year since 2015. Mr. Seward added that going forward, the Five Year Plan presumes rent growth of 4% each year.

Upon motion duly made, seconded, and carried, the Finance Committee recommended that the Board of Directors approve a 3.5% increase for residential rentals effective August 1, 2018.

11. Hastings College of the Law – Series 2017 Bond Refunding (Written)
Presented by Chief Financial Officer David Seward

Mr. Seward reported that the refunding of the Series 2018 Hastings bonds was completed in December 2017.

Bond underwriter, Stifel, provided a Closing Memorandum dated December 18, 2017, which provides a summary of the transaction. Stifel's memorandum is included in the meeting materials.

***12. Long Range Campus Plan – Activity Update** (Written)
Presented by Chief Financial Officer David Seward

Mr. Seward provided a high level summary on the status of implementation efforts for the Long Range Campus Plan

▪ 333 Golden Gate Avenue

Mr. Seward reported that the project team are having weekly design meetings, with the goal of creating a 6-level, state-of-the-art academic building which will serve as the College's academic epicenter. The building will feature smart classrooms, conference rooms, and shared community spaces for students, faculty, and staff. Additionally, Mr. Seward noted that the project includes a rooftop deck, a premier, event space with views of City Hall, a Sky Bridge connecting the new building to 200 McAllister, and an academic quad extending from McAllister Street to Golden Gate Avenue. Mr. Seward noted that the 333 Golden Gate project has been delayed by a couple weeks due to delayed approvals from the fire marshal. A project status report dated February 1, 2018 prepared by the Department of General Services is included in the meeting materials.

- 198 McAllister Street

Mr. Seward explained that the building plans call for the existing academic building at 198 McAllister and its 50 Hyde Street Annex to be demolished, allowing a new campus housing complex to be constructed there. Mr. Seward noted that demolition of 198 McAllister and 50 Hyde Street cannot commence until the 2019 completion of the new academic building at 333 Golden Gate Avenue, and after all academic programs have transferred out of 198 McAllister and into 333 Golden Gate. Demolition of 198 McAllister is projected for 2020. Current forecasts suggest the newly constructed housing development will open in the summer of 2022, Mr. Seward explained.

- Long Range Campus Plan

Mr. Seward presented an updated Long Range Campus Plan, which incorporates feedback and suggestions provided from the Directors since the plan was formally adopted at its December 2017 meeting. Mr. Seward explained that this version will be used for additional background with the RFQ and RFPs.

13. Annual Report on Faculty and Staff Salaries over \$100,000 (Distributed in Meeting)
Presented by Chancellor & Dean David Faigman and Chief
Financial Officer David Seward

Mr. Seward explained that pursuant to Standing Order 101.2(b), the Chancellor & Dean shall report changes in compensation in excess of \$100,000 per annum to the Board of Directors through the Committee on Finance, except as provided in Standing Order 100.3(b).

There was some discussion about the Distinguished Faculty status, which starts at \$233,000, as well as the increasing practice of leveraging chair funds to reward productive scholars. Chancellor & Dean David Faigman noted that faculty will receive increases in July 2018, following a few years with no increases.

In response to a question about rules governing faculty compensation, Chancellor & Dean David Faigman observed that the step structure for professors requires re-evaluation, as the percentage difference between steps are inconsistent. Chancellor & Dean David Faigman noted that the step structure rolled out in July 2018 will likely be half steps or quarter steps. General Counsel Elise Traynum noted that under the Board of Directors' standing orders, the faculty's salaries should be close or consistent with the University of California faculty compensation.

Chancellor & Dean David Faigman agreed to provide a current list of Faculty Chairs to the Board after this list is updated this summer.

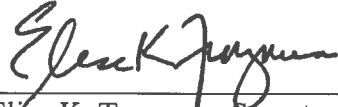
14. Listing of Checks & Electronic Transfers Over \$50,000 (Written)
Presented by Chief Financial Officer David Seward
Not discussed.

***15. Adjournment**

(Oral)

There being no further business to come before the Finance Committee, the meeting was adjourned at approximately 12:30 p.m.

Respectfully submitted,



Elise K. Traynum, Secretary