

CHICO STATE ENTERPRISES

Board of Directors' Meeting Minutes

Monday, September 13, 2021, 2:00 – 4:45 pm

MEMBERS PRESENT: John Carlon, Dave Hassenzahl, Tom Lando, Debra Larson, Ann Sherman, Ben Seipel, Mary Sidney, Angela Trethewey

MEMBERS ABSENT: Ahmad Boura, Anita Chaudhry, Bre Holbert, Gayle Hutchinson, Tod Kimmelshue, Bob Kittredge, Shane Mayor

ALSO PRESENT: Annabelle Grimm, Vance Kelly, Aaron Stewart, Tom Wilder, Olivia Williams, Phil Wilke, Russell Wittmeier

- I. **Call to order** – Larson called the meeting to order at 2:07 pm. It is noted that there were insufficient members present to constitute a quorum. No votes will be taken until additional members are present.
- II. **Approval of minutes from May 12, 2021**
Per Larson, review and approval of the May minutes will be postponed until there is a quorum.
- III. **Public Comments and announcements** – This agenda item was deferred until later in the meeting. At the request of Board member Lando, the report of the Finance and Investment Committee was presented first as he advised that he may need to leave the meeting early.
- IV. **Reports**
 - A. **Finance and Investment Committee Report** – Sidney shared the proposed budget with the Board noting that the line item for Campus Facility Fees was in question as discussed at the Finance and Investment Committee (FIC) meeting. Sidney provided an update to the facility use issue where a resolution had been reached regarding retroactive and current year charges covering the period FY2018-19 through FY2020-21. Sidney explained that she provided university Vice President Sherman and staff a detailed review of cost issues, agreements, and communications regarding the facility fees. Vice President Sherman considered that information as well as other important factors given the lack of availability to the facilities due to the COVID-19 shutdown. Sherman determined that the fees for Fiscal Years 2018-19 and 2019-20 would remain at the originally invoiced amounts with no retroactive adjustments, however, the FY20-21 amount would require further adjustment. Sherman provided additional information

clarifying the university's decision on the facility use fee. There was a 3-year facility use agreement in place. In the first year, there was a miscalculation in the equation calculating these expenses. Without the miscalculation, the estimated cost for these fees would have been more than double the amount that was originally agreed to for that expense. In response to the cost analysis and history Sidney provided, Sherman prepared a memo explaining that CSU, Chico would use some of their Higher Education Emergency Relief (HEERF) funds to account for the fact that the campus was closed most of the year due to the pandemic. In addition to utilizing the relief funds, Sherman stated that the first and second-year agreements would be counted as originally agreed, including the miscalculation. For the third year, CSE agreed to pay their budgeted amount adjusted for those months where the facilities were not available, and the university would make up any difference with HEERF funds. Going forward, Sherman stated that what they anticipate is some estimate of the value that CSE is bringing to the campus and how that value might be offset against the calculation of the facility fees owed as well as whether the calculation itself needs to be modified. Larson indicated that the University is following the CSU Chancellor's Office Executive Order 1000 and that related parties will continue to work on this until an agreement is reached, noting that the process is quite complex. Sidney clarified that these facility fees are for faculty research work on campus and the facilities they use for that research. The facility use fees are not for CSE Admin. She stated that there is a provision in the executive order saying that campuses can consider an exchange of value. CSE is currently documenting details that will illustrate that exchange of value and will present that data in upcoming discussions.

The last remaining facility use fee issue to be resolved is the estimated fee for the proposed budget year FY21-22. Until a new cost methodology and estimate could be developed, it was decided in the FIC meeting that the proposed 2022-21 budget for campus facility fees would reflect \$206k, the same as last year's budgeted amount.

In other categories, Sidney pointed out that, for the FY21-22 proposed budget, CSE is revising the "Other Revenue" amount to reflect anticipated revenue from the University where funds have been provided to support CSE's successful transition following the reorganization that merged RESP and the RF. Previously the revenue amount was not reflected until year-end.

Overall, the proposed budget represents an increase in expenses of 15.3% and an increase in revenue of 13.6%, with total proposed expenditures of \$5.2 million. Carlson asked if any changes reflected in the proposed budget included significant wages/salary changes and Sidney responded that it does not. The FIC recommended the proposed budget move forward for Board approval. Due to a lack of quorum, Sidney suggested that the full Board vote be obtained electronically. Larson noted that the Board will rely on CSE leadership to ensure we follow appropriate rules of procedure for obtaining an

electronic vote to approve the minutes and the proposed budget via email.

- B. Public Comments and announcements** – (Deferred agenda item) Member of the Public Allen Harthorn, Executive Director of the Friends of Butte Creek, joined the meeting. Mr. Harthorn provided details about his education, work experience, and four grants that he wrote while working for the Foundation for the purchase of 93 acres on Butte Creek. When they got final confirmation from the wildlife conservation group for the funding, it was assumed that the California Department of Fish and Wildlife would take over the property, but they weren't interested. Subsequently, the Research Foundation took over the property. According to Harthorn, one of the actions in the management plan for the property was that an endowment would be established to pay for the management of the property in perpetuity. 20 years later, Mr. Harthorn and the Butte Creek Canyon community learned that an ad hoc committee decided several years prior that the property had little value to the Research Foundation, what is now Chico State Enterprises, and that the liabilities were such that the Board should consider disposing of the property. Mr. Harthorn believes there is great potential in the property and that the perceived liabilities could be considered opportunities. He asked that CSE develop a committee with representation from Butte Creek Canyon or three non-profit organizations involved in canyon activities: California Fish and Wildlife, the Wildlife Conservation Board, and the Mechoopda Tribe. He noted that it has been suggested to give the property to the Mechoopda Tribe. He also requested that a management plan be developed that includes all related parties and allows for possible collaboration and restoration of the creek. Mr. Harthorn invited contact at Allen@buttecreek.org.

Larson asked that Mr. Harthorn's comments be documented in the minutes and to review this conversation separate from the Board meeting.

- (A.) CONTINUED REPORT from Finance and Investment Committee** (deferred at Board member request).

Kelly briefly reviewed the financial statements through June 30, 2021. Starting with the General Fund Budget-to-Actual, he noted that total revenue ended at \$6.3M or 134% of the budget. Total expenses ended at \$5M, or 112% of the budget. The operating activities net ended at \$1.3M. Kelly reviewed the Statement of Net Position as of June 30, 2021. Assets for the year increased by \$4.3M with total assets at \$47.2M. Liabilities increased by \$2.3M with total liabilities at \$14.2M resulting in a total net position of \$32.9M for the year.

Kelly reviewed the Statement of Revenue, Expenses, and Changes in Net Position through June 30, 2021. He noted that total revenues and other support ended at \$46.7M, increasing \$6.4M over the previous year. Total expenses ended at \$46.2M, an increase of \$4.3M over the previous year. Carlon asked about external transfers with CSU, Chico, and the disparity year over year. Kelly explained that when capital assets are

purchased for use and are then utilized by PIs or by campus, those assets are then transferred from CSE to the University. There were about \$150k more of those transfers last year than this year. Lastly, Kelly indicated that the ending net position was \$32.9M, increasing by \$2M over the previous year. Hassenzahl asked if there are rules as far as what percentage of revenue over budget a 501(c)(3) can carry on its books. Kelly responded that the organization is allowed to make a profit provided it falls within the public benefit guidelines

- C. University President and CSE Board President's Report** – The President was unable to attend today so Larson presented in her absence. Larson recognized Board members who have recently joined the Board of Directors as well as those who have agreed to continue with service to the board. She expressed her appreciation for those continuing their service. She welcomed the new members Anita Chaudhry, Professor of Economics, Shane Mayor, Associate Professor in Environmental Science, Briana Holbert, student representative (returned for a second year), and Dave Hassenzahl, who has rejoined the Board.

Larson presented President Hutchinson's report, noting that Chico State started the year with a convocation on August 19th, during which the president unveiled CSU, Chico's new identity, and beautiful new marks, noting that CSE will need to sync up with the new marketing standards. She also noted that CSU, Chico has been working toward metrics around increasing retention and graduation rates of students. For the next couple of years, they are going to focus on closing the achievement gap for underrepresented students in the black and Latinx groups, as well as low-income and first-generation students. Headcount for the University is expected to be about 15,500, which is evidence of declining enrollment. She mentioned that students are happy to be back to school in person, with about 60% of classes offered in-person and 80% of the student body has had at least one in-person class. Of that group, 90% are also taking online classes, so the students are experiencing a mixture of in-person and online classes. 76% of students have completed their COVID self-certification and that number is growing. They are finalizing the Spring 2022 course schedule and are targeting a Spring schedule that looks a lot like the Fall schedule did, in terms of the proportion of classes that are offered in person. The Division of Academic Affairs produced a 2020-21 Annual Report in which Chico State Enterprises was highlighted. Lastly, President Hutchinson wanted everyone to know that the search for a VP of Information Technology is active and that interviews are underway for semi-finalists.

D. Chief Executive Officer's Report

- 1. NSPR Update and FCC Compliance** – Sidney introduced Phil Wilke, station manager of North State Public Radio (NSPR). Noting CSE's partnership with CapRadio to provide day-to-day oversight of NSPR operations, and CSE's continued ownership of the FCC license and fiduciary responsibilities, Sidney

requested that Wilke provide an update on NSPR operations and report on compliance activities as required by the FCC.

Wilke discussed the recent FCC license renewal, noting that NSPR has engaged a law firm to assist with the process. Wilke stated that it has been approximately one year since CSE contracted with Cap Radio to take over the management of the radio station. He reviewed the personnel headcount, salary comparisons, and budgets before and after Cap Radio took over. CSU Chico is providing \$750k over three years to set up NSPR as a self-sustaining unit. That stipend sunsets after the third year. He explained that budget goals were missed due to the transition between CSE and Cap Radio because they had to re-establish with their entire membership. Nevertheless, the rebuilding of the donor base is moving forward with a favorable response. Another facet of management through Cap Radio is a partnership with KHSU-FM in Humboldt, for which the NSPR team has managed new content since June 2021. Wilke shared the exciting news of awards from the Public Media Journalists Association, from which they received first place for Audience Engagement Program for *Hunger in the Burn Scar*, and second place for Continuing Coverage for *COVID-19 Special Coverage*. Larson noted that she is serving on the Board for Cap Radio.

- 2. CEO's Report of Operations** – Sidney provided highlights of the fiscal year 2020-21 for the benefit of the Board. She shared a presentation that illustrated grant and contract revenue by source, noting that 74% comes from the federal government, 16% from the state, 4% from local government, 5% from non-government sources, and 1% from the Agricultural Research Initiative (ARI) for a total of \$39M in revenue. Sidney shared a 10-year history of the proposals and awards, noting that awards are holding steady. Trethewey inquired if there was data that indicates the percentage of successful proposals. Sidney responded that the lowest success rate over the past 10 years was 33% and the highest was 42%, noting that it's an inexact comparison as awards have different terms, but this chart gives a general overview. She noted that the average award success rate across other universities is approximately 30%. Sidney reviewed research expenditures and F&A revenues, noting the consistent positive upward trend since FY15-16. She also mentioned how remarkable it was that the faculty and center directors were able to continue their research work despite COVID restrictions to lab access, travel, and remote operations. Sidney shared data on research expenditures, F&A revenues, and effective recovery rates (ERR) spanning 10 years. She explained that the recovery rates have hovered just under 10% consistently. She also noted that, despite steady upward F&A growth since FY16-17, total research direct expenditures have significantly outpaced that growth. To help address the lagging corresponding growth in F&A, Sidney noted that project directors are encouraged to write a central administrative effort into their direct

grants when possible.

Sidney reviewed operations highlights. She began by mentioning the successful Cayuse proposal/award software system implementation, noting that there was excellent cross-departmental participation, excellent vendor technical training, and support and that it launched 7/1 and 9/1/21 to coincide with the start of the fiscal and academic years. She has received very positive feedback from campus stakeholders and CSE staff about the implementation. She highlighted the implementation team and thanked them for their hard work in making the implementation a success.

Sidney concluded with comments about the CSE staff. She noted that there is a culture of collaboration, that staff morale continues to be high despite remote work. Admin staffing levels have stabilized in Sponsored Programs and Finance. There have been internal promotions, new hires, and staff training successfully done remotely, as well as monthly employee recognition. She summarized the growing culture of continuous improvement and service in several areas. Staff wants to continue the paperless processes put in place during their remote experience. There has been improved functionality and usability of accounting processes and reports, significant improvements in HR recruitment and classification processes, and an increase in positive comments and appreciation from stakeholders.

Sidney talked about the impacts of COVID-19. She stated that proposals and research activity remained strong. In HR, new hires and open recruitments rebounded from a slowdown during the pandemic. There were some increased costs due to the technology required for home offices as well as outdated technology. There were strict Return-to-Campus safety protocols implemented for both researchers and CSE staff. She also noted that, in alignment with the University, CSE developed and implemented a vaccination certification policy and process. Wittmeier noted that vaccination certifications have been completed by 469 employees of the 800-900 average active employees, with certifications continuing.

Sidney discussed goals and priorities for FY21-22, noting that she intends to finalize the development of a new F&A allocation methodology with the goal of implementation in time for Spring 2022 distribution. She also plans to undertake activities to further strengthen the interface with Chico State faculty, SPAC, and beyond. Finally, she plans to develop an implementation plan for a OneSolution software update to a web-based version that will provide additional functionality.

3. Sidney invited Aaron Stewart, CSE's general counsel, to review the roles and responsibilities of the Board members. Stewart reviewed the general concepts of

the fiduciary duties of each director. He stated that it's riskier to serve on the board for a non-profit than a for-profit entity. In a for-profit entity, the directors are typically also shareholders, and those directors are making big-picture financial decisions. In a non-profit, public-benefit entity, the shareholders are the public and the Attorney General's office. As a director of a non-profit, the law says that you must be diligent about asking questions and making decisions. He highly recommended Directors and Officers (D&O) insurance. Sidney noted that CSE does have D&O insurance coverage. Directors are trustees of the public good, requiring that they act at very high standards of fiduciary responsibility. He discussed the duty of care and duty of loyalty in depth. For some decisions, it would be appropriate for Board members to seek additional information from a person or persons that you trust and who have appropriate knowledge of a topic to make an informed decision. Stewart advised that directors be exceedingly cautious with any decision that they may personally benefit from. It is imperative that the benefit to the non-profit comes before any personal benefit (material financial interest). He suggested that Articles of Incorporation and Bylaws should be reviewed annually as they relate to how directors are elected/selected to assure that the protocols in place and taking place meet the guidelines stated in those corporate documents. He suggested that committees be advisory and that the Board should make the most critical decisions. Larson recommended that this section of the minutes be available for board members to review, both now and in the future. She asked Stewart specifically about the Brown Act. He noted that The Brown Act is quite complex but that it was created because there were organizations that were making decisions before holding a meeting to discuss and vet important items. That is not recommended and generally, bad protocol. Committees can provide recommendations, but ultimately, the Board should be responsible for the important items.

Carlton requested a copy of the D&O insurance and renewal information, which Sidney agreed to provide. He also asked if there is a job description for Directors and Board members. Larson suggested that that should be brought to the Governance Committee for additional discussion.

Members of the public not officially associated with the Board were asked to leave the call for the upcoming closed session.

The public portion of the Board meeting adjourned at 4:45 pm.



Mary Sidney, Secretary