

**Cal Alumni Association
Board of Directors' Meeting
June 28, 2019**

Directors in attendance: President Eric Mart, Vice President Amanda Pouchot, Demetrios Boutris, Sangeeta Chakraborty, Allard Chu, Catherine McKee, Dionicia Ramos Ledesma, Alexander Randolph, Kiran Rao, Gary Slavit, Bob Sproul, Michael Steckler, Prentice Tom, Kirk Tramble, Esperanza Vielma, Ryan Waliany

Via Conference Call: Diane Dwyer, Joy Kovaleski, Carol Liu

Absent Directors: Danielle Silveira

Distinguished Members in attendance: Alumni Regent-Jason Morimoto, Chair UC Berkeley Foundation Susan Chamberlin, Associate Vice Chancellor for Communications & Public Affairs Diana Harvey

CAA Directors Elect: Emily Hou, Talia Kennedy, Marsha Roberts, Alfonso Salazar
(term begins July 1, 2019, non-voting at this meeting)

CAA Staff in Attendance: Clothilde Hewlett, Susie Cohen Crumpler, Matt Terwilliger, Anjeannette Schnetz, Anh Tran, Ann Truong, Consultant Monisha Merchant

President Mart called the meeting to order at 9:10am and established a quorum of voting Directors.

1. M/S/A: The CAA Board of Directors approved the following consent agenda items:
 - Approved April 26, 2019 minutes.
 - Approved the Resolution and Certificate appointing Capital Bank and Trust as CAA investment manager with individual instruction authorization given to CAA Executive Director, Chief Operating Officer and Chief Revenue Officer.
 - Approved the Resolution and Certificate appointing Capital Bank and Trust as CAA investment manager for 1) Life Membership Fund, 2) Leadership Fund, 3) Equity Scholarship Fund, 4) Pension with individual instruction authorization given to CAA Executive Director, Chief Operating Officer and Chief Revenue Officer.

2. President Report – Eric Mart

Mr. Mart began by welcoming Emily Hou, Talia Kennedy, Marsha Roberts, and Alfonso Salazar who, along with Mo Budak, will begin their official CAA Director term on July 1, 2019. Since there were new Directors joining the Board for the last meeting of the 2018 – 2019 term, he asked everyone around the room to introduce themselves.

Immediately after the last Board meeting in April, representatives of CAA, led by former CAA President Alfredo Terrazas, met with Chancellor Christ and some of her staff and discussed various ways that CAA and *California* magazine could support the campus campaign which is scheduled to launch in 2020. Another issue that was raised was about Alumni House which is one of the buildings on campus that does not meet current building code requirements. As a result, Alumni House, along with other buildings on campus, may be decertified and if that is the case, they cannot be used or occupied any longer.

When Alumni House was originally built, CAA administered a capital campaign to fund its construction. The capital campaign began in 1951 and Alumni House was completed in 1954. Donors were promised a dedicated campus space for alumni. Because the campus is gearing up for a campaign next year, CAA (along with other campus units) are prohibited from launching an independent capital campaign to raise funds for any capital projects to avoid donor confusion and competition. UC Berkeley Foundation Chair Susan Chamberlin noted that the Regents have stated that buildings that are categorized as “fair” or “poor” in terms of their seismic evaluation, will not be able to be occupied after 2030. If the voters approve the proposed General Obligation Bond in 2020, the campus will allocate its capital portion among those projects that have gone through a long process of application, justification, and rigorous analysis. No campus unit will be allowed to freelance for a capital project, so this is not a uniquely CAA / Alumni House issue. If the measure passes, it would be funding additional to whatever the campaign raises with academic buildings given priority over other structures.

3. Finance Report – Demetrios Boutris, Ann Truong

Mr. Boutris noted that CAA is in a solid financial position and is operating on plan. The financial materials that were shared in your packets indicate that CAA is spending less than anticipated primarily due to lower expenses from staff vacancies. The 2018 audit has been completed and staff are working on filing the 2018 IRS Form 990 federal tax return which will be filed in September.

Mr. Boutris is impressed with the way the staff is handling the 2019 mid-year budget reforecast, and they are in the initial planning stages of the 2020 budget. Mr. Boutris encouraged the new members to read the finance materials and bring any questions to Ms. Hewlett, himself or the Chair of the Finance Committee, Ryan Waliany.

4. 2018 Audit Report – Joy Kovaleski, Eleanor Garibaldi, Katherine Djiauw, Auditors, Moss Adams LLP

Ms. Kovaleski apologized for not being able to attend today's meeting in person. She noted that this 2018 Audit Report presentation is an informational overview since CAA's Audit Committee has approved the 2018 audit pursuant to CAA Bylaws. She thanked the Audit Committee members Demetrios Boutris, Allard Chu, Esperanza Vielma, Catherine McKee and Kirk Tramble, along with CAA staff for another outstanding clean audit for 2018.

The Audit Committee worked closely with Moss Adams partner Kinman Tong, and Eleanor Garibaldi. We feel very confident in the work and professionalism shown by all the parties. CAA received the highest rating possible on this second year audit from Moss Adams, it was an unmodified opinion. Today we are reviewing the results with everyone on the Board. There are some new standards that will be adopted moving forward, and all of these details will be included in Ms. Garibaldi's presentation.

Ms. Garibaldi reported that CAA received an unmodified opinion on the 2018 financial statements. This is the highest opinion that Moss Adams can give. Ms. Garibaldi reviewed the Presentation of Financial Statements for Non-Profit Agencies which mainly changed the presentation of CAA's net assets. Unrestricted assets were changed to net assets without donor restrictions and temporary and permanent restricted are now combined into net assets with donor restrictions. So, you will notice the change on your balance sheet. Some other requirements that were implemented in this year's financial statement were the equity and availability disclosure which indicates annual liquidity; basically, funds available within one year from your balance sheet date that are not restricted for any other purposes. We are happy to report that there were no significant difficulties during our audit, nor any uncorrected audit adjustments. There were not any disagreements with management. We do an internal control assessment also as part of the audit and we did not find anything that was a material weakness, nor were there any significant deficiencies noted. There were no material uncertainties related to future events or changing petitions that were noted. We also perform an assessment over fraud and non-compliance as part of our audit, done through inquiries and other procedures to detect fraud, and we did not find any instances of fraud or non-compliance.

5. Annual Membership Meeting

A quorum of CAA Members were established and the annual CAA Membership meeting was called to order. Ms. Hewlett stated that pursuant to CAA Bylaws, the CAA Annual Membership meeting is open to all CAA members and it's a time for an annual review of the previous calendar year (2018) as well as a time to reflect on the accomplishments the Association has made. CAA's mission is to advance and promote the interests of the University of California, Berkeley by connecting

alumni to their alma mater and to each other. We support the university by participating and volunteering in university and alumni activities, and acting as ambassadors and advocates on behalf of the university. Our organization has exercised strict discipline in terms of finances. This has been the third year that we have received a very high audit rating and that our operating budget has had a positive net revenue. We at once think realistically and innovatively.

CAA's Chief Operating Officer, Ms. Crumpler, noted that 2018 was the first year of the Association's five-year strategic plan. It goes from 2018-2022 and the vision statement is that all Cal alumni world-wide are connected and actively engaged with UC Berkeley for life. In 2017 we started out with about 167,000 alumni engaged, which is approximately 34% of contactable alumni. Our goal is to continue to engage alumni through our programs and services with the university. In 2018, we increased the number of alumni engaged to 178,000 and that was above target for the year. We have an alumni community of just over a half million alumni. CAA serves all Cal alumni, not just members or specific segments of the alumni community. Our strategic plan focuses on efforts to attract and serve the greatest number of alumni, strengthen our partnership with campus, and increase our financial resources. While we are growing the number of alumni who are engaged with CAA and the university and expanding that circle, it's also important for us to continue to engage alumni who are currently engaged with us. This re-engagement and nurturing of the current alumni who are engaged is very important to us.

CAA's strategic priorities include high-yield alumni engagement activities, connecting alumni to each other and to the university, ensuring that ALL Cal alumni are supported by CAA as we continue to grow in alignment and partnership with the campus, demonstrate to current students that the alumni community is a great way to stay connected to Cal, and continue to focus on our financial sustainability. When we talk about engagement, we're focused on our 11 different program areas, from membership to the Lair to Cal Discoveries Travel to The Berkeley Network, Scholarships and Alumni Chapters. In addition to the 11 program areas, we also count alumni who are receiving our monthly Cal Connection email and are opening it. For the strategic plan period of 2018-2022, we have projected an 18% increase in the total number of individual alumni engaged in our 11 programs and with our newsletter. In 2018, we exceeded our goal by about 7,000 alumni.

CAA's Chief Revenue Office, Mr. Terwilliger gave the attendees an overview of CAA's membership model. CAA is a membership-based organization tasked with assisting and engaging our alumni. We think about our membership office as the front-face of the Association and we focus on excellent customer service. Revenue-wise, we bring in just over \$1.5 million dollars in gross revenues and net just over a million dollars annually. Here's an overview of our 2018 due structure. We increased the annual membership fee from \$60 to \$75. We offer discounts for recent graduates and young alums and seniors. On the Life Membership side of things, the rates did not change in 2018, but we increased rates back in February from \$750 to \$1,000. We kept the recent grads at \$500.

The Golden Bear Life Membership upgrade is \$300. We've been hovering over the last 6 years between 98,000 and 101,000 members. At the end of 2018, we were just over 100,000 members. Unfortunately, a lot of our members are getting older and passing on so we lose about 1,500 - 2,000 members on an annual basis, our biggest challenge is replenishing that number every year. We have an outbound salesperson in the organization who is engaging with almost 22,000 alumni through email and phone calls, bringing in \$124,000 in 2018. Our staff members in the membership office are not just talking to members, but they are talking to all Cal alumni and engaging with non-members as well. Unrestricted giving means that we can spend those dollars in our operating budget.

People contribute to our CAA Fund, which is nearly \$600,000 a year, and that money goes straight into our operating budget which helps us invest in our mission. If you get into some of the fundraising for scholarships, those are restricted dollars, so they're allocated for a specific purpose, we have to spend the money for that specific purpose and ensure that the dollars that comes from scholarships goes right back to scholarships.

The Lair of the Golden Bear family summer camp is the biggest gross revenue stream for the organization. Wildfires are an issue for the Lair of the Golden Bear. Last summer, three weeks of family camp were impacted by smoke. We are now providing Lair travel insurance and we are trying to find more solutions to handle these smoky situations. In 2019, there are 15 weddings planned at our Pinecrest property. The wedding business has been diversifying revenue stream for CAA.

The largest net revenue contribution in the organization is the Business Development department at approximately \$1.7 million dollars plus another \$160,000 dollars in *California* magazine advertisements. From a gross revenue standpoint, we are close to \$2 million dollars and we net \$1.4 - \$1.5 million on that operation. We lost \$450,000 dollars annually from our credit card deal because of changes in that industry. I'm happy to report that we've made all of that up and more through other revenue sources.

Cal Discoveries Travel is one of our fastest growing programs. The net revenue from Cal Discoveries Travel used to be about \$250,000 and that number has doubled over the last few years. Alumni House is being rented out to generate revenue. The amount of events being held in rented spaces in Alumni House to generate revenue is just phenomenal. On the magazine side, we're switching to digital, and magazine ads are becoming a challenge.

CAA's Chief Program Officer, Anh Tran, gave the Membership an overview of CAA's programming and alumni engagement in 2018. Approximately 3,500 alumni were engaged in 2018 in everything from sporting events, collaborating with Cal Athletics for tailgates, Hoops Parties, community events, theater event. We've worked closely with the university for Berkeley Charter Gala, so in 2018 we had about 300 alumni and friends attend that event honoring our Alumnus of the Year, Kevin Chou '02.

CAA does a lot of work to collaborate/coordinate with and support campus partners. We were just in Sacramento working with Government and Community Relations on Advocacy. We work heavily with our Cal parents and various professional business schools, including Berkeley Law. We've partnered with Gender Equity Resource Center to do Pride Parade. Last year we held the first ever LGBTQ Alumni Brunch for Homecoming. Currently, we have 77 chartered alumni chapters. We have geographic chapters, affinity chapters, and cultural chapters, which are the heart and soul of our alumni engagement efforts. We also have 20 online alumni communities, which oftentimes are on the way to becoming a formal chapter. The chapters work with New Student Services to welcome all new students and support low-income, under-served, and under-represented students.

Golden Bear Orientation (GBO) is a ten day mandatory orientation for all incoming students in the fall. We do an Alumni Career Fair Networking Mixer with students on Memorial Glade. Last year was the first year that we launched two new virtual tools. We engage over 4,000 alumni through our programs and almost 2,000 of them are young alumni. We launched Berkeley Career Network with the Cal Career Center last August and we now we have about 2,000 alumni participating in the online tool that allows alumni to connect to each other and students using the Peoplegrove app. The Career Center runs industry-specific events for students, and we have alumni come to them in order to network with students.

Cal Alumni Student Association engaged 2,000 alumni volunteers to support students. CASA had parents as well as incoming students come to Cal for two weekends in April. During GBO, CASA also encourages all students to come to a welcoming party/invitation to CAA. Last year, they had about 550 students attend.

Last year we awarded more than \$2,000,000 in scholarships. In 2018, CAA donor Mary Tuncer gifted \$1,000,000 specifically for TAAP and transfer student scholars. AEX, our Alumni Engagement Expansion Initiative, made possible the development of intentional alumni student engagement infrastructure at CAA. We now have data for all of our programs and databases. We have expanded alumni volunteer opportunities to support student recruitment. We rebuilt our Cal Advocacy Program and work closely with Government Relations to see how alumni can get involved. We've increased revenue by increasing CAA membership.

CAA's Chief Operating Officer, Susie Cohen Crumpler, discussed the Association's centralized marketing and communications department with five full-time staff who manage all of the communications and marketing for all of our program areas as well as the institution as a whole. Highlights of 2018: our website is the most comprehensive place to find all of the information about our programs and services. We closely monitor our monthly traffic and views and how much time people are spending on our website. It's interesting that two out

of five visitors are visiting the site from their mobile device. We focus on three social media platforms: Facebook, LinkedIn, and Instagram, which feature content that is a mix of intellectual and fun-spirited and that reflects what's happening at UC Berkeley and the Cal Alumni Association. Cal Connection Newsletter is a monthly newsletter that goes out to over 174,000 Cal alumni, and Cal enthusiasts. *California* magazine sees the most page views and represents 38% of the page views on our site. This section of our website has been growing since we launched it five years ago. It not only regenerates content from the printed magazine, but generates news and timely stories on a daily and weekly basis. In 2018, we had a shift-over of editors. Long-time editor Wendy Miller retired and Patrick Joseph is now the editor-in-chief. We did a refresh design in the spring as well.

CAA's Chief Financial Officer and Controller, Ann Truong, gave the membership an overview of CAA's 2018 financials. In 2018, CAA's total assets were \$36,000,000. Only one-third of our assets are in liabilities. CAA is very strong financially. The Life Membership Fund is \$15 million dollars. For every dollar that we take in, we spend only 19 cents in overhead in administration and 3% in fundraising. The rest goes towards our program work.

Mr. Mart adjourned the Annual Membership portion of the meeting.

6. Public Comment

Mr. Mart asked if there was any public comment. There was no public comment.

The Board broke for lunch from 12:00pm – 1:00pm.

7. Alumni House Facility Report – Bob Sproul, Clothilde Hewlett

Mr. Sproul shared an update of the work of the CAA Facility Advisory Committee that was formed a little over a year ago. The first thing we have decided is that building a new facility is not an option at this point. It would cost \$60-\$100 million and, as mentioned earlier today, the Chancellor does not want any campus units or partners raising money during the campus campaign. The committee has determined to build on a previous feasibility study that CAA commissioned, the primary objective is to look at Alumni House expansion to enable all Berkeley staff to work in one location. CAA rents office space for 30 employees at 2440 Bancroft Way which costs \$10,000/month. The lease expires in 2021 so CAA needs to determine if we will renew the lease or find the means to move all staff to Alumni House. We are requesting the approval of \$45,000 from the Life Membership Fund to update the feasibility study. We are looking to make Alumni House more welcoming and efficient for both staff and alumni. Once we get the revised feasibility study, we estimate the improvements will take approximately 3 to 5 years and are budgeting \$450,000 to improve the HVAC as well \$225,000 for interior space modifications, paint and new carpeting.

Ms. Hewlett noted that a number of electrical engineers have assessed the the electrical and HVAC system issues at Alumni House and that is how we derived \$450,000 budget. The HVAC is an action item by itself and the feasibility study is the second action item.

Ms. Pouchot noted the concern of the Board is that we would like to replace the HVAC but not want to do redundant work in five years. We want to make improvements to Alumni House as soon as possible so that the workplace of our staff and visitors is comfortable. Ms. Crumpler noted that an investment in a new HVAC system would be incorporated into any new improvements to Alumni House and that the existing system would carry over to the new section of Alumni House once the expansion project is completed.

M/S/A: The CAA Board of Directors approved the expenditure of \$650,000 to improve the HVAC (\$425,000) and electrical systems at Alumni House, and, in addition, to make building and office upgrades (\$225,000) at Alumni House and the CAA office space at 2440 Bancroft Way. Funds will be withdrawn from the Life Membership Fund and are not subject to repayment.

M/S/A: The CAA Board of Directors approved \$45,000 to procure a revised feasibility study. Funds will be withdrawn from the Life Membership Fund and are not subject to repayment.

8. Legislative Update – Clothilde Hewlett

Ms. Hewlett noted that she had just come back from a great Cal in Sacramento event where she was joined by CAA Director Kirk Tramble and Associate Director of Alumni Engagement, David Smith. The event celebrated all the Cal alums who have either worked in the legislature or executive branches, as well as our current students that are working in fellowships and internships. We had over 200 alums and students attend the event. Many of those staffers were also CAA Alumni Scholars. If you want to have a significant impact in Sacramento and receive more state funding, diversity is a key story that must be told. CAA's scholarship programs support low-income and under-represented and minority students, who represent the diversity that our campus and legislature want to see. CAA goes beyond providing money for our scholarship programs, we have extensive programming that support our scholars while on campus. On October 5th, we are going to be celebrating the 20th Anniversary of The Achievement Award Program.

Ms. Hewlett noted that a significant shortfall is expected in the 2019-2020 UC budget because the Budget Act of 2018 only provided one-time funds for UCs mandatory operations. There will probably be significant cut backs happening throughout campus, from student services, which particularly have an impact on low-income students. This negatively impacts diversity on campus. As the oldest campus in the UC system, Cal is facing significant seismic issues. The funds generated by the upcoming campus campaign will be directed to the most critical

buildings on campus and philanthropy is going to be very important moving forward. CAA will play an important role supporting the campus capital campaign from an advocacy perspective in terms of telling the student and alumni stories that motivate support in the legislature.

Because there will most likely be a UC budget shortfall, the Higher Education Facilities Bond Act of 2020 is a critically important piece of legislation as it will provide \$8 billion dollars and capital improvements and it would be split between the UCs and CSUs. That funding is absolutely needed. CAA is the only alumni association among the UCs that can advocate for that bond if it passes out of the legislature and placed on the ballot. Because the UCs are state entities, their employees cannot advocate for a bond measure. However, because CAA is an independent 501(c)(3) nonprofit and self-funded organization, our employees are not paid by the state or by UC Berkeley. As such, CAA is legally allowed to advocate for the bond. We are a much needed resource not just for the university but for all UCs. Right now, the Higher Education Facilities Bond is in legislation.

M/S/A: The CAA Board of Directors approved the support of a Higher Education Facilities Bond Act of 2020.

9. Regent Report – Jason Morimoto

Mr. Morimoto discussed the Professional Degree Supplemental Tuition for the Berkeley Haas MBA Program will grow at 3% for in-state and 9% for out-of-state. Currently, the cost for in-state and out-of-state students to attend the MBA Program is roughly the same, \$61,000. Its purpose is to grow the CA resident enrollment by 45% over a five-year time frame and also to target Financial Aid and Scholarships. Diversity among students and especially among faculty has not improved much over this past decade. The current upper Hearst parking facility, adjacent to the Goldman School of Public Policy's buildings, is underutilized and will be demolished and replaced with a new parking structure. The residential component will be 150 units and 5 stories over the parking structure, and a new academic building will be built for the school. This was approved by the Board of Regents to go forward as part of the long-range development plan for Berkeley. In public comment, the mayor of Berkeley opposed the project, so it received a lot of additional attention and review. From my understanding, the city of Berkeley was looking for more financial support from the campus to the city for the increase of both traffic and public usage of city infrastructure.

In terms of leadership changes across UC, it was announced that Cynthia Larive will be the 11th chancellor of UC Santa Cruz. Nathan Brostrom will become UC Merced's new interim chancellor on August 15th for up to a year, while a search goes on for a permanent chancellor for the campus. Paul Jenny, the current CFO of UCSF will also serve as interim CFO for UCOP during this particular time, and after the search is conducted, Mr. Brostrom will return as CFO for UCOP. One contentious topic of discussion in public comment was the approval to increase undergraduate, non-resident supplemental tuition for 2019-2020. It was argued

that the 2.6% increase would potentially lower the number out-of-state applicants applying to UC and would make UC only accessible to wealthy out-of-state students. The Regents were in favor of this proposal and so was I, because it is a critical component of the budget. It was shared at the very beginning of the budget cycle and only started to be pushed back on in the last couple weeks before we finalized the budget. Additionally, the income that comes from this is key to many of the campuses that have a lot of non-residents, including UC Berkeley. The last item I will mention is that in the news recently there has been a lot of conversation around UCSF to propose a partnership with Dignity Health. While this partnership proposal was called off on May 28th, I think there is a continuing need for the UCSF and broader SF community to increase capacity and services for its local population.

10. Oski Dining Hall / Insurance Update – Matt Terwilliger

In December of 2017, our propane tank provider did not fill up the propane tank at the Oski Dining Hall, which resulted in the heat shutting off, which resulted in a pipe bursting in the facility. The pipe burst lasted for five days before it was discovered. We had to set up a temporary dining facility for the Oski campers. We have two insurance companies that split the coverage on the Lair of the Bear. We've been working with the adjuster and the insurance companies and the broker. Due to the nature of the high costs of the replacement, we were required to get three bids on the project. One of the three bids was provided by the company that we've been using and are familiar with, Sierra Property Management. They did all the demo work on the facility. Green Anchors and Royce were the other two companies from which we received bids. The gross loss has been estimated at \$1.72 million dollars. The depreciation portion of that is around \$816,000. Our deductible was roughly \$10,000, so pretty minimal in the grand scheme of things. The net claim is around \$890,000. We've received payments of approximately \$453,000. The depreciation of \$860,000, you get paid that once you start the rebuild. What we are looking for from the Board today as an action item is to give Ms. Hewlett and myself the ability to finalize this insurance settlement. The rebuilding of the building could easily begin one year from now.

M/S/A: The CAA Board of Directors approved the authorization for CAA Executive Director and Chief Revenue Officer to accept the negotiated settlement terms.

11. Pinecrest Chalet Sale Update – Matt Terwilliger

CAA put the Pinecrest Chalet on the market thirteen months ago and have recently received two viable offers. The CAA Board approved the sale of the property at the April 26, 2019 Board meeting. We accepted the sale price at \$1.8 million dollars, \$500,000 down payment and CAA is financing the sale. The tough thing about the property is that, because it sits on Forest Service land, the land is not included in the sale and buyers cannot get financing for the purchase. If the Association sold the property for all cash, we'd probably get significantly less than the \$1.8 million dollars that we negotiated. In five years, at the interest rate

of 5%, CAA will make an estimated \$70,000 in interest. At the end of the five year financing period, a balloon payment of \$1.3 million dollars will be due to CAA. The Forest Service has inspected the property and we have created a property inventory report.

We've formed a transition team within CAA to determine staff transitions, IT-related matters, how to transfer existing reservations to the new buyer and various other logistics. There is a risk of default and the property could come back to the Association however, in summary, we feel confident that the buyer is in a strong financial position to acquire the property.

12. Closed Session: Board Discussion

Mr. Mart put the meeting into closed session for Board discussion and excused all non-voting Directors and CAA Staff.

Mr. Mart brought the meeting into open session and adjourned the meeting.

The meeting was followed by a reception and dinner at the Berkeley City Club to thank CAA's outgoing President Eric Mart, Regent Jason Morimoto, and CAA Directors Catherine Lynch McKee, Alexander Randolph, Gary Slavitt, Prentice Tom and Michael Steckler for their years of dedicated service to the Cal Alumni Association and UC Berkeley.