



Board of Directors Meeting Minutes

May 24, 2023 1:30 – 4:30 pm

Colusa Hall Room 100B

<https://csuchico.zoom.us/j/88182289638?pwd=dkU2TlBoa0JrVSswblNYWGRoY2x1QT09&from=addon>

Telephone: US: +1 669 900 6833

Meeting ID: 881 8228 9638

Passcode: 564031

MEMBERS PRESENT: John Carlon, Kristen Chatham, Jamie Clyde, Dave Hassenzahl, Tod Kimmelshue, Bob Kittredge, Shane Mayor, Steve Perez, Ben Seipel, Mary Sidney, Angela Trethewey

MEMBERS ABSENT: Ahmad Boura, Anita Chaudhry, Gayle Hutchinson

ALSO PRESENT: Michele Flowerdew, Eli Goodsell, Ivann Greene, Jeanne Greene, Kristin Gruneisen, Vance Kelly, Adrienne McGraw, L. Ortega, Dana Pitman, Liz Squire, Russell Wittmeier

- I. **Call to order** – Perez called the meeting to order at 1:39 pm.
- II. **Approval of minutes from March 28, 2023**
 - A. **Motion to approve the minutes from the Board of Directors meeting on March 28, 2023**
(Hassenzahl/Trethewey)
The motion was carried unanimously (10/0/0)
- III. **Public Comments and Announcements** – None
- IV. **Reports**
 - A. **University President’s Report** – Foregone in President Hutchinson’s absence.
 - B. **Board President’s Report** – Perez noted that the university graduated over 3,000 students last week. He provided an update on enrollment, noting that the 9% decline from last year has been reversed. There is an encouraging number of students who have filed an intent to enroll. The number of students that attend orientation will be a good indicator of new student enrollment numbers. He noted that the entire CSU system is experiencing similar declines. There will be a reduction in the allocation from the CSU if enrollment numbers don’t increase. Of note, he mentioned that the academic profiles of student applications are higher than they have been in the past. Perez explained that, if we don’t meet within 10% of our enrollment target, we will get a 5% budget cut. The following year, it will be a 7% budget

cut. This is in response to the fact that some CSU schools are overenrolled, and some are under-enrolled, and the CSU system is reallocating funds to address that. If CSU, Chico doesn't grow at all, that will equate to a cut of around \$15M in baseline funding. Kittredge asked if the budget allotment for the Human ID Lab is specifically for that project. Perez clarified that any monies allotted to the Human ID Lab will be specifically for that project and cannot be allocated for other uses. This is not ongoing funding, so there's no guarantee that CSU, Chico will continue to receive funds for it in the future. Lastly, Perez shared that he visited a CSE project at a channel for the river in Anderson that will house salmonid (juvenile salmon), noting what a great project it is and how it fulfills the university's mission toward sustainability.

C. Finance and Investment Committee Report

- 1. Review of Year-end Financials through 03/31/2023** – Kelly reviewed the financial statements for the benefit of the Board, first reviewing the General Fund Budget to Actual through March 31, 2023. At this point in the fiscal year, we expect to realize approximately 75% of the budgeted amounts. Indirect cost recovery is ahead of budget at 83% or \$3.6M. Administrative fees are also ahead of budget at 85% or \$311K. Total revenue ended the quarter at 80% of budget and \$4.8M. He reviewed expenses, noting that the Wages and Benefits category is on target at 73% and \$3.1M. Total expenses ended at 77% of budget, or \$4.5M. Operating Activities Net was positive at \$235K. He referenced the Unrealized gain/(loss) line item, which illustrates investment activity and was happy to report unrealized gains of almost \$600K.

Kelly reviewed the Statement of Net Position as of March 31, 2023, sharing year-over-year (YOY) comparative information. Cash and Investments are negative by \$4.9M YOY, explaining that it is due to cash going out for projects that we haven't received back in receivables yet. Accounts Receivable are up by \$3.6M, which offsets the above deficit somewhat. Total Assets ended the quarter at negative \$2M. He reviewed liabilities, noting that accounts payable have increased YOY by \$600K. Unearned revenue (grants and contracts) is slightly lower this year by negative \$1.3M over last year. Total Liabilities decreased by \$1M YOY. The Total Net Position decreased by almost \$1M over the same time last year.

Kelly reviewed the Statement of Revenue, Expenses and Changes in Net Position through March 31, 2023, showing the changes in individual funds year-to-date (YTD) year-over-year. Grant and contract revenue has increased by \$1.2M YOY. He attributed that to the unprecedented growth over the past 4 years. Events and membership have increased well above last year, by \$542K, due to the relaxation of pandemic restrictions. Investment activity was positive \$791K over the prior year. Total revenues and other support have increased by \$2.9M over the same period, prior year. On the expense side, salaries and wages have increased by \$2.4M, as well as employee benefits, which increased by \$821K. Contract services have decreased by \$2.8M, partially due to the salmonid habitat restoration mentioned earlier in the meeting. Operating expenses have increased by \$500K YOY. Total expenses increased by \$2.5M. Net Position

ending decreased by just under \$1M over the same period of the prior year. Kittredge asked if there has been any progress in negotiating or renegotiating contracts that have historically lost money for CSE. Sidney shared that yes, some contracts have been negotiated more favorably. However, many of the contracts are through the State of California and are non-negotiable so, while we are making progress, it's turning around slowly.

- 2. Proposed Budget for FY 2023-24** – Sidney reviewed the proposed budget documents included in the packet. On the FY23-24 Proposed Budget worksheet, she noted the comparison between FY 2022-23 and the prior 3 years. She noted that the estimated cost recovery shows a significant increase of 23.5% in indirect cost recovery for FY23-24, which she believes is reasonable. We are tracking the trends YTD and anticipate the upward trend in this category to be achievable. University Foundation business services have a projected increase of 20.9%. Sidney pointed out the Transfer from CSUC – Agreement line, which shows a 100% decrease over the prior year, explaining that the university paid for the first three -five years of her salary during the transition period after the restructuring of the Research Foundation to Chico State Enterprises, and that agreement has now ended at year four. In prior years, direct program expending led the way and indirect cost recovery trailed behind, not covering the cost of the infrastructure of the organization. That trend appears to be turning around. She noted that the Center for Healthy Communities, North State Planning and Development Collective, and Passages have been working to renegotiate some of their contracts to reduce the number of subcontracts, making it possible to bill for full indirect rather than just the first \$25K. These efforts are beginning to make a difference.

Sidney reviewed the expense section of the proposed budget, noting that she is staffing up with both management and staff, explaining the 34.9% increase in Wages and benefits. She shared that a new sponsored contracts manager was added last week. We are also currently recruiting an office manager. She shared that the university is no longer able to provide risk management services to CSE. The new sponsored contracts manager will absorb these responsibilities for the programs and for CSE. She noted that insurance expenses continue to climb. Kelly added on, noting that several insurers and underwriters have pulled out of California and that there have been several large claims on campuses throughout the CSU system and those have contributed to the continued increases in premiums. Clyde shared her experience working with Associated Students. She shared that they have utilized private insurance, been self-insured, and finally went back to the CSU shared pool because the cost of premiums increased significantly over the first two years. Sidney also shared that CSE has leased space upstairs at 25 Main Street to Facilities Management Services (FMS) and is paying rent for that space. All CSE staff have been consolidated in the downstairs office space. She pointed out that the proposed budget shows a deficit of \$566K in the bottom line Gross Operating Balance, sharing that this prompted a lively conversation during the recent Finance and Investment Committee (FIC) meeting around the Reserves and F&A policies. She noted that, with the significant growth that the business has been experiencing,

it is imperative to build up the infrastructure and add staff to catch up with the demands of the centers and projects. In the FIC meeting, this prompted a lively conversation about our policies surrounding reserves and F&A. She also shared that an investment is needed for our current operating software. Once we invest in upgrading the software, we should experience increased efficiencies, which will allow us to perform additional work without further increasing staff. Carlon asked if there are metrics in place that measure our effectiveness and customer satisfaction and does that translate into additional grants and contracts while meeting the mission of the university. Sidney clarified that CSE does not engage in any work without approval from the department chairs and deans, certifying that the contract meets the mission of the university. Sidney shared that she wants to do a campus survey to get feedback on how CSE is doing at meeting the fundamental needs of its constituents. CSE recently conducted an open forum on campus for that very reason and received excellent feedback from attendees. We will continue to reach out to our campus partners to learn how we're doing and how we can better meet their needs. Sidney participates in the Sponsored Program Advisory Committee (SPAC) and they provide candid feedback about what's working and what's not in their interactions with CSE. She noted that part of the reason CSE has been inefficient is that our software is outdated and many of our processes are manual and noted that that must change.

Kittredge asked what the status is with the ongoing and unresolved issue of the facilities use fee with the former department director leaving the university and with an interim director now in place. Sidney shared that she had a conversation with the Business and Finance interim, Clyde, who said she had a similar situation with Associated Students who were being assessed facilities use fees. Clyde and Sidney have agreed to meet to try to resolve this issue, perhaps with an exchange of value concept.

**Motion to approve the FY 23-24 proposed budget as presented
(Kittredge/Hassenzahl)**

The motion was carried unanimously (9/0/0) Clyde left the meeting prior to this vote

- 3. Discussion of policy updates for F&A distribution and Board reserves**
As an information item, these topics were discussed by the FIC Committee. A formal recommendation for a policy change will be forthcoming by the Committee at the September Board meeting.
- 4. Indirect Recovery through 03/31/23** – Sidney referenced the final page of the packet which provided an indirect cost recovery analysis, comparing FY22-23 YTD with the prior three fiscal years. She continues to closely track these data and will bring results to the Board. She referenced the bottom section entitled Indirect Cost Recovery (change from the prior year) and noted that this fiscal year has increased by 27.24%, or \$773K, over the same period of the prior year. She noted that they can fluctuate throughout the year and from year to year based on the variability of the contracts.

D. Audit Committee Report

Status of Chancellor's Office Audit Findings – Kelly provided a brief update, addressing the financial statement audit findings, noting that two of those were program-related. Those were both resolved and submitted to the Chancellor's Office. He wants to get final confirmation from the Chancellor's Office that they are resolved and that we're clear to move forward. Additionally, he discussed the Chancellor's Office audit, which took place from December 2021 through June 2022, and produced four audit findings. He and his team finalized their work on these, submitting them to campus for review and approval, and then it will be sent to the Chancellor's Office.

E. Governance Committee Report

Sidney shared that she is working to learn whether Clyde, the interim VP for Business and Finance, will take over the role of Chairperson of the Governance Committee or if that will be delegated to another party. The committee has not met yet but will soon as they need to look at the terms of appointments. We have several members whose terms technically would expire if there wasn't the opportunity to renew.

F. CEO Report

- 1. New Demands on Cash** – Sidney brought to the Board's attention that another reason for the recent lively FIC discussion mentioned above is good, but challenging news with the growth of multi-billion dollar, multi-year programs. CSE is staffing up to ensure that we can provide the infrastructure for them. But we also understand that most of these continue to be cost reimbursement, which means that CSE fronts the money first and cash demands are going deeper. Paralleling this, the campus's budget constraints are causing people to want to tap into funds on deposit with CSE. CSE is having to closely watch the cash flow of our working capital in a way we haven't needed to in the past. We will take this to the FIC to see how we look at that and how to make it transparent. Meanwhile, the campus has requested approximately \$2.5M for a real estate investment on Orange Street, adjacent to campus, and they've requested their funds on deposit with CSE for that investment. Because of the impact that would have on CSE, Sidney suggested that it would be beneficial to finance the purchase of the property over time rather than all at once. Kelly is in negotiations with financial institutions currently to learn what terms they can provide. Kimmelshue asked who would own the property. Sidney explained that it would initially be owned by CSE and, perhaps 18 months later, be taken over by the university. A line of credit was again brought up and Kelly noted that he is having continued conversation with our financial institution.
- 2. New Staff Resources** – This item was covered in depth earlier, during the

budget discussion.

- 3. Financial System Upgrade** – Sidney referenced a financial system upgrade that was done prior to when she joined CSE, which was quite problematic for users and stakeholders. Since that upgrade, CSE’s staff has grappled with making that upgrade work properly for the organization. It is not efficient and there are many manual processes that CSE has had to maintain to fill the gaps. The software vendor has another offering, which is cloud-based (Finance Enterprise) rather than server-based (OneSolution). She noted that the new version is not flawless software, but it is an improvement. Some of the implementation problems encountered in 2018 continue to exist, particularly the vendor’s customer service and support. With the current software upgrade endeavor, Sidney has involved key people from each department to provide input, do testing, and provide feedback for successes and deficits. Currently, there is one large issue and, if we can overcome that issue, then we can move forward at some point after the fiscal year-end close. She estimates completion of this project by January 2024. She is taking time to ensure that CSE doesn’t experience the same pain points that were experienced in the past.
- 4. Progress on action items for Open Forum** – Sidney provided a brief update on the recent Open Forum, which provided information and dialogue between CSE and its campus constituents. We got great feedback from participants and answered lots of questions. The CSE team has invested a lot of time updating policies and procedures, some of which hadn’t been updated in over a decade. We provided an update on the current processing times for different processes and participants were happy to hear that they have improved significantly over the painful period we experienced last year due to significant growth and the loss of several staff members at the same time. Our website is also updated and easier to navigate than in the past.
- 5. City of Chico Development Project Status** – Sidney provided an update, recapping that the City of Chico first sent out an RFP to developers and got a low response, from only a single developer. The City then hired a marketing firm to do an extensive market assessment for our region to see what the market would bear for this property. She shared highlights of the draft report from the firm, Keyser Marsten Associates, on-screen for the Board. Five key areas were assessed: retail, office, for-rent, for-sale, and lodging. Of those five areas, for-rent was evaluated as strong, retail and for-sale were good, office was modest, and lodging was limited. The analysis of the 2.3-acre parcel known as the Lost Park area was thorough and suggested the types of development that could be viable. She noted that there hasn’t been a subsequent meeting since this report was issued, but she looks forward to hearing what will happen next. Sidney reminded Board members that CSE owns the two buildings, 25 and 35 Main Street, the City owns the parking lots, and the Peters Family Trust owns a small group of shops mid-property, which faces E. 1st Street. Carlon noted that, many years ago, there was a dry cleaning company in one of those buildings and it was known that there was a polluted plume of water under the property. Wittmeier noted that the mitigations required for the Peters property are

minimal and that the property has since been sold.

G. The Board meeting adjourned at 3:59 p.m.

The next Board meeting date will be announced at a later date.

Respectfully submitted,



Mary Sidney, Secretary