



Board of Directors Meeting Minutes

Wednesday, September 21, 2022, 1:30 pm – 4:30 pm
Colusa Hall 100 B

<https://csuchico.zoom.us/j/82308941181?pwd=OEtkdzhRUzhGWUNHeEFPNmFtV2dSZz09&from=addon>

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Meeting ID: 823 0894 1181

Passcode: 141524

MEMBERS PRESENT: John Carlon, Kristen Chatham, Dave Hassenzahl, Gayle Hutchinson, Tod Kimmelshue, Bob Kittredge, Debra Larson, Shane Mayor, Ben Seipel, Ann Sherman, Mary Sidney, Angela Trethewey

MEMBERS ABSENT: Ahmad Boura, Anita Chaudhry, Gayle Hutchinson, Tom Lando

ALSO PRESENT: Eric Bartelink, Stephanie Bianco, Amanda Bullock, Michele Flowerdew, Eli Goodsell, Kristin Gruneisen, Julie Jessen, Vance Kelly, Norma Muzzall, Christopher Nichols, Dana Pitman, Gloria Quintero, Liz Squire, Tom Wilder, Russell Wittmeier

I. **Call to order** – Larson called the meeting to order at 1:34 pm.

II. **Approval of minutes from May 26, 2022**

Motion to approve the minutes from the Board of Directors meeting on May 26, 2022 (Kimmelshue/Kittredge)

The motion was carried unanimously (9/0/0) Carlon and Trethewey arrived later so were unable to participate in this vote.

III. **Public Comments and Announcements** – Christopher Nichols attended on behalf of the faculty and staff of the Chemistry Department. He indicated that the support that his department has gotten from CSE has been superb. However, he noted that over the last few months, it has taken too long to accomplish things. Chemicals were disallowed from purchasing cards. Check requests took 5-6 weeks to be reviewed. Student payments were delayed. Many of the stipend check requests took much longer than they should have and had duplicate information to what is requested on the check request. Sidney explained that CSE recently lost 3 critical staff members along with their significant institutional knowledge. Temporary and permanent staff have been hired but are still getting up to speed. CSE's processes and policies are being reviewed and improved, but it is taking time.

IV. Reports

A. University President's Report – Larson presented the report on behalf of President Hutchinson in her absence. The university is in a very busy week four of the semester. Hybrid and online teaching continue but live, in-person classes are the standard. COVID trends are mirroring last year's trends. As of last Friday, 41 known COVID-19 cases have been reported. The pandemic management team is watching this very closely. First-time CSU, Chico enrollees are up by 40%. First-time transfer students are down by 12%. Enrollment has been trending downward since 2017-18. Student headcount has dropped by more than 3,000 students. Community colleges are struggling, which has a trickle-down effect on the university. Because we are enrolling smaller cohorts since 2017-18, those cohorts are in the pipeline. Over the summer, an enrollment continuum push called Job One was rolled out. It is being led by Larson, along with the VP of Student Affairs, Isaac Brundage, and Vice Provost for Academic Affairs, Daniel Grassian. Much work is taking place around curricular revitalization. The retention initiative is also doing well. The university is contracting the services of Simpson Scarborough for digital marketing. Student applications will open on October 1, 2022, but the closing date has been flexible. Academic Affairs leadership is looking closely at departments that are struggling with enrollment. Hassenzahl noted that one of the biggest challenges is student retention. He believes that we can be more effective in specific areas and do a better job with student accommodation and overall success. That retention project focuses on what happens with first- and second-year students. There are publicly available dashboards online listed by the college. Sherman noted that the entire CSU system's enrollment is down by 4%. Until recently, she noted, even though some CSU schools are growing, overall, their enrollment numbers have declined. She noted that the university did not get the \$48M for the Human ID lab that they requested. Kimmelshue noted that there was some political game-playing, and the funds were removed from availability. He is optimistic that it will happen. This Human Identification Lab would be unique in the CSU system and, while there is some modest work going on in some schools, CSU, Chico is a leader in the industry. Kimmelshue noted that we are the area that is recognized for human remains identification. Sherman also provided an update about the search for a new AVP for Facilities and Capital Projects, noting that there are 4 candidates this week for that position. She provided some detail about each candidate and their notable strengths. She anticipates that the successful candidate will start working in early October of 2022.

B. Board President's Report – Larson provided a brief CSE Board President report. She noted that North State Public Radio's (NSPR's) general manager provided some information to be shared with the Board. Since the merger with CapRadio, corporate support has proven to be the 2nd best on record; only 3% less than their best sales year. Membership is almost back to pre-partnership levels. Their news department earned a first-place award from the Public Media Journalists Association, earning recognition for their two series on the Camp Fire. They have added a partially grant-funded wildfire recovery reporter to their staff. They have also received \$50K from the North Valley Community Foundation to offset some of the costs of that new position.

Larson noted that we recently added a new position for an associate dean of graduate studies and research compliance, which was filled by Dr. Susan Roll. Dr. Roll has jumped

in and done great things. Larson welcomed Seipel as the new IRB (Human Subjects Research) Chair. Larson thanked him for his service, Dave Stachura continues in the position of IACUC. Caroline Arpin, a faculty member in Biochemistry, is the new Chair of the Biosafety Committee. Sharon Ruggirello is the coordinator for the program.

C. Finance and Investment Committee Report

- 1. Review of Year-end Financials through 6/30/2022** - Kimmelshue invited Kelly to review CSE's financial statements for June 30, 2022. Kelly reviewed the General Fund Combined Budget to Actual through June 30, 2022, year-over-year (YOY). In the revenue indirect cost recovery (F&A) category, he noted that CSE has grown by \$152K over the same period last year. While there was an actual increase in investment income, the unrealized gain/loss for investments is negative by \$4.6M YOY. Total revenue at year-end was \$3.5M, which is a negative variance of \$4.5M from the prior year. Kelly reviewed the expenses, noting that wages and benefits increased by \$445K over last year. Facility fees have increased by \$27K YOY, but he reminded the Board that this is an accrued amount, not a final total, until the facilities use agreement is finalized with the university. Contract software fees have increased in anticipation of a software update. Insurance expenses continue to climb, showing an increase of \$58K over last year. Total expenses increased by \$399K over the prior year.

Kelly reviewed the Statement of Net Position as of June 30, 2022, noting that assets are listed in order of liquidity. Accounts receivable have increased due to increased activity in the sponsored programs fund. Capital assets have decreased by virtue of depreciation expense. Total assets decreased by \$228K YOY. Total liabilities have increased by \$1.2M. Total net position has decreased by \$1.4M.

Kelly reviewed the CSE Statement of Revenue, Expenses and Changes in Net Position through June 30, 2022. Grant and contract revenue has increased by \$6.6M YOY, due to significant increases in sponsored programs activity. Total revenues and other support are positive by \$3.1M over last year. Kelly reviewed expenses, noting that nearly all expense categories have increased over the prior year except operating expenses, which decreased by \$238K. Participant costs have increased by nearly \$700K. New this year, CSE received an award from a funding agency with a requirement to set up a quasi-endowment with the university foundation. Total expenses increased by \$6.5M YOY. The change in operations before transfers ended the year at \$1.4M or negative \$3.4M compared to the prior year. The net position ended at \$31.6M; \$1.4M less than the prior year.

Kelly shared the General Fund Net Position worksheet, which includes a comparison of the past three fiscal years. Kimmelshue summarized that CSE is operating at a loss and that loss has increased significantly over the past two years, from a positive increase of \$187K in 2020 to a negative \$95K in 2021, and down to a decrease of \$300K in 2022. Kelly noted that the message is that CSE must generate enough revenue to cover its costs to stay in business. Carlon

suggested that “profit in a non-profit is not a bad thing”, noting that the more “profit” we make, the more we can accomplish our mission. Kimmelshue commended Kittredge and Kelly for digging into these numbers.

Kelly briefly reviewed an Indirect Cost Recovery Analysis covering the past three fiscal years. He noted a consistent increase in grant and contract expenditures, and only a small increase in indirect cost recovery, noting that the actual indirect cost recovery rate has decreased from 13.21% in 2020 to 11.72% in 2021, and finally down to 10.87% in 2022. Carlon asked about the NICRA rate and when that was last negotiated. Sidney shared that CSE is in the process of renegotiating that currently. Most of our sponsors don’t adhere to that rate. Kelly noted that the federally negotiated rate is 41.5% for specific expenses. Kelly illustrated that, while we had a higher rate of expenditures, we are receiving a lower percentage of indirect cost recovery. He reviewed grant and contract expenditures over those same three years, noting that expenditures increased by \$2.2M (8%) in 2020, \$5.5M (18.71%) in 2021, and \$4.1M (11.84%) in 2022. However, the change in indirect cost recovery from prior years was 6.97% in 2020, 5.34% in 2021, and down further to 3.72% in 2022. The bottom line is that CSE is administering more sponsored programs but recouping less indirect/general operating revenue. Some contracts contain a cap stating that we can only collect \$25K, regardless of how much or how long the contract term is. Participant costs are another area that CSE cannot collect indirect cost recovery on but that costs the organization money to administer. Kelly showed examples of how the contract portfolio mix can greatly affect CSE’s ability to make enough money to sustain itself.

Hassenzahl suggested that there is a big framing issue around this table by using a top-down model. A bottom-up model could show us something very different and how it is framed is important to how it is perceived. There are expenditures that are made in a single year that could look different if they were made at a different time. Larson noted that we need this information to help us address a situation. There are a lot of fabulous services and value that this campus receives because of these low indirect grants. Seipel noted that the Board has a responsibility to look at whether this issue is rampant across the CSUs and auxiliaries, or whether it is an individual systemic issue. Carlon agreed with Larson and Hassenzahl, noting that, when he frames this, we have a \$32M budget. He asked what quantity of the budget that CSE must work with to distribute F&A. He explained that the hard part for him is the lack of clarity about how decisions are made, which direction this business wants to go, and what we want to do to strengthen the organization. Trethewey suggested that we need to decide what direction CSE is headed and to what extent CSE is working toward the mission of CSU, Chico. Kimmelshue noted that each Board member is here to help meet the university’s mission and the success of higher education. He suggested that perhaps the university could pay for the shortages from the lower cost-recovery grants and contracts. Larson said that it is important to acknowledge these values and how important some of the smaller grants are to the mission of the university and to the recruitment of new students. No F&A coming back to the campus is where we are, currently.

Stephanie Bianco (guest) suggested that CSE needs to assure that they have adequate staffing, and that staff are paid at market rates so that they don't lose qualified staff and their institutional knowledge. CSE administration needs more to survive, not less. Cutting costs while trying to grow the business won't work. Because we (Centers for Healthy Communities/CHC) are subcontracting with other campuses in three systems. Other campuses are receiving full indirect, but CSE is not. She asked if there's something that we can do to change the contractor/subcontractor recovery rates. Carlon noted that these are excellent points and agreed that the subcontractor is the entity making the money. Sidney noted what is missing from this graph, if we are going to provide quality service to sponsored programs, is the lack of increased funding for the necessary administrative infrastructure. She must add qualified staff to support the growth of programs, projects, and centers. We don't have a preconceived idea of how to solve the under-recovery issues but wanted to bring them to the attention of the Board. Trethewey asked if we can use Foundation endowments to support the types of programs that don't have the level of indirect reimbursement that CSE requires to stay afloat. Hassenzahl noted that some grants build in administrative costs, but some grants don't have that as an option.

Larson shared that CSE is going to dig deeper into this data and tease out additional details. Sidney noted that CSE will bring additional data back to the Board. Larson wants to make a list of CSE's priorities, socialize that, and see what rises to the top. Carlon asked if there are multiple sources for education grant funding. Julie Jessen (guest) noted that it varies widely, but federal agencies are more likely to fund large projects. Depending on what you want to fund, and the funders available, it becomes a challenge for the grant writers to find income sources. Kittredge noted that the thing that is getting lost in this discussion is that the campus has been highly successful in obtaining additional grant activity and, in prior years, growth has been nominal. The infrastructure must grow on pace with the activity growth and this trend is not sustainable. The organization will bankrupt if we don't make changes. Larson suggested making a list of priorities and invited Hassenzahl and Trethewey to extract information and determine the priorities. Trethewey noted that the faculty is fully aware of these issues and understands that this is a resource problem. Kittredge reiterated that the blue line on the graph displays growth, and we should encourage that, but we can't have the red line trend continue. Carlon suggested that a third option for this issue is income in the form of a contract for a for-profit arm of the organization to help sustain the organization. Sidney agreed that these options are all on the table that must be strategized and vetted.

2. **Facilities Use Fees** – Sidney updated the Board about the Facilities Use Fees, noting that it is not yet resolved, but is moving in a positive direction. CSE's initial proposal was rejected, but CSE countered with a revised proposal and that proposal is under consideration.
3. **Update on New F&A Methodology** – F&A Allocation implementation – the

journal entries are being done currently for allocations for the past two years. At the same time, she is communicating to the deans and directors that she anticipates no F&A distributions for the current year.

- D. Audit Committee Report** – Audit Committee Chairman, Kittredge, noted that the Audit Committee meets on 9/22/22. He commended Kelly and his team for their hard work, noting that they are almost finished. In addition to the financial audit, there are single audit reviews of procedures and controls, which are important in the oversight of programs. Those require a lot of additional work. With the growth in activity, there is more for the auditors to review. The Chancellor’s Office audit has been completed and responses are being completed toward that. The process for that audit became much more involved and time-consuming for Sidney, Kelly, and his staff.
- E. Governance Committee Report** - Sidney shared that the GC met and discussed whether to add another ex-officio seat on the Board with the introduction of a new vice president of information technology. Concerns were raised such as how the role of VP, ITSS/CIO would support the organization’s (CSE’s) mission. It was suggested that adding this position could make the Board cabinet-heavy. The Committee didn’t issue a recommendation to the Board but agreed that it should be discussed at the Board level. Sidney noted that this will not be an action item as listed on the agenda, but only an information item for the Board. Feedback from the full Board would be appreciated. Kittredge opined that CSE needs more community representatives rather than additional campus members.

Larson suggested also that the Governance Committee should revisit member terms. The Bylaws currently state that Governance Committee members may serve two consecutive terms and then must take a hiatus. She recommended that the Board review this policy. Sidney noted that there are some vacancies on this committee approaching soon. Seipel asked if member terms could be listed on CSE’s website. Larson asked that participation be a fundamental policy. Hassenzahl noted that this is included in the Bylaws. The Governance Committee is responsible for reviewing the performance, including attendance, of members.

- F. CEO Report** – Sidney briefly reviewed CSE’s staffing shortage and service delays in the spring of 2022, noting that she also made discoveries about outdated policies and the lack of use of technology during this time. She identified a weakness in our management structure in the area of procurement. Recruitment for a procurement manager is currently underway. Seipel suggested creating a process by which all CSE policies and procedures are periodically reviewed. Sidney noted that a new procedure for policy and procedure review and follow-up has been put in place over the past few months. Hassenzahl suggested doing follow-ups via campus communications, as frequently as monthly. In addition, CSE would like to identify a single point of contact for callers. We have recently made plans to install Avaya, which would allow staff to receive calls via computers, regardless of physical location. Open office hours via Zoom or Teams were suggested as other possible communication methods.

Sidney briefed the Board that the City of Chico’s development project involving the properties at 25/35 Main is moving very slowly. The initial approach was to submit an

RFP, but that resulted in only one response, which would've competed with student housing. Now, the city is considering utilizing a marketing firm for a rigorous market analysis.

- G. Update on Butte Creek Ecological Preserve Transfer – Eli Goodsell** – Goodsell recognized and shared his appreciation to the CSE Board leadership for their support. Last week, the formal land transfer of the 93 acres of the Butte Creek Ecological Reserve to the Mechoopda Tribe was finalized. This Friday, there is a celebration of that transfer which will include state agencies, elected officials, campus and CSE leadership, and tribal leadership representation. He invited all Board members to participate. He acknowledged the tremendous amount of work and communication with the tribal representative, Rachel McBride-Praetorius, that went toward making this transfer possible. Kittredge asked what that means to the organization. Goodsell noted that liability and safety concerns are transferred to the Tribe. Faculty are still making requests to bring classes to the property and the Tribe will continue to provide access to field trips, research, and other collaborative learning opportunities. Long-term, Goodsell is excited about a Community Wildfire Protection Plan application currently underway to do more fuel reduction and open it up to more collaborative projects. Additionally, they are working with another non-profit that has recently been awarded a few million dollars to move old mine tailings and dredges and create additional salmon habitats. Carlon noted that this is an excellent example of our earlier conversation about using creative solutions to do things better. There is money set aside and prioritized for tribes so opportunities for collaboration are exciting. Larson sincerely commended Goodsell and McBride-Praetorius for their hard work and excellent results.

- H. Presentation: Eric Bartelink, Faculty & Co-Director, Human ID Lab, Anthropology, “Stable Isotope Forensics & the Identification of US Soldiers from Past Wars & Conflicts”**

V. The Board meeting adjourned at 4:36 p.m.

The next Board meeting is scheduled for Thursday, December 15, 2022, 1:00 – 4:00 pm.

Respectfully submitted,



Secretary