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Finance Committee - Minutes 11/09/2017

UC Hastings Board of Directors

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

**FINANCE COMMITTEE
MEETING MINUTES**

NOVEMBER 9, 2017

Thursday, November 9th, 2017 — 10:15 a.m.
UC Hastings College of the Law
A. Frank Bray Board Room
198 McAllister Street, 1-Mezzanine
San Francisco, California 94102

1. ROLL CALL

Board of Directors Present:

Director Don Bradley, Chair
Director Tina Combs
Director Claes Lewenhaupt
Director Courtney Power
Chair 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
Director Mary Noel Pepys

2. PUBLIC COMMENT

None

3. APPROVAL OF MINUTES: August 10, 2017

Chair Bradley called for the approval of the August 10, 2017 minutes. The minutes were approved as distributed.

4. INVESTMENT REPORT AS OF SEPTEMBER 30, 2017 (Written)

Chief Financial Officer David Seward reported that Investments continue to be performing well as of the 30th of September, end of the first quarter, quarterly returns of 3.3 Percent and on a calendar year basis, 10.75 percent.

5. STATE BUDGET REPORT FOR 2017-18 AS OF SEPTEMBER 30, 2017 (Written)

David Seward reported that for the first quarter, as of September 30th, there was little variability. The only big change was the adjustment to the beginning fund balance, a reduction from \$15.8 million to \$15.4 million.

Director Gede asked about the LLM enrollment fee – specifically, whether the College has done a market study as to whether that fee can be increased? David Seward responded that because the LLM program is designated as a self-supporting program, it is not bound by the fee dictates issued by the Governor.

Chancellor & Dean David Faigman clarified that UC Hastings cannot charge top dollar tuition for the LLM program because the College does not have the same market power of higher ranked schools. He elaborated that the characteristics that draw LLM students to Hastings are two fold, the cost and the size of UC Hastings. UC Hastings is a smaller program than Loyola Los Angeles, Georgetown, USD, and UC Davis. Students receive more attention from the faculty and they are included in classes with JD students.

6. AUXILLARY ENTERPRISES BUDGET REPORT AS OF SEPTEMBER 30, 2017 (Written)

David Seward stated that there were no major variances to report, and he expects that budget targets would be achieved.

7. STATE CONTRACTS AND GRANTS IN EXCESS OF \$50,000

***7.1 Custodial Services (Written)**

David Seward reported that over the last ten years, the College has opened bidding for its custodial services two or three times, and each time American Building Management

(ABM) secured the contract on the basis of its low bid. He noted the cost differential between vendors Township Building Services and ABM is about \$350,000.00 over the life of the contract. The College has increased the scope of work to include more Saturday coverage, as the College now has more Saturday academic programs as part of its service array to partners Northeastern and Davis.

In response to questions, David Seward explained that the Township Building Services custodians are signatories to the collective bargaining agreement with Local 87. He understood that the current custodial staff would transition from ABM to Township. The custodial staff have provided the College with excellent services in the past.

Upon motion duly made, seconded, and carried, the Finance Committee recommended that the Board of Directors approve the custodial services contract with Township Building Services.

***7.2 Learning Management System - ExLibris**

(Written)

David Seward explained that the Law Library is upgrading the learning management system. Library management recommended the acquisition of a system called ExLibris to replace the current online learning platform. There was some discussion about the current learning management system, Canvas, and whether ExLibris was meant to replace Canvas or serve a separate purpose.

Chief of Staff Anne Marie Helm provided clarification that ExLibris would replace the library catalogue, and not the Canvas system for students.

8. NONSTATE CONTRACTS AND GRANTS IN EXCESS OF \$50,000

***8.1 Professional Services — Graphic Design — Spotted Dog**

(Written)

David Seward reported that going forward, the College would include in the non-state contract report, grants received over \$50,000 as it is part of the development of infrastructure. He explained that the College is developing infrastructure to support the College grant processing program, especially for the research centers.

David Seward requested approval of the contract with Spotted Dog, the graphic art company which is developing materials to support the College's fundraising efforts in 2018.

***8.2 Professional Services — LRCP — EPS**

(Written)

David Seward requested approval of a contract with the firm EPS for the next phase of The Long Range Campus Plan. He noted that the engagement would bring the College to the point of the negotiation of an agreement with the selected developer for the Long Range Campus Plan.

***8.3 Grant—Institute for Innovation Law—Arnold Foundation** (Written)

David Seward reported that the College was the recipient of three grants worth approximately \$1 million with ten percent overheads. Each grant would provide general support of the College in terms of offsetting some of the administrative burden with respect to the costs incurred. Chancellor & Dean David Faigman explained that the grants would be used to cover salaries, or partial salaries, at the respective centers pursuant to the terms of the grants.

***8.4 Grant — Consortium on Law, Science & Health — Grove Foundation** (Written)

Not discussed.

***8.5 Grant — Law Baccalaureate Feasibility Study — AccessLex Institute** (Written)

Not discussed.

Upon motion duly made, seconded, and carried, the Finance Committee recommended that the Board of Directors approve the nonstate contracts and grants in excess of \$50,000 as presented.

9. GRANTS ADMINISTRATION — PROGRAM UPDATE (Written)

David Seward offered an update regarding the development of the systems and Infrastructure involving grants. He said that with time, as faculty become more involved in grant solicitation, more resources would be added to this function because they would be supported by the grant overheads the function generates. David Seward noted that the grants administration function is trending favorably. It will become a source of general operating revenue to support general operations as it grows.

David Seward informed everyone that he would begin tracking the grant submissions and results going forward as a management report to the Finance Committee. This will include annual recaps of grants, perhaps as a time series analysis tracking year to year to monitoring trend lines.

10. AUDIT OF THE 2017 FINANCIAL STATEMENTS – UPDATED INTERNAL CONTROL OBSERVATIONS (Written)

David Seward began by announcing that the October audit review cycle resulted in a clean audit. Moss Adams made suggestions regarding some College operations. The Moss Adams' suggestions do not point to any material weaknesses, but are stated as observations. Many of the observations relate to the grant management function.

In addition, the College is addressing the other suggestions where possible. David Seward reported that the College hired a new Human Resources Executive Director who will begin working in January 2018. It is expected that she will bring value in terms of addressing the payroll and human resources aspects. The new HR Executive Director has a strong private sector background, and she is very familiar with internal control elements.

Director Combs asked if payroll will be a responsibility assigned to the new Human Resources Executive Director. David Seward clarified that payroll is a fiscal system, and Human Resources provides input into that system. He explained that the administration has faced a series of frustrating issues with regards to UC PATH. The College is in its final stage before deploying the new system. Chancellor & Dean David Faigman added that UC PATH is partly a technological solution and partly an information Solution. The incoming Human Resources Director, named Leslie Lundberg, is expected to improve systems. He noted that Ms. Lundberg will be working closely with the Chief Technology Officer Camilla Tubbs to ensure effective communication and relaying of information between the Academic Dean's office, the Chancellor's office, and payroll.

11. IRS AUDIT OF 403(b) AND 457 PLANS — STATUS UPDATE (Oral)

Chief Financial Officer David Seward explained that the IRS began its audit of the 403(b) and 457 retirement plans in September 2016. The retirement plans are administered by the University of California and its agent is Fidelity. While Hastings is a passive participant in these plans, the IRS takes the position that Hastings as an employer has responsibilities. Chief of Staff Ann Marie Helm and Controller Debbie Tran have been working with the University of California on the response to the audit.

David Seward was pleased to report that the IRS agent called him that morning and told him that the audits were satisfied and would be closed.

***12. APPROVAL OF THE UC HASTINGS SEISMIC POLICY** (Written)

CFO David Seward explained that the seismic policy requires peer review, and it requires UC Hastings to assess the seismic condition of any building leased for its use for a period in excess of two years. He explained that the 2-year period allows flexibility to move functions or departments that might be displaced by reconstruction. The seismic policy also provides a structure for building review. The Policy is based upon in house personnel, as well as professional engineers to determine seismic adequacy of buildings in various circumstances, such as post-disaster. The proposed seismic policy puts the College in a position comparable to other higher educational institutions and will be foundational to the objective of creating a graduate academic campus. In addition, the seismic policy allows the College to continuing growing in new directions in the future.

Upon motion duly made, seconded, and carried, the Finance Committee recommended that the Board of Directors adopt the Seismic Safety Policy.

***13. LONG RANGE CAMPUS PLAN**

(Written)

David Seward presented a rough draft of the Long Range Campus Plan. The Long Range presents a Five-Year Infrastructure Plan as required by the state. The Long Range Campus Plan is intended to be the penultimate summary of the Academic Village. He further explained that the document codifies all elements of the administration's plans into a single document.

The plan must be submitted to the state of California. David Seward commented that he would like to request funding from the state in 2019-20 for things that are needed to in the new academic building at 333 Golden Gate. The state of California is providing a building. Hastings provided CEQA review. UC Hastings must fund furniture, fixtures, equipment, and audiovisual technology. Fundraising is essential.

After some discussion, the Finance Committee agreed to remove the Long Range Campus Plan as an action item. It was agreed that the final document would be reviewed at the December quarterly Board meeting. CFO Seward clarified that upon approval from the Board, he will pursue professional design and graphics for the Long Range Campus Plan booklet. The booklet can be used for fundraising purposes, as well.

14. HASTINGS COLLEGE OF THE LAW 2017 REFUNDING BONDS – STATUS UPDATE

(Written)

David Seward reported that the refinancing might progress sooner than expected, as the current bond market is optimal. He said he will have a Moody's meeting next week to do the rating review, and Chief Development Officer Eric Dumbleton will join the meeting to cover fundraising. The underwriter is working diligently on the package and currently the package looks very favorable. CFO Seward said he will aim to have the deal closed by year-end.

***15. FINANCIAL OPERATIONS POLICY AND PROCEDURE MANUAL — REIMBURSEMENT OF COMMUTING EXPENSES**

(Written)

David Seward introduced the personnel policy that would provide in certain circumstances on a documented pre-approval basis, the reimbursement of commuting expenses if an employee is required to work past 9:00 p.m. after working more than ten hours a day. The policy is structured to avoid paying normal commuting expenses.

David Seward noted that commuter reimbursements would be taxable income for the recipient, and the College would need to develop systems to feed that information into the payroll system. The policy would be subject to collective bargaining for the College's represented units.

Upon motion duly made, seconded, and carried, the Finance Committee recommended that the Board of Directors approve the amendment to the financial operations policies and procedures manual for the reimbursement of commuting expenses.

***16. LISTING OF CHECKS AND ELECTRONIC TRANSFERS OVER
\$50,000** (Written)

Not discussed.

***17. ADJOURNMENT** (Oral)

There being no further business to come before the Finance Committee, the meeting was adjourned.