



## Board of Directors Special Session Minutes

Tuesday, June 20, 2023, 10:30 – 11:00 am

Virtual

<https://csuchico.zoom.us/j/81225284603?pwd=S1dONGVONIErNndTVG92dnVlQ2t0dz09&from=addon>

Telephone: US: +1 669 900 6833

Meeting ID: 812 2528 4603

Passcode: 012153

**MEMBERS PRESENT:** John Carlon, Kristen Chatham, Anita Chaudhry, Jamie Clyde, Dave Hassenzahl, Tod Kimmelshue, Shane Mayor, Steve Perez, Mary Sidney, Angela Trethewey

**MEMBERS ABSENT:** Ahmad Boura, Gayle Hutchinson, Bob Kittredge, Ben Seipel

**ALSO PRESENT:** Vance Kelly, Dana Pitman

- I. **Call to order** – Perez called the meeting to order at 10:33 am.
  
- II. **Review and Approval of Corporate Resolution FY2023-03** - Sidney reviewed a draft of Corporate Resolution FY2023-02. She shared that this resolution provides Board approval for Chico State Enterprises (CSE) to enter a 3-year indebtedness with Chase Bank for the purchase of property located at 380/388 Orange Street in Chico. This purchase is at the request of the university, which has funds on deposit with CSE. However, the withdrawal of those funds all at once would create a cash flow issue for CSE. Thus, the resolution requests taking out a short-term loan for the purchase rather than paying for it in one lump sum. Trethewey asked whether CSE could be asked to do this again in the future. Kelly explained that this could happen again and would impact CSE significantly. However, the university has not shared plans for other large purchases in the near future. Mayor asked what the total cost to CSE would be. Kelly shared that it would cost CSE \$174,754K in interest. Hassenzahl asked whether the interest on this loan would be less than CSE's line of credit. Kelly explained that there is a fee on the unused portion of a line of credit that carries forward each month. He did a comparative analysis with Chase Bank and looked at various scenarios including loan terms, early payoff options, line of credit vs. loan, and other variables, noting that the short-term loan is the best option for our needs in this case. The main difference is that, if we apply for a line of credit, we will pay for any unused portion. He further explained that CSE's dollars are more restricted than the University Foundation's dollars due to grant funder restrictions. Hassenzahl asked how much the university has in liquid accounts with CSE that could be available for utilization for this purchase. Kelly

responded that the university has a little over \$12.5M on deposit with CSE and he explained that the property will ultimately be transferred to the university and that it is the university's intent to replace the money they are requesting for this purchase. He clarified that there would be a lien on the property over the life of the loan and that this would be a fixed-interest loan. Chaudhry asked whether CSE is incurring risks by taking on this loan. Kelly responded that he doesn't anticipate any risks. The value of the property is \$2.3M and the loan balance is estimated to be around \$2M. This is the university's decision to purchase the property with their funds with their money on deposit with CSE. Carlon asked about any cleanup risks for the property, who will manage the property at the close of escrow, and if CSE rate-shopped other financial institutions. Sidney responded that the property would belong to the university and the university would be entirely responsible for managing the property, including any cleanup required. Due to our existing and significant financial relationship with Chase Bank, Kelly believes they have provided the best rates, but indicated that he will verify. Sidney noted that a separate MOU between CSE and the university will be drafted dealing with the management of the property once the purchase has been made. Kimmelshue noted that an unsecured loan at 5.52% is very attractive and that requests for other proposals will be time-consuming. Kelly assured the Board that he will do his due diligence to ensure that we have the best interest rate/terms prior to finalizing the financing. Sidney noted that she will remove the specific bank's name on the resolution to allow for financing with another institution.

**Kimmelshue made a motion to approve Corporate Resolution FY2023-03 with amendments for a generic financial institution and interest rate adjustments if needed.  
(Kimmelshue/Hassenzahl)  
The motion was carried unanimously (9/0/0)**

**III. The Board meeting adjourned at 10:53 a.m.**

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

**Respectfully submitted,**

  
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Mary Sidney, Secretary