



Finance and Investment Committee

Meeting Minutes

Friday, March 17, 2023, 10:00 am

25 Main Street Conference Room (Hybrid)

<https://csuchico.zoom.us/j/83115861017?pwd=YTdhTFY0eE41cEErMkFmdEEyZlhYUT09&from=addon>

Meeting ID: 831 1586 1017

Passcode: 596705

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Committee Members Present: Ron Barker, Tod Kimmelshue, Bob Kittredge, Steve Perez, Mary Sidney

Members Absent: Anita Chaudhry, Ann Sherman

Other Board Members Present: None

Also Present: Michele Flowerdew, Karen Franks, Vance Kelly, Dana Pitman

- 1. Call to order at 10:05 am** – Kimmelshue called the meeting to order.
- 2. Approval of Minutes from December 7, 2022 (Kittredge/Barker)**
Motion carried unanimously (4/0/0)
- 3. Introduction of new CSE Controller, Karen Franks** – Kelly introduced Karen Franks, the new controller for CSE who began work on March 6, 2023. Franks has over a decade of working in non-profit accounting and is familiar with the regulations. The Committee welcomed her to the organization.
- 4. Review of Year-to-Date FY22-23 Financial Statements** - Kelly reviewed the General Fund Combined Budget to Actual through January 31, 2023. Indirect cost recovery is higher than the previous year at 62% of budget. Investment income is positive at 64% of the budget. Total revenue is \$3.4M, or 58% of budget. Wages and benefits are at \$2.3M, slightly under budget at 56%. Sidney noted that, due to staff turnover and recruitment, as well as a staff member who passed away, wages and benefits are lower than usual for this period. That will right itself in the coming months as those positions are filled. Kittredge asked about the status of the vacant positions. Sidney replied that the new purchasing manager and controller have recently been hired, as well as an accounting technician. There are still positions open in accounting that are in the recruitment phase. Financial audit and tax services are 87% of budget, which includes payments made to the audit firm. The only expense remaining in that category for this year is to pay taxes. Other contract services, including IT/Audit/Other, are over budget at \$163K. Total

expenses for the period ended at \$3.5M, or 58% of the budgeted amount. Kelly showed the comparison of unrealized investment gains/losses over FY20-21 (\$1.7M), FY21-22 (-2.9M), and current actual (\$66K) and was pleased to report that this is currently stable, reminding the Committee that these are non-cash gains/losses. Kittredge inquired about the university lease for 25/35 Main, which currently shows zero revenue. Kelly explained that he is working with the university to get an agreement in place. This should be visible in next quarter's financials. Perez asked if there is any seasonality to indirect income or if it is relatively stable throughout the year. Sidney and Kelly responded that there is typically an uptick in activity in the spring/summer months and right after the summer break.

Kelly reviewed the Statement of Net Position as of January 31, 2023, identifying changes compared to the prior year. Cash and investments have decreased by \$1.6M over the prior year. Accounts receivable have increased by \$3.6M year-over-year (YOY). That is money we've spent and haven't received yet because most of these are on a cost-reimbursable basis. Most of our accounts receivable balance is typically in our sponsored programs fund. Kelly noted that there may be classification issues between the accounts receivable, net, and prepaid expenses. He noted that those two categories should be looked at together, which equates to a combined increase of \$2.8M YOY. Total assets have increased by \$798K YOY. Moving on to liabilities, Kelly noted that accounts payable have increased by \$1.5M. Other post-employment benefits obligation has decreased by \$256K, which will remain until the valuation is done at 6/30/23. The total net position shows a slight decrease YOY of \$426K.

Kelly reviewed the Statement of Revenue, Expenses and Changes in Net Position through January 31, 2023. Grant and contract revenue has increased by \$478K over last year. Sales, largely attributable to the farm auxiliary activities, have decreased slightly by \$67K YOY. Event and membership income has increased by \$457K YOY. Kelly noted that this is likely caused due to the relaxation of pandemic restrictions around this time last year. Investment activity has increased significantly, with a positive change of \$1.2M. There was a \$131K decrease in transfers from other auxiliaries, attributed to a large donation made to the University Foundation for the Center for Regenerative Agriculture last year. He noted that this category is slower this year. Total revenues and other support at the end of the period ended at \$26.6M, which is a positive change of \$1.7M. Kelly reviewed expenses, noting a \$3.3M decrease YOY in contract services. He attributed this to the end of a large project. Sidney added that another segment of that project, having to do with the Yurok Tribe and salmonid habitat restoration, is currently ramping up. Kelly noted that hospitality and hosting expenses have increased by \$118K over the prior year, also due to decreased pandemic restrictions. Similarly, travel has increased by \$273K. Transfers to CSU, Chico have increased by \$246K. The change in operations before transfers ended this period at \$958K over the same period last year. Indirect cost recovery has increased by \$538K YOY. Administrative fees for campus activities have increased by \$163K. The net position at 01/31/23 was \$31.4M, showing a decrease of \$426K over last year. When asked if that is worrisome, Kelly noted that he will watch it closely. Kimmelshue asked if any of our financial statement numbers correlate with the downward trend in enrollment. Kelly replied that our grants continue despite enrollment numbers, currently, so CSE is somewhat insulated from the enrollment crisis.

- 5. Discussion of the new Financial Dashboard and Update on F&A Recovery Alternative Strategies** – Sidney shared a draft of a dashboard for the Committee, which would provide high-level information about direct costs vs. indirect cost (IDC) recovery as well as the trends in proposals and awards. She intends to present this dashboard at each meeting. The graphs she shared showed that the cost of doing business has increased, but the dollars to support that

infrastructure have decreased. She provided a three-year YOY comparison (FY2020-FY2022), which showed an increase in direct costs from \$29.4M to \$39.0 M over that period. Indirect costs have also risen from \$3.9M to \$4.2M. But the indirect cost (IDC) recovery rate has dropped from 13.3% to 10.8%; a trend that is not sustainable. However, the Direct vs. Indirect Cost Recovery slide from 01/22-01/23 YTD tells an improving story, with the indirect recovery rate going from 10.7% to 13.1%. Part of that is due to interventions made in collaboration with specific programs and centers to restructure spending plans to provide for additional indirect costs. As Sidney mentioned at the last Board meeting, program centers are significant drivers of the increase in expenses vs. lowered IDC rate. She has met with center directors, noting that they were receptive and responsive once they understood the issues. Turnaround continues to be in progress. These two charts will be provided at each meeting. Sidney also displayed a Proposals/Awards slide showing what we are seeing in the awards/proposals pipeline. This slide illustrates that applications have increased from 329 to 422 with dollar amounts from \$99.1M to \$167M (proposals) and \$32.4M to \$45.6M (awards). This isn't a straight trend line, as awards have different durations. CSE was in the top six for awards in past years and Sidney suspects that we may be closer to the top one or two in awarded contracts/monies. Kimmelshue asked if reaching for these awards is encouraged on campus. Perez noted that faculty are encouraged to go after grants and awards.

Sidney reminded the Committee that there was a software implementation (Cayuse) a few years ago to replace very outdated, unsupported software that was being used to track proposals and awards. Cayuse has improved processes in the Pre-Award and Development department and made it possible to create better reporting.

Perez noted that it would be beneficial to see the awards broken down by college. Barker asked if CSE has begun direct charging the time of staff who are primarily or exclusively dedicated to specific programs/centers and what impact those charges would have on future dashboard information. Sidney shared that yes, we have recently begun utilizing that strategy, noting that individual negotiations must take place with the program/center leaders. It has only been 1-2 months so far, so there is no data to draw from yet. One staff member is currently working full-time with a center. Sidney anticipates two more staff members being needed in this capacity soon. With grants that provide little or no indirect reimbursement, these are conversations that are critical. Sidney will develop charts to illustrate these changes and results by college.

Kittredge asked who the leader of the Proposal unit is. Sidney noted that Julie Jessen is the manager of the proposal development and pre-award services and staff. Her team interacts with the colleges, providing forums and training sessions to faculty on how to get started, leads on where to find funding opportunities, and they do a new faculty orientation. They do a really good job and have received positive feedback. Kittredge asked for Sidney's impression of the tone on campus about proposal development. Sidney shared that she has received many compliments about the proposal development staff. They provide significant one-on-one time and assistance to faculty members. Perez noted that, with past poor experiences, faculty and staff tend to hold onto those negative experiences and it takes a lot of good work to rebuild that positive reputation. He commended Sidney on the hard work she has put in to mend these perceptions by asking for constructive feedback and using them to improve CSE's processes.

- 6. Update on Facilities Use Fees** – Sidney shared that she has had conversations with Perez about this topic and that expects that it will be further discussed when an interim VP of Business and Finance for the university has been named.

7. The meeting was adjourned at 9:56 a.m.

The next meeting date and time is Monday, May 8, 2023

Respectfully submitted,

Mary Sidney _____

Mary Sidney, Secretary