



Board of Directors Meeting Minutes

Thursday, December 15, 2022, 1:00 pm – 4:00 pm

Colusa Hall 100 B

<https://csuchico.zoom.us/j/89765963539?pwd=a29MMXNuNWwzRlJLVFhsTkVjUVB5dz09&from=addon>

Telephone: US: +1 669 900 6833

Meeting ID: 897 6596 3539

Passcode: 981069

MEMBERS PRESENT: John Carlon, Dave Hassenzahl, Gayle Hutchinson, Bob Kittredge, Tom Lando, Debra Larson, Shane Mayor, Ben Seipel, Mary Sidney, Angela Trethewey

MEMBERS ABSENT: Ahmad Boura, Kristen Chatham, Anita Chaudhry, Tod Kimmelshue, Ann Sherman

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

I. **Call to order** – Larson called the meeting to order at 1:10 pm.

II. **Approval of minutes from Sept 21, 2022**

Motion to approve the minutes from the Board of Directors meeting on September 21, 2022 (Kittredge/Seipel)

The motion was carried unanimously (8/0/0) Lando arrived later so was unable to participate in this vote.

Kittredge inquired whether the new AVP of Facilities and Capital Projects position has been filled. Hutchinson noted that there are two highly qualified finalists that are in the final interviewing stages. He also asked about future funding for the Human Identification Lab. Hutchinson shared that, despite extensive efforts including the efforts of an independent consultant and lobbyists, funding for that project didn't make it into last year's budget. The consultant continues to work through the legislators and with the anthropology department in efforts to involve the sheriff's department, Cal OES, and the judicial department to take up the mantle of this project so that the requests aren't coming exclusively through the university.

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

IV. **Reports**

A. **University President's Report** – Hutchinson spoke about the 12/8/22 EdSource article about

faculty member David Stachura and provided additional background information. The university received a request for public information about the alleged incidents. At the December Academic Senate and open forum meetings, questions and suggestions from more than 900 staff and students were presented and are being reviewed to improve current processes around safety, security, and transparency. A new personnel investigation has been opened in this matter. There are processes in place that protect the rights and privacy of any employee who is under investigation and Hutchinson noted that those policies, laws, and educational codes were followed. When disciplinary sanctions are imposed, the administration continues to work on it after the issue is resolved. Faculty, staff, and students have been engaged in these conversations. She noted that the Academic Senate put forth resolutions that are important and healthy and will investigate the process that CSU, Chico went through. The Board of Trustees called for the entire CSU system to go through a Title IX investigation and review by a nationally recognized, independent firm. She noted that additional and ongoing support has been offered to students, faculty, and staff who have been affected by these issues. There was a news outlet that misreported that Stachura resigned. Hutchinson noted that the university cannot simply fire Stachura and that due processes are being followed.

- B. Board President's Report** – Larson provided a brief Board President report. She referenced Sidney's performance evaluation, noting that it was completed with guidance from this Board. Hutchinson thanked Sidney and commended her on her performance. Carlon asked about the objectives and expected accomplishments for CSE in the coming year. Larson responded that she has asked Sidney to put together a short operational summary as it relates to the organization's mission and values, as well as the 3-4 top priorities for each coming year.

Larson noted that the National Institutes of Health (NIH) has made a formal inquiry of CSE regarding Dr. Stachura's completed NIH grant. Sidney is preparing a response to NIH. During Stachura's leave of absence, the new research compliance officer, Dr. Susan Roll, is looking for a replacement chair for the IACUC program, which relates to animal care. Hutchinson added that the Academic Senate has a subcommittee for faculty recognition. Feedback provided during the open forums suggested revoking the Outstanding Professor Award previously awarded to Stachura. Due process was completed on this topic and this award was revoked and any mention of the award was subsequently removed from CSU, Chico's website.

Larson shared that, following the discussion for F&A cost recovery and recognition of programs that may not necessarily generate F&A, she met with Sidney, Hassenzahl, and Trethewey to develop a mission statement, goals, and values for CSE. She noted that, after organizational restructuring such as what CSE has undergone, problems may arise and there are always opportunities for process improvements. With the stabilization of the organization under Sidney's leadership, it is now time to develop clear statements about CSE's mission, its relationship with CSU, Chico, why CSE exists, and whether it's right for the university and CSE to be doing this type [low or no F&A recovery] of work.

C. Finance and Investment Committee Report

- 1. Review of Year-end Financials through 10/31/2022** – In the absence of Chair

Kimmelshue, Kittredge shared the Finance and Investment Committee (FIC) update, noting that the FIC has met twice since the September Board meeting. He shared that the primary focus has been to follow up on the analytical information provided at the last Board meeting about the impact of F&A recovery rates and how they are affecting the long-term stability of the organization. He noted that the most recent FIC meeting provided a review of the most recent financial information through October 31, 2022, included in today's Board packet. He invited Kelly to review those financial statements for the Board.

Kelly reviewed the General Fund Combined Budget to Actual through October 31, 2022, as compared to the same period of the prior year. Indirect cost recovery was budgeted aggressively and is at 36% of budget. Realized investment income, at 11% of budget, is significantly lower than he would expect at this time of year. CSE had an unrealized loss in investment income of \$134K but he noted that, in November, that has turned around somewhat. The total budgeted revenue for this year is \$5.9M, with an actual of \$1.9M at 10/31/22, or 32% of budget.

Kelly reviewed expenses, noting that wages and benefits were on track at 34% of budget. Office operations were higher than budget, but he anticipates that will level out over the year. He noted that other contract services – IT/Audit/Other came in at 53% of budget, explaining that the invoices for the financial audit have been paid, so that category should level out as well. Insurance expenses are at 122% of budget. Kelly noted that this should have been accrued and expensed over the entire year but was recorded in this single quarter so the \$227K shown in the report should not increase for the rest of the fiscal year. He further explained that insurance expenses continue to escalate due to litigation, natural disasters, and insurers leaving California. Carlon asked if we can rate-shop for better insurance rates. Kelly replied that our organization is part of a larger pool of insureds in the CSU system. The cost of premiums is nearly doubling, which is not sustainable, so he and others are watching this closely. Mayor asked for clarification about what is insured and what isn't. Kelly noted that only things that are organization-owned, like our buildings, are insured. If there are pieces of equipment belonging to specific departments or projects that aren't owned by the university, the department or project is responsible for insuring those items. He clarified that items or equipment purchased with grant funds for a project are insured. After completion of the project, these items are typically transferred over to State ownership, so CSE doesn't insure them on an ongoing basis. Total budgeted expenses at 10/31/22 were \$5.9M with actual expenses at \$2.1M or 36% of the budget. The operating activities net is negative by \$250K.

Kelly reviewed the Statement of Net Position as of October 31, 2022, as compared to the same period of the prior year. He reviewed cash and investments, noting the negative variance from the prior year being attributed to the unrealized gains and losses experienced over the past year. Accounts receivable have increased by \$3.7M from the prior year due to expenses that

we have paid out but have not yet been reimbursed for. Total assets are \$42M, which is \$3.8M less than the same period last year, again, attributable to unrealized investment losses. Accounts payable have decreased by \$1.8M over last year, showing that we have paid down existing balances. Other post-employment obligations decreased due to the change in interest rates. Total liabilities at 10/31/22 were \$11.4M, which was \$1.3M less than the same period of the prior year. The total net position decreased year over year (YOY) from \$33.3M to \$30.1M. Kittredge noted that there has been a concerted effort by CSE to get bills out to vendors on a timely basis. Larson reminded the group that CSE typically fronts the dollars to run programs and then invoices vendors and gets cost-reimbursed after the fact. The idea that CSE has lots of cash on hand that is readily available for use by the campus is often misunderstood. Carlon asked what percentage of our investments are held in cash. Kelly clarified that many of our investments are highly liquid due to the ebb and flow of CSE's accounts payable and receivable. A line of credit has been discussed in the past, but he clarified that CSE doesn't typically need to liquidate investments.

Kelly reviewed the CSE Statement of Revenue, Expenses and Changes in Net Position through October 31, 2022. Grant and contract revenue is down by \$158K, which he believes is a timing issue. Sales have increased by \$60K over the prior year. Event and membership have increased significantly over last year, by \$544K. Investment activity has dropped by \$407K over last year, though Kelly noted that he has already seen that change in November. Total revenues and other support are \$14.3M, a total of \$596K less than the same period of the prior year. Kelly reviewed expenses, noting that salaries, wages, and employee benefits have increased YOY. Contract services show a \$2.2M negative variance over last year, however, Kelly noted that there were approximately \$1.4M in contract services posted for November which reduces that variance significantly. Operating expenses have increased by \$435K. Participant costs have increased by \$258K. Travel has increased, as would be expected post-pandemic. Total expenses at 10/31/22 were \$14.9M, which is an increase of \$540K over the prior year. The net position was \$30.7M, a negative variance of \$2.5M over the same period, prior year.

2. **Presentation: Analysis of F&A Decline** – Sidney provided an update to the Board about what is driving the F&A recovery decline. From the September Board meeting, she recapped that a downward trend has been emerging over the past three fiscal years related to the general fund net position. Activities and revenue have increased but the effective recovery rate for each of the past three years has steadily declined. She used 13% as a break-even recovery rate and drilled down into every project and project director in the organization. She reviewed the aggregate (portfolio) of each Principal Investigator's (PI's) projects to determine the effective recovery rate and the variance between the effective recovery rate and the break-even point. The activity was grouped by centers and by individual investigators to determine how far their portfolios varied from break-even. By doing this analysis, she was able to determine that the most significant deviation from break-even was in the portfolios of only six project directors. She concluded that a significant volume of activity falling below break-

even is occurring within the centers and, because of the scale of center activity, the financial impact is greater. The three large centers each have a single PI, so the ability to discuss and potentially implement F&A recovery alternatives is good. Sidney noted that the volume of expenditures exempt from F&A recovery is increasing, including equipment, participant costs, and stipends, as examples. The challenge comes in how we manage the growing volume of activity that doesn't provide dollars to cover the administrative costs. She noted that another limitation is with subcontracting. When CSE is the primary contractor, we can collect F&A per the contract guidelines. But when there are subcontractors, CSE is limited to the collection of a set dollar amount despite that we have continued costs to administer the grant.

Sidney reviewed some possible alternative F&A recovery strategies, such as direct charging for administrative staff time when the sponsor allows it. For partnerships, assuming a subcontractor role vs a primary contractor when appropriate might be an option. We might reevaluate partnership and contractor definitions such as sub-awardee. Other possibilities could include using PI discretionary funds to help offset the break-even shortfalls, exploring an administrative fee for participant costs, or a combination of any or all of these ideas. She noted that clarification of relevant policies is critical.

Flowerdew noted that the negotiation of a contract or grant must happen at the proposal stage, not the award stage. Carlon shared his experience with grant proposals, noting that his company was able to negotiate indirect rates by meeting with the grantors to explain in detail what the expenses pay for. Larson suggested getting together with other CSU campuses to meet as a collective group with the funders, for example, of the Hispanic Serving Institutions grants as these grants typically have low indirect rates. The CSU group could explain the costs associated with administering these grants and try to negotiate higher indirect rates. She also suggested that STEM-Net could be a vehicle from which to influence these negotiations. Sidney added that there was a concerted and coordinated effort like this previously, involving the Chancellor's office. Out of those discussions came the California Modified Agreement. It took time but, with the Chancellor's office as a champion, it got done.

Sidney provided an update on the status of the F&A recovery analysis thus far. She has begun discussions with center directors about improving F&A recovery strategies. She will review programs beyond the centers to see where alternative recovery strategies may apply. She has received feedback from two dean Board members regarding academic principles and priorities and seeks feedback from the Finance and Investment Committee as well. Part of the bigger picture is not just the profitability of CSE, but also the benefits to the university by way of student stipends, travel opportunities, etc. These add value to the university, make Chico State more attractive to potential students, and could possibly increase enrollment.

Mayor commented that he doesn't feel that faculty are doing more contracts or grants than they have in the past. He also noted that many faculty members

don't understand all that CSE does. Kittredge and Larson both reminded the Board of the reorganization and restructuring of CSE, the process for which began approximately five years ago. The Research Foundation was failing at that point and CSE is much more stable now than it has been for years. While the organization is still right-sizing staff needs for the current volume of activity, Sidney is also planning strategically for the future of the organization, including future events to connect more with faculty to close the type of gaps in understanding that Mayor referred to.

Sidney referred to a question asked previously by Kittredge about what F&A data is trackable going forward so that the Board can see the trends and movement. She directed the Board to the final page in this section of the packet entitled Year-to-date F&A Recovery Analysis, noting that these data can be used going forward as a method of monitoring progress. Kittredge noted that there were some anomalies in the first quarter that inflated the data somewhat, but it's good data for the Board to use going forward.

- 3. Update on Facilities Use Fees** – Sidney provided an update on facilities use fees, sharing that CSE submitted a proposal to Business and Finance which was reviewed by Sherman. That proposal was rejected by Sherman, noting that Sherman was expecting a higher dollar amount than Sidney's calculations yielded, so there is currently no closure on this item. By the next Board meeting, Sidney is hoping that we can move forward with the methodology proposed or reach a compromise, which she will share with the Board at the next meeting. Kittredge noted that this subject has been talked about at the Board level for nearly two years without resolution. Larson suggested that perhaps Hutchinson needs to make a final decision to move it along. Kittredge noted that it is counterproductive to continue to talk about the same topic meeting after meeting without a resolution. Sidney noted that the goal is to have an answer for the Board by the next meeting.

- D. Audit Committee Report** – Audit Committee Chairman, Kittredge, provided a brief update. As the Audit Committee met the day after the Board meeting in September, he shared that CSE finalized the audit with the auditors and got the audited financial statements to the Chancellor's office on time. He shared that the audit report presented a clean, unqualified opinion with no management recommendations or major internal control issues. He noted that a clean audit this year also makes it easier for our organization in the following year. He also shared that the Chancellor's office does a tri-annual audit and the timing of that audit for 2022 was that the CO conducted and concluded it just before the financial audit, creating a great deal of unanticipated work for CSE staff from February through the end of September 2022. Staff requested that the CO reconsider the timing of the audit, but the request was not approved. Kittredge, Larson, and Sidney expressed their sincere appreciation to Kelly and his team for their hard work, as well as the efforts from Human Resources and Sponsored Programs during this challenging time. Larson sincerely thanked Sidney for her leadership.

- E. Governance Committee Report** – None

F. CEO Report – Sidney

- 1. Administrative Operations Staffing** – Sidney recapped that CSE had double-digit growth and programs, but not a corresponding financial growth to support the administrative staffing side. She is working on staffing the organization so that we can support the programs and centers adequately. She noted sadly that we had a key staff member who suddenly passed away who had many years of sponsored programs experience and significant institutional knowledge. Sponsored Programs has recruited two staff members, but training will take time and they will have a steep learning curve. She shared that Finance and Accounting have two openings and are recruiting a Procurement Manager. While CSE is not completely staffed up, it is on track to get there, and she hopes to have an even better report at the next Board meeting.
- 2. Status of City of Chico Development Proposal** – This project is moving along, though they moved forward and took a step back due to a lack of interested developers. The one organization that responded proposed housing that would conflict with on-campus student housing. The city has proposed a Memorandum of Cooperation in which they clearly state the common goals and objectives shared for the Lost Park development. CSE would be a signatory along with the university and the City of Chico. The city has proposed engaging a firm to do a market study to learn what is desired in today's market. There will be a financial commitment by all parties and CSE's portion of that is approximately \$12,500. Wittmeier added that the contract is between the campus and an established vendor with the Chancellor's office, saving time and money by eliminating the need for a bidding process.

Seipel made a follow-up inquiry about the topic that faculty member Nichols brought to the Board at the September meeting regarding delays in service by CSE. He asked specifically if accounting functions are now caught up or if faculty and staff should still be expecting delays in service times. Sidney replied that check requests, purchase orders, and stipend payments are nearly now caught up to fall within the published processing times. Seipel also asked what to expect with setting up accounts with Sponsored Programs. Flowerdew responded that projects have been redistributed amongst the remaining staff and are caught up. Getting contracts signed and fully executed depends on the negotiation process, funding source, and what types of budget issues they encounter after the grants have been awarded. The Contracts unit sends a notification to the PI and analyst, and it typically takes only two days to get them up and running in OneSolution. Flowerdew invited direct contact with her if there are any challenges or delays outside the normal time frame.

Sidney thanked the Board members for their support and expressed her appreciation for the many talented people whom we have the distinct pleasure of working with by sharing some holiday music courtesy of Scott Seaton and the North State Symphony.

V. The Board meeting adjourned at 4:15 p.m.

The next Board meeting date is TBA.

Respectfully submitted,

Mary Sidney

Mary Sidney, Secretary