



Finance and Investment Committee

Meeting Minutes

Wednesday, December 1, 2021, 9:00 am

<https://csuchico.zoom.us/j/81489836147?pwd=WVNnMTF1Snp0MmlvaUxiclhWSUM2Zz09&from=addon>

Meeting ID: 814 8983 6147

Passcode: 292796

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Committee Members Present: Anita Chaudhry, Bob Kittredge, Ann Sherman

Members Absent: Tod Kimmelshue

Other Board Members Present: none

Also Present: Mary Sidney, Vance Kelly, Michele Flowerdew, Amanda Bullock

Kittredge chaired the meeting in the absence of chairman Kimmelshue.

1. **Call to order at 9:03 am**
2. **Approval of Minutes from September 8, 2021
(Chaudhry/Sherman)
Motion carried (3/0/0)**

Minutes approved subject to final edits requested by Board Director Sherman.

Mr. Kittredge asked about the status of the facility use fee project prospectively. Sidney provided a brief update, stating that she has researched data and prepared a summary which has been forwarded to Sherman. Sidney and Sherman will meet again on 12/3/21 to continue working toward a solution to the issue. She also stated that the budget finalization should move forward once an agreement has been reached and finalized.

Kelly introduced and welcomed Amanda Bullock, a returning employee to Chico State Enterprises (CSE) who is now employed as Controller for CSE. Sidney introduced Dana Pitman, her new executive assistant, to the committee.

3. **Finance and Investment Committee Report**
 - a. **CSE Review of General Fund Budget to Actual** – Kelly reviewed the CSE General Fund Budget to Actual through October 31, 2021, noting that prior years are included for

comparison. He reviewed the individual revenue categories, pointing out the indirect cost recovery (F&A) revenue line item at 32% realized, which is appropriate for being one-third of the way through the fiscal year. He explained that University Foundation business services relate to the contracted accounting services that CSE provides to the University Foundation. Due to the pandemic, Kelly noted that administrative fees were budgeted lower than the previous year. The realized result of that adjustment is positive, illustrating that CSE has found ways to continue to do business during the pandemic. Investment income shows unrealized gains at 92% of the budget. The other income line item includes the management services agreement with CapRadio. Kelly summarized total revenue at 38% realized revenue and \$2M of the \$5.3M budgeted amount. Kittredge asked for insight into the timing for funding for the Agricultural Research Institute (ARI). Kelly and Flowerdew indicated that ARI is a state program that receives funding for agriculture research and sustainability. That program is typically funded early in the calendar year and subsequently, funds are transferred to CSE from the state.

Kelly reviewed expenses, noting that wages and benefits, operations, information technology, facility fees, property management, and risk management are all where he would expect them to be at this point in the year. The financial audit and tax services could fluctuate slightly as CSE finalizes the payment of invoices from last year's audit. He noted that Bullock previously assisted CSE on a contractual basis. Since she is now employed by CSE, those anticipated contract expenses should diminish. The 25/35 Main expenses are the rental allocations for these two buildings. Kelly summarized that total expenses are realized at 29% or \$1.5 million of the budgeted \$5.2 million. Net operating activities at October 31, 2021, ended at \$554K.

- b. CSE Review of 1st Quarter FY32-33 Financial Statements** – Kelly reviewed the list of funds that CSE maintains, providing detail for each fund's purpose. Kittredge reminded Kelly that he would like to spend some time outside this meeting on the Board Designated Fund and to discuss what types of things are included in this category. Kelly noted that he believes the amounts in the Board Designated fund are accurate and looks forward to a discussion with Kittredge on this topic.

Kelly reviewed the Statement of Net Position (Balance Sheet) as of October 31, 2021, illustrating the variance as compared to June 30, 2021. He reviewed the assets, noting that the assets are listed from most liquid to least liquid. He stated that cash and investments aren't typically broken out until year-end for audit purposes. Accounts receivable decreased by \$2.8 million, indicating that that amount has been collected, leaving the receivables balance at \$8.7M at October 31, 2021. He noted that there had been an amount for other post-employment benefits (OPEB) liability previously misclassified in the accounts receivable line item that has now been correctly classified in prepaid expenses and other assets. Total assets decreased by \$1.2M.

Kelly reviewed liabilities, noting that the categories flow from most current to long-term, top to bottom. Accounts payable has decreased by \$659K. Accrued expenses and other liabilities, which include payroll and taxes, decreased by \$801K. Total liabilities decreased by \$1.6M, leaving a total net position of \$33.4M. Kittredge asked if the cause for the positive upward trend of accounts receivable is due to the higher focus on billing. Kelly indicated that his department is working very closely with the Sponsored Programs team on collections, resulting in a positive outcome. Kittredge inquired about the State's long-term bond debt and asked if CSE is getting any interest

savings because of it. Kelly clarified that the term of the debt didn't change. The State took some of the bond premium and now it becomes part of the actual debt rather than being amortized by CSE in the future. He noted that CSE will realize some reductions in interest expense because of the lower interest rate environment, noting that there are only a couple of payments left on the 2014 bonds. He stated that CSE has already noticed some savings from this, anticipating saving approximately \$150K.

Kelly reviewed the Statement of Revenues, Expenses, and Changes in Net Position (P & L) through October 31, 2021, reviewing the period between 7/1/21 through 10/31/21. He reviewed revenues and other support, noting that grant and contract revenue during this period is slightly less than he anticipates for this point in the year. He noted that NSPR was still on CSE's books for the first quarter of the year, sharing that the University Farm was the primary source of revenue in the sales line item. Administrative revenue, which is the agreement CSE has with the university to provide service to the University Foundation, is on track. Transfers from CSU, Chico, is the amount funded to provide support during the CSE reorganization transition. He noted that total revenues and other support total \$14.6 million.

Kelly reviewed expenses, noting that salaries and wages are the highest expense at \$5.3M, followed closely by employee benefits. Faculty and student support had a slight uptick year over year. Contract services are on track as compared to the same period last year. He noted that total expenses are \$14.3M, slightly less than revenue, resulting in a positive change in operations of \$319K. Net position ending was \$33.3 million for the above-mentioned period.

Kittredge asked if the business model change of NSPR to CapRadio seems to be working well. Kelly's responded that, while there are still some benefits from having the radio station affiliated with the campus, there has been considerable relief from the former management challenges for CSE. He also mentioned that there are some small projects that CSE is tidying up on behalf of NSPR, but nothing arduous. Sidney added that, overall, CapRadio has been cooperative and collaborative. Kittredge asked if there have been any community concerns about the change in ownership of the radio station. Sidney responded that there has been no disruption in programming, and feedback has been positive. She noted that Phil Wilke provided a comprehensive operational presentation to the Board of Directors in September about the transition. Kittredge asked about the oversight responsibilities for the FCC licensing of NSPR. Sidney again referred to the presentation provided by Mr. Wilke at the September 13, 2021, board meeting, noting her plan to have him provide an update annually going forward.

Kittredge asked if the RFP process for an accounting firm was moving forward. Kelly indicated that he is moving forward with the process.

Kittredge asked Sidney to follow up with the Provost to add another committee member to replace Grimm, who recently departed.

4. **Next meeting date and time to be announced and communicated electronically**
5. **The meeting adjourned at 9:49 am**

Respectfully submitted,

Mary Sidney

Mary Sidney, Secretary