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# Finance and Investment Committee

Meeting Minutes
Thursday, May 5, 2021, 10:00 am

https://csuchico.zoom.us/j/88910876847?pwd=MmdtTG5lZ1NSTEJSb3lpRVhicVdLdz09&from=addon
Meeting ID: 889 1087 6847
Passcode: 284688
(669) 900-6833

**Committee Members Present:** Bob Kittredge, Annabel Grimm, David Stachura, Tod Kimmelshue

**Members Absent:** None

**Other Board Members Present:** Debra Larson, Ann Sherman, Tom Lando

**Also Present**: Mary Sidney, Natalie Carter, Vance Kelly, Michele Flowerdew, Tim Sailsbery

1. **Call to order at 10:01 am**

2. **Approval of Minutes from March 11, 2021**
   **(Lando/Grimm)**
   **Motion carried (4/0/0)**

3. **Public comments and announcements – none**

4. **Finance and Investment Committee Report**

   a. **CSE 3rd Quarter Financials** – Kelly shared CSE's financial reports for fiscal year 2020-21 through March 31, 2021. Starting with the General Fund Combined Budget to Actual. Kelly highlighted that indirect cost recovery is slightly above projections, and administrative fees are down due to lower activity for campus programs during the pandemic. Investment income is up significantly, but these gains are currently unrealized. Overall, the total revenue is slightly above projections, at 89% of the amount budgeted. Looking at expenses, Kelly noted that office operations were higher than projected. Financial Audit and Tax services are on track, and due to a high number of claims Insurance costs are above projected expenses. Overall expenses are slightly above the budget projections.

      Kittredge asked about tenants at 25/35 Main Street. Kelly shared that except for Education for the Future, all tenants are still occupying 25/35 Main. This includes Passages, Center for Healthy Communities, Community Legal Information Center, North State Public Radio, Geographic Information Center, and Big Chico Creek Ecological Reserve. Kittredge asked about how rent is paid by tenants. Kelly explained that rent payments are part of the F&A revenue, and that the building expense allocation goes to the Plant and Bond fund. Larson asked about ARI administration revenue, and Kelly explained that is a single annual deposit. Sherman asked about changes to the ARD Support reporting. Kelly shared that ARD Support is a catch-all, that has been skewed due to temporary support from Academic Affairs during the consolidation of RESP and RF, to form CSE.

Kelly reviewed the sources and uses of the CSE fund accounts: General Fund, Plant and Bond Fund, Board Designated Fund, Auxiliary Activities Fund, Sponsored Programs Fund, and Campus Program Fund.

Kelly shared the Statement of Net Position as of March 31, 2021. Kelly shared that in general assets are listed with the most liquid assets at the top and longer-term investments toward the bottom. Similarly, that liabilities are listed with those requiring current resources toward the top, and long-term debts toward the bottom. Kelly highlighted that cash and investments currently include unrealized gains from investments and that for accounts receivable unbilled revenue was removed and recorded with accounts receivable, which has decreased due to improved billing. He noted that there was some reduction in assets due to depreciation of capital assets, and the recognition of pre-paid expenses. Kelly shared that overall liabilities have decreased, due to improved billing activity in accounts payable and payments to long-term debts. He noted an increase in unearned revenue, resulting from grant payments for future deliverables.

Kittredge asked if the overall level of sponsored programs and grant/contract activity had changed because of the pandemic. Kelly shared that financial indicators suggest that activity is steady, if not slightly increased. Flowerdew shared that grant and contract activity has remained stable. Kittredge asked if the reorganization had, as hoped, improved the ability of CSE to support grant and contract activity on campus. Sidney shared that improvements in activity have not yet been realized, in part due to the pending implementation of improved tools and processes, specifically new software like CAYUSE. Kelly shared that there has been an increase of positive feedback from campus. Sidney shared examples of improved service at the individual level, and feedback she had received relating to changes in communication and services. Larson added that for sponsored program activity increase, there is a need to increase the instructional capacity to support those interested in proposal submission.

Kelly shared the Statement of Revenue, Expenses, and Changes in Net Position as of March 31, 2021. He shared that projections currently support net change at or slightly above the previous year.

b. **Proposed General Fund Budget for FY21-22 –** Sidney shared the proposed budget for FY21-22 as compared to the previous year. Sidney highlighted an increase in budgeted revenue, as well as a reduction in administrative fees. These changes are based on the current fiscal year activity, and a request from the University Foundation to reduce services and costs. Due to the impacts of the pandemic on programs with significant public-facing services, program administration fee revenues have also been conservatively reduced. Investment revenues are prosed to increase at approximately half the currently unrealized gains from fiscal year 20-21. Overall, the proposed budget includes an increase in revenues of 6.5 percent.

Kittredge asked about the analysis of the reduction in UF activity, and whether that corresponded to a reduction in expenses related to supporting the UF. Kelly shared that time expenses had been able to be reallocated, but that overall staff time had not decreased.

Sidney shared the proposed expenses, noting that most expense increases are due to inflation. She highlighted a 3.8% increase in wages and benefits, which includes the recent hiring of a staff member with expertise in both OneSolution and COGNOS with the hopes of implementing a more user-friendly software interface for campus users. Sidney shared that the campus facility utilization charges, which support the use of campus spaces by PIs and project directors, are currently under investigation and discussion to understand the calculation which was previously done by staff who are no longer at CSE. The current amount proposed by campus would represent more than a doubling of what is reflected in the budget. As a result, the amount in the proposed budget is a placeholder, with an increase based only on inflation. Sidney noted a significant increase in contract software maintenance, which represents the CAYUSE software implementation and subscription, and an upgrade of the OneSolution software to the new web-based version. Sidney highlighted an increase in contract services based on quotes from vendors (audit, campus enterprise services, ITSS, etc.), and insurance costs due to higher claims activity in the pool. Overall, the proposed budget represents an increase in expenses of 8.6 percent, which results in a reduced gross operating balance compared to previous years. Sidney concluded by sharing that the proposed budget is a conservative estimate, with the hopes that the outcome may be more favorable.

Larson expressed concerns relating to the ongoing discussion of the campus facility utilization charges. She added that demonstrating the impacts to the F&A available to campus, resulting from a doubling of the campus facility utilization charges could prove useful in discussions as the calculations are explored. Kittredge asked about revenue under the other category, specifically the transition support from Academic Affairs. Kelly shared that transition support funds are used to offset wage expenses, rather than appearing as revenue. Larson asked that the revenue and expenses, relating to the transition support be more clearly reflected in the proposed budget. Sherman asked to revisit the campus facility utilization charges, adding that funds for the last two years have not yet been reconciled, expressing concern over the current projection. Larson expressed concern about the amount in the MOU relating to these charges and the suggestion that those amounts may have been too low. Kittredge asked for clarification, relating to potentially retroactive charges. Sherman shared that the difference in the amounts concerning the current and last two years is significant, for the past two years, $389,830 and $335,508, and $574,791 for the current year. She shared questions relating to the calculation, percentages, and whether percentages can be changed. Overall, there are $1.3 million in charges in question. Sidney suggested that the Board be presented a budget that is not finalized and will not be finalized until September, following campus facility utilization charge discussions. Kittredge expressed the need to determine the actual charges and expressed concern over the potentially catastrophic impacts on the audit financials as well as the budget. Larson shared the desire to find a reasonable solution relating to campus facility utilization charges and forgone indirect. Sidney added that the executive order relating to the campus facility utilization charges provides for an exchange of value and that the value of CSE taking on many grants and contracts with low or no overhead represents a value to campus in the millions, which could potentially be used to offset the campus facility utilization charges. Larson restated that the result of these discussions could catastrophically impact the CSE budget. Kittredge asked if discussions were projected to conclude before the fiscal year-end, to clarify the organization's financial position. Sherman and Sidney expressed the desire to do so. Sherman added that confusion relating to the organization's previous financials has contributed to assumptions relating to the campus facility utilization charges.

**Motion to table discussion of the proposed budget, without a recommendation until more clarity can be provided relating to campus facility utilization charges. (Lando/Sherman)**
**Motion carried (4/0/0)**

Sidney shared that the existing MOU expires this year, providing an opportunity to reevaluate the calculation. Larson asked for a review of the previous MOUs. Kittredge expressed the need to provide F&A to campus, and the significant impact of F&A to campus being reduced. Kelly shared that percentages had changed over the previous MOU's ranging from 10 to 29 percent, adding that the exchange of value had at one point been recognized. Kittredge suggested that other campus' methodologies be explored. Sidney shared that a comparison had been made preliminarily and that formulas vary significantly, resulting in some auxiliaries paying no fees to campus for space utilization.

5. **Next meeting date/time TBD**
6. **Adjourn at 11:08 am**

Respectfully submitted,

Mary Sidney

Mary Sidney, Secretary