

CHICO STATE ENTERPRISES

Board of Directors' Meeting Minutes

Thursday, March 10, 2022, 9:00 – 11:30 am

<https://csuchico.zoom.us/j/85370588909?pwd=MzEyZDNBMHRwRDJGN2dUK2xwazBjZz09&from=addon>

Meeting ID: 853 7058 8909

Passcode: 187274

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MEMBERS PRESENT: Ahmad Boura, John Carlon, Anita Chaudhry, Dave Hassenzahl, Gayle Hutchinson, Tod Kimmelshue, Bob Kittredge, Tom Lando, Debra Larson, Shane Mayor, Ben Seipel, Ann Sherman, Mary Sidney, Angela Trethewey

MEMBERS ABSENT: None

ALSO PRESENT: Amanda Bullock, Michele Flowerdew, Eli Goodsell, Kristin Gruneisen, Vance Kelly, Randy Miller, Dana Pitman, Gloria Quintero, Liz Squire, Russell Wittmeier

I. **Call to order** – Larson called the meeting to order at 9:03 am.

II. **Approval of minutes from December 2, 2021**

**Motion to approve the minutes from the Board of Directors meeting on December 2, 2021
(Lando/Kittredge)**

Motion carried (13/0/0)

III. **Public Comments and Announcements** – None

IV. **Reports**

A. University President's Report – Hutchinson shared that the Faculty Recognition and Support Committee recently recognized several outstanding faculty members, and the Outstanding Research Mentor Award went to Shane Mayor this year. She delivered the State of the University address last week, reporting that vaccination and booster rates are high, and relaxation of the mask mandate will happen very soon. She reported that there is a significant student enrollment decline, noting that this is not unique to Chico State. Provost Larson will coordinate our examination of the enrollment decline and how to turn that trend around. For additional details, Hutchinson and director, Jerry Ross, provided additional information on this topic in the recorded state of the

university address. Hutchinson has been involved with the legislature and stated that the Governor has proposed \$50M to be split between four CSU farms. She would like to see \$50M for each CSU farm, which would allow Chico's University Farm to renovate facilities and equipment. She is working closely with Eddie Vela and the Department of Anthropology on building a human identification lab. She hopes that CSU, Chico, will be a recipient of additional funds so that our lab can become a state-of-the-art facility. She shared the recent hire of a Cal NAGPRA project manager who will assist in understanding and repatriating artifacts and remains back to tribal communities. Lastly, Hutchinson shared that Monique Sendze is the new and founding vice president of Information Technologies.

- B. Board President's Report** – Larson shared that members of the university cabinet are historically members of the CSE Board. Because IT is now its own division with a new supporting vice president, this is something the board may need to address in the Bylaws. Larson mentioned the April 6th *Inspire 2022* event, hosted by the library in conjunction with CSE, which celebrates and awards scholarly research activities done by our faculty.

Larson shared that the Center for Healthy Communities has a very complicated package of grants and, recently, one of the very large grants wasn't being executed by the funding agencies in a timely manner. This delay nearly caused a layoff of CHC staff. The grant was executed with intervention by CSUC/CSE management as well as help from Senator Nielsen and Assemblyman Gallagher.

Kimmelshue, along with President Hutchinson, attended a recent event with the Secretary of State, Shirley Weber, where Chico State received an award for registering more students to vote than any other institute of higher learning in California. He noted that this illustrates the dedication and civic responsibility of those at Chico State.

Kittredge requested an update on the City of Chico redevelopment project for 25/35 Main Street. Sherman shared that the university has been working closely with Russ Wittmeier and the City of Chico toward the redevelopment plans for the Lost Park area. The next step is to find interested parties that will work with the city on a design-build partnership, led by the city. Once drawings and proposals are in place, financing and timelines will be determined.

C. Finance and Investment Committee (FIC) Report

- 1. CSE Review of Financial Statements** – Kelly shared the financial statements. beginning a review of the General Fund Combined Budget to Actual through January 31, 2022. He noted that most of the revenue categories are where he would expect them to be, seven months into the fiscal year. Investment income was budgeted conservatively. However, there are significant unrealized losses in

investment income. Total revenue is at \$2.5M, or 48% of budget, with the unrealized investment losses skewing the anticipated totals. He reviewed expenses, noting that most expenses are where he would expect them to be. Contract software maintenance fees will be closer to budget as the next Cayuse contracts software payment is made. Budgeted upgrades to the OneSolution software are coming soon as well. The total expenses through January 31, 2022, are at \$3.0M, or 59% of budget. The operating activities net is negative at - \$466K year-to-date and Kelly noted the unrealized losses in investment income are causing that deficit.

Kelly reviewed the Statement of Net Position as of January 31, 2022, noting that the accounts receivable net balance will fluctuate throughout the year, with large swings at quarter-end due to quarterly contract payments. He mentioned that the new self-funded health insurance requires CSE to put funds into an account toward those potential expenses. Total assets YTD are at \$43.2M, down by \$4.0M since the beginning of the fiscal year. Kelly reviewed liabilities, noting that total liabilities have decreased by \$2.9M to a YTD total of \$11.4M. The total net position at January 31, 2022, was \$31.8M.

Kelly reviewed the Statement of Revenue, Expenses, and Changes in Net Position through January 31, 2022, noting that grant and contract revenue is at \$22.8M YTD. He mentioned that sales income has increased due to sales at the University Farm as well as in campus programs. Total revenue YTD is \$26.6M. Kelly reviewed expenses, noting that operating expenses will likely exceed last year's expenses due to increased activity. Total expenses are \$27.7M. The YTD net position ended at \$31.8M.

- 2. Proposal for Exception to F&A Distribution Policy** – Kittredge reviewed a proposal for an exception to the F&A distribution policy as recommended by the Finance and Investment Committee at the March 8, 2022, meeting. He explained that CSE makes an annual F&A distribution to the faculty and research programs on campus and that it is calculated based on the net income of the general fund each year. In FY20-21, CSE had unusually high investment returns on paper, artificially inflating the year-end net position. Because of this, the F&A calculation produced a large F&A distribution of \$728,422, which is a \$254,207 increase over the previous year's distribution of \$474,215. As noted in the financial statement review, the FY21-22 investments are experiencing significant losses. As a result, Sidney proposes matching the FY20-21 actual F&A distribution amount of \$474,215 for the '21-22 fiscal year. The FIC approved this proposal with the understanding that the \$254,207 difference be held over to the current fiscal year as an F&A distribution should the downward investment returns continue through fiscal year-end and CSE ends the year at zero or

negative net income.

Motion to approve the proposal for an exception to F&A Distribution Policy

(Lando/Kimmelshue)

Motion carried unanimously (13/0/0)

- 3. Update/Approval of New F&A Distribution Methodology** – Kittredge shared that there was a lengthy discussion at the Finance and Investment Committee about updating the F&A distribution methodology, noting that Sidney has done significant research on this topic. Sidney summarized the key points discussed at FIC for the Board. The fundamental shift from the old to the new methodology is that, before there is a monetary distribution back to projects, we first ensure that each project has generated sufficient F&A to cover the costs of administering their projects. With the previous method, we looked at the total spending for a project, which is relevant to the size of that project, and then each project would then get a prorated share of any F&A surplus. The newly proposed method first looks at the total expenditures per project, then the total cost of sponsored programs' administration. If the project covered its administration costs, a calculation is applied, and a prorated share of surplus F&A is then distributed amongst all qualifying projects. The FIC found this to be a reasonable and equitable approach. Sidney noted that there are some disciplines that have funding opportunities with sponsors who pay low or no F&A costs at all. Under the new methodology, projects who generate F&A insufficient to cover their cost to administer would no longer receive an F&A distribution.

Sidney noted that CSE accepts proposal applications to all sponsors, including those who do not provide funding for F&A. Recognizing that the proposed new methodology represents a shift in the way things have been done in the past, she wants to ensure there is an understanding of which programs are advantaged and which are disadvantaged by the new method. Sidney proposed meeting with deans, centers, and program directors and explaining this new approach, and providing each with detailed project information. This will be a transparent and collaborative process for the stakeholders. The new methodology could be phased in, perhaps over a two-year process or more if needed. Once all the stakeholder discussions have been completed, the resulting data will be provided to the provost who has the authority to provide final approval.

Tretheway noted that her department is challenged by the Department of Education for their grant funding with low or no indirect funding. She indicated that her departments have administrative staff and requested details about

what administrative costs CSE incurs with her projects. Sidney assured her that some of these administrative costs can be factored into the new model after the F&A discussions take place. Hassenzahl agrees that the federal government puts an inappropriate and unfair burden on the universities by providing grant funding to do important work, but not actually covering the costs of doing that work. He noted that, in his opinion, F&A is not an entitlement though, in many organizations, faculty and deans perceive it that way. He asked if the upcoming renegotiation of our federal F&A rate could be impacted by the fact that we return surplus F&A to faculty and deans. Mary indicated that it would not. He inquired about the transition period, noting that there are programs that have factored in certain assumptions about the F&A distribution policy and that two years may not be long enough for transitioning those programs. He noted that he uses F&A to hold faculty over in between grants so that their research doesn't suffer, or to recondition laboratories, for example. Sidney clarified that the request before the Board today is to vote to approve Sidney sharing the concept of considering the cost to administer a project before it is eligible for F&A fund distribution. The actual details, mechanics, and implementation would be worked out with the deans, center directors, and other key stakeholders. This data will be presented to the provost for final approval of the implementation, with no need to come back to the Board. Boura asked what timeline Sidney has in mind for stakeholder conversations. Sidney stated that she optimistically anticipates that meetings may be completed in as little as two months. Larson noted that the Board hasn't worked on the F&A distribution prior to this, though there has been much conversation about stakeholders' lack of understanding of how F&A is calculated.

Motion to authorize Sidney to proceed with inclusive and collaborative campus discussions about the concept of revising the F&A methodology. This change in methodology would factor in the costs of administering projects before they are eligible for an F&A allocation. The findings from these discussions will be presented to the Board at the next meeting.

(Kittredge/Carlton)

Motion carried unanimously (13/0/0)

- 4. Facilities Use Fees Update** – Sidney reviewed the facilities use fees topic. In 2021, Sidney worked with Sherman and her team on the very large facilities use fee invoice, which resulted in some relief from HEERF funds to help offset the costs incurred due to the shutdown because of the pandemic. CSE has concluded the last year of a three-year MOU between the University and CSE regarding facilities use fees and their calculation. CSE has entered a new year and needs a new MOU. The CSU, Chico finance team is meeting with Sidney

next week to discuss how the facilities use fees might be determined going forward

- D. Governance Committee Charter** – Sidney referenced the draft Governance Committee Charter in the Board packet. The Governance Committee met in February and discussed a draft charter for the governance committee for CSE. The revised draft that resulted from that conversation addresses annual meeting frequency, and timely, compliant selections of board members. Faculty board member nominations come from the Academic Senate, so clarification was made in the charter. Conflicts of interest involving board members would go through the Governance Committee. Sidney requested approval of the Governance Committee Charter as presented.

**Motion to approve the Governance Committee Charter as presented
(Kittredge/Kimmelshue)**

Motion carried unanimously (11/0/0)

Note: Hutchinson and Boura left the meeting prior to this action item.

E. CEO Report

1. **Resolution to update authorized signatures** – Kelly requested approval to update signature authorizations to reflect staff changes in his department. Carlon asked if there has even been a disbursement done due to phishing or other unlawful efforts. Kelly responded that, in the past, someone obtained funds that they weren't entitled to, and campus investigations ensued. There have been instances where checks have been modified and then presented to the bank, but check batches are uploaded directly to the bank so if a check doesn't match what the batch showed, it gets flagged and reviewed online by accounting staff. Kelly noted that his department has good systems in place to prevent fraud from happening.

Motion to approve the resolution updating signing authorization to reflect changes in CSE staffing

(Kimmelshue/Kittredge)

Motion carried unanimously (11/0/0)

Larson asked a follow-up question regarding what actions are taken when there is fraud on a check. Kelly explained that his department reaches out to the intended vendor and works with the vendor and the bank to resolve. Larson asked if any actions were taken against any individual who is modifying checks intended for others, wondering specifically if investigations or prosecutions are or have taken place. Kelly indicated that the bank might file a police report and his department labels it as fraud. Wittmeier noted that there is a process in place if we discover that a CSE or CSU, Chico employee has attempted fraud of

any kind. Human Resources works directly with the University Police Department and employees can be terminated for such actions.

2. **Transfer of Wildlife Conservation Board Grant to the Mechoopda Tribe** – Sidney reviewed the two resolutions before the Board for consideration. She recapped that the Board approved the disposition of the Wildlife Conservation Board Grant Agreement in March of 2021, to the Mechoopda Tribe of Chico Rancheria and that the tribe would continue management of that property for the grant purposes, which would include wildlife habitat preservation, restoration and management, wildlife-oriented education and research, and other compatible public uses. That transfer is underway, with hopes of escrow closing in the next several weeks. The Mechoopda Tribe will assume the grant agreement responsibilities as currently in place at the close of escrow. There are no funds involved in this grant agreement transfer; only the transfer of responsibility to adhere to the purpose of the Wildlife Conservation Board. The request before the Board is to approve the transfer of the grant agreement upon close of escrow along with the transfer of the land. Eli Goodsell, from Big Chico Creek Ecological Reserve, provided additional details. The Wildlife Conservation Board has their assignment of assumption of a grant agreement as part of the land transfer agreement that is nearly finalized and will be part of the title transfer. In response to a question from Carlon, Goodsell noted that CSE would have no ongoing responsibility for the grant agreement upon transfer of the property, even if compliance issues arise after the transfer with the new titleholder.

Motion to approve the transfer of the Wildlife Conservation Board Grant to the Mechoopda Tribe along with the transfer of the property at the close of escrow

(Kittredge/Trethewey)

Motion carried unanimously (11/0/0)

3. **Status of Chancellor's office auxiliary audit** – Sidney shared that the Chancellor's Office auxiliary audit was expanded significantly to include sponsored programs. Meetings with the auditors are occurring weekly. It is taking more staff time than anticipated because of the change in scope. Two of the auditors are new to sponsored programs so the audit has been extended to 3/22/22. Kelly said that it is going well, with no significant findings thus far. Trethewey asked what remains to be audited by the CO that hasn't been included in previous audits. Kelly responded that the audit reviews whether CSE's financials are materially correct, or whether our processes should be improved. Programs and federal awards are reviewed, as are administrative policies, and areas for improvement may be revealed. Sidney noted that

sponsored programs have had four sponsor audits since January 1, 2022, which is a large demand on staff time over and above their normal workload.

4. **25/35 Main Building Security** – Sidney provided an update, noting that there is a growing homeless population on the 25 and 35 Main Street properties. She noted that CSE is working closely with the University Police Department (UPD) to provide escorts for concerned staff as needed. CSE hosted a security Town Hall meeting three weeks ago, including speaker Sergeant David Bird from UPD, during which employees and building tenants had an opportunity to ask questions and gather information. Sidney noted that UPD is not available consistently, so exploration of external security firms is underway. Hutchinson asked if there is any collaboration with the city. Sidney indicated that UPD works closely with the city.

5. **Next Board meeting - to be held on campus. Date and time TBD.**

- V. Presentation by Shane Mayor – Atmospheric scientist and meteorologist Mayor shared a detailed presentation about his ongoing research with the Board.

- VI. **All non-Board members were excused, and the Board members stayed for a closed session.**

- VII. **The public portion of the Board meeting adjourned at 11:17 am.**



Mary Sidney, Secretary