



Foundation

MEMORANDUM

Officers

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Leola Lapidés

Vice President

William Ow

Secretary

Owen Brown

Chief Financial Officer

Alan Aman

Past President

Stephen Snodgrass

Community Representatives

Claire Biancalana

Carrie Birkhofer

Linda Burroughs

Ceil Cirillo

Linda Downing

Lee Duffus

David Heald

Charles Montoya

Kelly Nesheim

Amy Newell

Carlos Palacios

June Padilla Ponce

Patty Quillin

Maria Esther Rodriguez

Gun Ruder

Kate Terrell

College Trustee Representatives

Rachael Spencer

Gary Reece

Donna Ziel

College Staff Representatives

Laurel Jones

President

Victoria Lewis

VP Administrative Services

Kathleen Welch

VP Instruction

Suzanne Gochis

VP Student Services

Enrique Buelna

Faculty Representative

Executive Director

Eileen Hill

DATE: October 10, 2017

TO: Pegi Ard, Owen Brown, Marshall Delk, David Heald, Michael Machado, Charles Montoya, Gun Ruder, Robert Shepherd, Steve Snodgrass

FROM: Alan Aman, Chief Financial Officer

STAFF: Eileen Hill, Nancy Machado

SUBJECT: Finance Committee Meeting
Monday, October 16, 2017
8:30 am – 9:00 am
Cabrillo College, Sesnon House, Room 1824
6500 Soquel Drive, Aptos, CA 95003

Item	Responsibility	Page
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A. Regular Open Session

1. Welcome and Call to Order	A. Aman	
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2. Approval of Agenda	A. Aman	
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We reserve the right to change the order in which agenda items are discussed and/or acted upon at this meeting. Subject to further action, the agenda for this meeting is to be approved as presented. Items may be added to this agenda for discussion or action only as permitted by the Brown Act.

Any open session writings distributed either as part of the agenda packet, or within 72 hours of a regular meeting, can be viewed at the Foundation office, 6500 Soquel Drive, Aptos, CA 95003

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Please remember Cabrillo College Foundation in your will

Item	Responsibility	Page
A. Regular Open Session		
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3. March 30, 2017 meeting minutes	A. Aman	4 - 7
4. October 5, 2017 meeting minutes	A. Aman	8 - 11
B. Public Comment		
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1. Public Comment Opportunity	A. Aman	
C. Action Items		
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1. Move assets to Morgan Stanley with Brian Sharpes	A. Aman	12 - 15
D. Adjournment		
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1. Adjournment	A. Aman	

UPCOMING FINANCE MEETINGS:

January 4, 2018
 8:30 – 9:30 a.m.
 Sesnon House, Room 1824

March 29, 2018
 8:30 – 9:30 a.m.
 Sesnon House, Room 1824

2016-17 Finance Committee Attendance Chart

Finance Committee Members	3/30/17	10/05/17	10/16/17	1/04/18	3/29/18
Alan Aman	P	P			
Pegi Ard	A	P			
Owen Brown	N/A	N/A			
Marshall Delk	A	P			
David Heald	A	A			
Mike Machado	P	A			
Charles Montoya	N/A	A			
Carlos Palacios	P	A			
Gun Ruder	P	A			
Robert Shepherd	P	P			
Stephen Snodgrass	A	P			

P=Present A=Absent N/A=Not Applicable

Attendance is based on the Finance Committee meeting minutes. Please call the Cabrillo College Foundation office if you believe this chart is in error.

**Cabrillo College Foundation
Finance Committee Meeting Minutes
March 30, 2017**

Present: Alan Aman, Laurel Jones, Michael Machado, Carlos Palacios, Gun Ruder and Robert Shepherd

Absent: Pegi Ard, Marshall Delk, David Heald and and Steve Snodgrass

Guest: Brian Sharpes, Investment Management Consultant,
UBS Financial Services

Staff: Eileen Hill, Nancy Machado

Call to Order – A. Aman called the meeting to order at 8:33 a.m.

Approval of Agenda

Motion: MSC: G. Ruder/C. Palacios. The committee voted unanimously to approve the Finance Committee agenda.

Public Comment Opportunity

There were no members of the public in attendance.

Executive Director Report

Eileen Hill reported that the Nominating committee is working to recruit new Board Members for 2017-18. We have raised \$2,792,886 towards our \$3,000,000 goal for this year. The President's Circle exceeded the fundraising goal of \$318,000 for this year and we were able to start several new endowed scholarships. The staff is working on a plan and conducting research for new website design. The next President's Circle event is on Saturday with a trip to the San Lorenzo Valley with emeritus historian, Sandy Lydon.

UBS Report

Brian Sharpes reported the investments are doing better all around. Brian did not recommend any manager changes or asset allocation changes at this time.

The Finance Committee discussed the feasibility of obtaining a 7% target rate of return as stated in the Statement of Investment policy. Brian indicated that the target is high and that 6.5% should be our goal over time. Brian suggested we consider reducing the management fee and distribution incrementally over 5-7 years and keeping the inflation factor at no less than 1.5%.

Hurd Tribute Fund: In September 2004, the Board of Directors approved designating \$294,302 in unrestricted funds to be used for Cabrillo College Foundation operations and invested in the UBS long term pool. An investment policy for Board Designated funds was not established therefore the funds have been invested in certificates of deposit.

Brian Sharpes discussed adding a policy to the Statement of Investment Policy for investing donor or board designated funds. The Cabrillo College Foundation Executive Committee will discuss the possibility at the April 20, 2017 Executive Committee meeting.

Brian Sharpes discussed adding a policy to the Statement of Investment Policy for investing donor or board driven funds.

Cabrillo College Report

President Laurel Jones reported that Cabrillo College is a top 15 finalist to participate in the California Guided Pathways pilot program and will learn by April 17, 2017 if Cabrillo College was chosen to be part of the national movement. The California Guided Pathway Project is designed to substantially increase the number of students who earn a certificate or degree at a California Community College in two years.

Approve Finance Committee Minutes

Motion: MSC: G. Ruder/M. Machado to approve Finance Committee Minutes of January 5, 2017.

The following Finance Committee members voted to approve the minutes, Laurel Jones, Michael Machado, Carlos Palacios, Gun Ruder, Robert Shephard and Alan Aman

The following Finance Committee members abstained, none

The following Finance Committee members were absent, Pegi Ard, Marshal Delk and David Heald and Steve Shodgrass

Approve Financial Statements

The Finance Committee received the December 31, 2016 Financial Statements and the January 31, 2017 Financial Statements. **Motion: M.Machado/G. Ruder to accept the December 31, 2016 Financial Statements**

As of January 31, 2017, the total assets were \$30.1M and the ending net assets were \$29.1M. The total revenue for unrestricted, non-endowed and endowed funds was \$3.5M. Total expenses were \$1.8M with a net surplus for all funds of \$1.7M. The total operating revenue was \$601,663 and expenses \$556,905. The operating deficit was \$44,758. **Motion: G. Ruder/L. Jones to accept the January 31, 2017 Financial Statements**

2017-18 Draft Operating Budget

The 2017-18 projected budget in the amount of \$971,423 is a balanced budget. The budget includes a one-time \$25K to update the Cabrillo College Foundation website. The update will allow the website to be mobile friendly, ADA compliant, and provide easier online giving. Staff will produce a white paper to outline the functions and details of the website reconstruction.

Motion: M. Machado/Gun Ruder to accept the 2017-18 Draft Operating Budget of \$971,423.

Net Assets and Endowment Chart

The ending net assets balance as of January 31, 2017 was \$29,106,923; the endowed net assets balance was \$25,192,575 and the endowed historical gifts value was \$20,493,383. All totals were the highest reported by the Cabrillo College Foundation.

Investment Activity Review

The Cabrillo College Foundation Traditional Endowment pool return on investments fiscal year to date as of February 28, 2017 (8 months) is as follows:

- Actual Return: 10.61%
- Benchmark Return 10.61%
- Difference 0.00 %

The CCF return on investments for the UBS ESG Endowment pool return on investments fiscal year to date as of February 28, 2017 (8 months) is as follows:

- Actual Return: 5.34%
- Benchmark Return 5.94%
- Difference -0.60%

CCF Insurance Coverage

The Ad-Hoc Insurance Committee reviewed the proposals received and approved ANB Insurance as our new Insurance Broker. The policies have been renewed and extended to 7/1/17 (except for the D & O policy which is 7/1/18). ANB will work with the Cabrillo College Foundation to make any recommended changes for the next policy period.

Rancon Equity Asset Pool, LLC Promissory Note

Daniel L. Stephenson of Rancon Equity Asset Pool, LLC offered the Cabrillo College Foundation and the other investors \$31,250 payable in two installments. The Cabrillo College Foundation accepted the offer. The first installment of \$20,325.20 was paid January 27, 2017 and the balance of \$10,924.80 at 6% interest is due in five years.

Committee Calendar & Roster

A. Aman reviewed the Committee Calendar and Roster.

Adjournment

The meeting was adjourned at 9:50 a.m.

Respectfully submitted,



Nandy Machado
Accounting & Human Resources Manager

Next Meeting:

**Cabrillo College, Sesnon House room 1824
Thursday, August 10, 2017
8:30 a.m. to 9:30 a.m.**

2016-17 Finance Committee Attendance Chart

Finance Committee Members	4/6/16	8/11/16	10/13/16	1/5/17	3/30/17
Alan Aman	N/A	P	P	P	P
Pegi Ard	P	P	P	P	A
Marshall Delk	P	P	P	P	A
David Heald	A	P	A	A	A
Laurel Jones	P	A	A	P	P
Mike Machado	P	P	P	P	P
Carlos Palacios	A	A	P	P	P
Gun Ruder	P	A	P	P	P
Robert Shepherd	P	P	P	P	P
Stephen Snodgrass	P	A	A	P	A

P=Present A=Absent

N/A=Not Applicable

Attendance is based on the Finance Committee meeting minutes. Please call the Cabrillo College Foundation office if you believe this chart is in error.

**Cabrillo College Foundation
Finance & Investment Committee Meeting Minutes
October 5, 2017**

Present: Alan Aman, Pegi Ard, Marshall Delk, Robert Shepherd and Steve Snodgrass

Absent: David Heald, Michael Machado, Charles Montoya, Carlos Palacios and Gun Ruder

Guests: Brian Sharpes, Investment Consultant, UBS Financial Services, Inc.
Daniel Tichenor, Senior Wealth Strategy Associate, UBS Financial Services, Inc.
Owen Brown, Cabrillo College Foundation Board Secretary

Staff: Eileen Hill, Nancy Machado

Call to Order – A. Aman called the meeting to order at 8:50 a.m. There was no quorum. The following items were discussed for information only.

Public Comment Opportunity
There were no members of the public in attendance.

Executive Director Report
Eileen Hill reported that there is a good applicant pool for the President's position and those applicants selected for interviews will be interviewed the end of October.

Guided Pathways is in motion building the infrastructure and \$240,000 in funding for Year 1 was granted by the Monterey Peninsula Foundation. We have raised \$639,047 towards our \$3,000,000 goal for this year. The newly renovated website is projected to be ready mid-December.

Financial Statement Review
The Finance and Investment Committee received the post-audit June 30, 2017, July 31, 2017 and August 31, 2017 Financial Statements. As of August 31, 2017, the total assets were \$31M and the ending net assets were \$30M. The total revenue for unrestricted, non-endowed and endowed funds was \$864K primarily due to positive investment results. Total expenses were \$541K with a net surplus for all funds of \$322K. The total operating revenue was \$68K and expenses \$167K. The operating deficit of \$98K is \$16K favorable vs budget.

Investment Activity Review
The Cabrillo College Foundation Traditional Endowment pool return on investments fiscal year to date as of August 31, 2017 (2 months) is as follows:

- Actual Return: 2.42%
- Benchmark Return 2.59%
- Difference -0.17%

The CCF return on investments for the UBS ESG Endowment pool return on investments fiscal year to date as of August 31 (2 months) is as follows:

- Actual Return: 1.76%
- Benchmark Return 2.13%
- Difference -0.37%

UBS Report

Brian Sharpes reported the long term investment pool investments are performing great and did not recommend any manager changes or asset allocation changes at this time. The recently added International Small Cap portfolio is performing very well.

ESG investments are doing well, however increasing the endowment level to \$1M opens up more investment opportunity. The Finance & Investment Committee asked Brian to provide a one page educational piece for ESG investments to share with donors and provide further knowledge for committee members and staff.

A. Statement of Investment Policy:

As Cabrillo College Foundation continues to grow and offer donors increased flexibility, the need for an updated investment policy statement became apparent. Brian Sharpes and Daniel Tichenor reviewed the first revision of the new Statement of Investment Policy structure that allows for consistent policies applied across multiple asset pools:

1. Main policy widely applicable to multiple asset pools:

- Details background, scope and purpose of the policy
- Outlines duties and responsibilities of all parties involved
- Contains general investment principles, including allowable assets
- Establishes a process and constraints on Strategic/Impact Investments

2. Appendix for each asset pool:

- Summarizes the purpose of the pool
- Addresses customized investment objectives for each pool
- Sets Asset Allocation guidelines for each pool
- Appendices can be added or removed as need

Brian and Daniel will continue to work with Eileen Hill and Nancy Machado to complete a final policy to be approved by the Finance Committee and Board of Directors.

B. Investment Account custody:

Brian Sharpes informed the Finance and Investment Committee members that their consulting group will be moving from UBS to Morgan Stanley. With this move, there will be benefits to the Cabrillo College Foundation:

1. Continuity:

- Our investment consultant and support staff will remain the same
- Our investment managers will remain the same
- Savings of approximately \$25,000 in investment fees annually
- Reporting the same as we are receiving at this time

The Finance and Investment Committee members requested Brian provide a one or two page sheet detailing the plan for their move and requested a conference call be scheduled between October 9th and 13th, if necessary.

Adjournment

The meeting was adjourned at 9:50 a.m.

Respectfully submitted,

Nancy Machado
Accounting & Human Resources Manager

Next Meeting:

**Cabrillo College, Sesnon House room 1824
Thursday, January 4, 2018
8:30 to 9:30**

**Thursday, March 29, 2018
8:30 to 9:30**

Follow up items:

1. Brian Sharpes provides one page outlining the move which would include:
 - Cost savings to clients
 - Broad array of investment options at Morgan Stanley that will be discontinued at UBS
 - UBS trending towards institutional investment for defined benefit and retirement accounts and less favorable towards non-profit investment portfolios
 - Outline the process for moving the funds and timeline
 - Provide new account documentation and/or contract
2. Brian Sharpes to provide ESG informational one page document by December 15, 2017
3. Staff to work with Brian to finish update to the Statement of Investment Policy by December 15, 2017
4. Notify Finance and Investment Committee members of Carlos Palacios resigning from the committee and Owen Brown joining the committee

Finance Committee 2017-18 Attendance Chart

Finance Committee Members	10/5/17	1/4/18	3/29/18	
Alan Aman	P			
Pegi Ard	P			
Marshall Delk	P			
David Heald	A			
Laurel Jones				
Mike Machado	A			
Charles Montoya	P			
Carlos Palacios	A			
Gun Ruder	A			
Robert Shepherd	P			
Stephen Snodgrass	P			

P=Present A=Absent

N/A=Not Applicable

Attendance is based on the Finance Committee meeting minutes. Please call the Cabrillo College Foundation office if you believe this chart is in error.



Foundation

MEMORANDUM

Officers

President

Leola Lapidés

Vice President

William Ow

Secretary

Owen Brown

Chief Financial Officer

Alan Aman

Past President

Stephen Snodgrass

Community Representatives

Claire Biancalana

Carrie Birkhofer

Linda Burroughs

Ceil Cirillo

Linda Downing

Lee Duffus

David Heald

Charles Montoya

Kelly Nesheim

Amy Newell

Carlos Palacios

June Padilla Ponce

Patty Quillin

Maria Esther Rodriguez

Gun Ruder

Kate Terrell

College Trustee Representatives

Rachael Spencer

Gary Reece

Donna Ziel

College Staff Representatives

Laurel Jones

President

Victoria Lewis

VP Administrative Services

Kathleen Welch

VP Instruction

Suzanne Gochis

VP Student Services

Enrique Buelna

Faculty Representative

Executive Director

Eileen Hill

DATE: October 10, 2017

TO: Finance and Investments Committee

FROM: Eileen Hill

SUBJECT: Moving investments with Brian Sharpes to Morgan Stanley

CONFIDENTIAL

Background

The foundation's investment consultant, Brian Sharpes will be moving from UBS to Morgan Stanley in a couple weeks. Attached is information from Brian Sharpes outlining the background, benefits, and process of moving to Morgan Stanley. The move to Morgan Stanley will provide approximately \$25,000 in savings annually for the foundation. The foundation does not have a contract with UBS so there will not be any penalties to move foundation funds to Morgan Stanley.

For the short term, the foundation may:

- 1) Maintain its relationship with Brian Sharpes and move funds to Morgan Stanley
- 2) Keep funds with UBS and be reassigned to a new consultant

Eileen Hill is in full support of maintaining the foundation's relationship with Brian Sharpes and moving foundation funds to Morgan Stanley. Additionally, Brian Sharpes serves as the investment consultant for the Community Foundation of Santa Cruz County which will be moving with Brian Sharpes to Morgan Stanley.

Once a decision has been made, staff will work on developing a formal agreement with the investment consultant for the Finance and Investment Committee approval in January. Attached is a sample agreement that can be customized to fit our needs.

Every five years, or earlier if conditions warrant, the Finance and Investments Committee reviews the investment consultant relationship. The committee is due to review the relationship in August 2020.

Recommended Motion

The Finance and Investments Committee approves maintaining the foundation's relationship with Brian Sharpes and moving funds to Morgan Stanley.

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Transition Overview

Why We Are Changing Custodian Firms

1. Our entire group voted in favor of the move
 - The group will stay intact – Justin, Dan, Carrie, Ally, Luke, and Rory
2. Lower cost to access the same managers
3. More discretionary options – Clients co-create the consulting and administrative experience
4. Significant increase in Alternative Investment due diligence and options
5. More peer sharing opportunities with dozens of teams like ours throughout the country
6. Additional resources and emphasis on ESG and Sustainable Investments
7. Full senior management support for Institutional Consulting
8. Better culture for our entire team
9. Better technology
10. Fee reduction is 9 basis points or about \$25,000 per year

What Is The Process To Transfer?

1. This is a custody change. Accounts transfer via a 5-day electronic transfer process.
2. Accounts and money managers all stay the same with lower overall cost.
3. Performance reporting remains unchanged with all historical data