



## Board of Directors Meeting Minutes

September 25, 2023 1:00 – 4:00 pm

Colusa Hall Room 100B

<https://csuchico.zoom.us/j/82942826807?pwd=WfhKamx3QmpVS1lqM3lUbU9VUHRJQT09>

Telephone: US: +1 669 900 6833

Meeting ID: 829 4282 6807

Passcode: 995573

**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

**ALSO PRESENT:** Michele Flowerdew, Kristin Gruneisen, Pam Hollis, Julie Jessen, Vance Kelly, Dana Pitman, Susan Podesta, Amie Riesen, Jason Schwenkler, Phil Wilke

- I. **Call to order** – Lau called the meeting to order at 1:06 pm.
  
- II. **Approval of minutes from May 24, 2023**
  - A. **Motion to approve the minutes from the Board of Directors meeting on May 24, 2023 (Kittredge/Hassenzahl)**  
The motion was carried unanimously (8/0/0)
  
  - B. **Motion to approve the minutes from the Board of Directors meeting on June 20, 2023 (Hassenzahl/Chatham)**  
The motion was carried unanimously (8/0/0)
  
- III. **Public Comments and Announcements** – None
  
- IV. **Reports**
  - A. **University President's Report** – University President Perez provided an update on the status of enrollment noting that the declining enrollment trend has been reversed with 10% more enrollments than fall of 2022. Cost containment efforts have been effective and will continue.

Perez shared that the university has a significant holding of native American artifacts and tribal human remains that it is in the process of repatriating back to the appropriate tribes.

Perez shared that Chico State's rankings have improved over the last year, including ranking #7 of all universities in the West. Perez is meeting with Excelencia, as Chico State is a finalist for a graduate equity program award among Hispanic-serving institutions. We were named the highest masters-granting university in sustainability in the nation by the American Association of Sustainability in Higher Education. We are also receiving an award from AASCU for incorporating climate change efforts in classrooms.

**B. Board President's Report** – Provost Lau shared some significant recent leadership transitions. He shared that Vice Provost Daniel Grassian left, his position was eliminated, and three new vice provost positions were created.

- Faculty Affairs and Success - Vice Provost, Dr. Mahalley Allen
- Undergraduate Education and Academic Success - Vice Provost, Dr. Kate McCarthy.
- College of Business - Dr. Suzanne Zivnuska, Interim Dean
- College of Engineering, Computer Science, and Construction Management - Interim Dean, Dr. Greg Watkins
- College of Behavioral Sciences - Ryan Patton, Interim Dean, and Matt Thomas, Interim Associate Dean
- College of Agriculture - Dave Hassenzahl, Interim Dean (also the dean for the College of Natural Sciences)

They are currently searching for an interim dean for the library. He shared that they intend to launch eight searches for tenure-track faculty to support anticipated growth in enrollment in critical areas. The BSS building is coming along as is the planning for the farm building, which will break ground in early spring. Initial planning has started for the Human ID Lab building, which will happen over the next couple of years.

Lau thanked the Board for their efforts toward the purchase of the Orange Street property, indicating that it has huge potential for the development of key spaces for the campus.

**C. Finance and Investment Committee Report**

- 1. Review of Year-end Financials through 06/30/2023** – Kelly reviewed the financial statements for the benefit of the Board, first reviewing the General Fund Combined Budget to Actual through June 30, 2023. He noted that indirect cost recovery ended the fiscal year at 120% of budget or \$5.2M. Administrative (campus program) fees were at 113% or \$415K. Total revenue ended the year at 114% of budget or \$6.7M. Wages and benefits were \$4.7M, ahead of budget by 112%. Office operations were 124% of budget at \$255K. Other contract services, which include IT, audit, and software consulting fees, ended the year at 261% of budget or \$459K. Total expenses ended the year at \$6.7M vs the budgeted \$5.9M. The operating activities net was \$93k. He reminded the Board that unrealized gain/(loss) must be shown in our financial statements and disclosed in any Board financial presentation, but do not represent actual gains/losses. The unrealized gains year-over-year (YOY) were \$852K.

Kelly reviewed the Statement of Net Position as of June 30, 2023, sharing that short-term investments improved by \$689K YOY. Accounts receivable increased by \$1.5M due to the increase in program activity. Total assets were positive by

\$843K over the prior year. He reviewed liabilities, noting that we reduced our accounts payable by \$342K YOY. Unearned revenue increased by \$1.2M. Total liabilities increased by \$800K showing a net position of \$37K.

Kelly reviewed the Statement of Revenue, Expenses, and Changes in Net Position through June 30, 2023, showing the changes in individual funds year-to-date year-over-year. Grant and contract revenue increased by \$5.9M YOY. Sales decreased by \$50K. Event and membership income increased by \$582K. Investment activity showed a \$3M change YOY. Transfers from other auxiliaries decreased by \$271K. Total revenues and other support increased by \$8.7M over the prior year. In the expenses category, he shared that salaries and wages increased by \$3.4M with a correlating increase in employee benefits of \$1.3M. Faculty and student support increased by \$680K. Contract services decreased by \$800K. Hospitality and hosting increased by \$214K. Participant costs increased by \$1.2M YOY. Travel increased by \$431K. Total expenses were \$59.9M, illustrating a \$7.3M increase over the prior year.

## **2. Request to approve**

- a. Updated Reserves Policy** – Kelly presented the draft Reserves Policy before the Board for consideration. He explained that the proposed draft has added language to correct CSE’s name change and to clarify that CSE must fulfill its reserves obligation before considering F&A distributions. Language was added to ensure consideration of future operational expenses.
  
- b. Updated F&A Distribution Policy** – Kelly reviewed the proposed changes to the draft F&A Distribution Policy. It was previously silent on which assets are considered for distribution and now contains language that defines adjusted income as General Fund net income less investment activity. It also clarifies that minimal reserve levels must be met before any distribution.

Both of these policies were reviewed by the Finance and Investment Committee (FIC) and recommended for Board approval.

**Approval for adoption of revised Reserves and F&A Distribution Policies as presented.**

**(Kittredge/Hassenzahl)**

**The motion was carried unanimously (8/0/0)**

- 3. Review of Financial Dashboard** – Sidney shared the financial dashboards which were created out of analyses and discussions of the Finance and Investment Committee, and show graphically what is happening at a broad level for key financial metrics. She started by reviewing direct and indirect cost recovery data, then looked at the organization’s effective recovery rate, as well as the analysis of project variances from break-even in terms of their ability to cover the cost of supporting those projects. Sidney explained that the break-even point of 13% is used for calculation purposes, a number that has been used by

other similar CSU auxiliaries as well. In general, while direct costs have increased significantly over time; the corresponding indirect cost revenues have not kept pace, so these data and charts are very useful tools to track and understand indirect cost recovery and employ strategies to understand, and potentially influence the cost recovery drivers, which is critical information for management. Fortunately, monitoring the effective recovery rate and learning which projects were trending in which directions, management has been able to work with project directors, particularly center directors, to influence and impact transactions to optimize indirect cost recovery where possible. We are now seeing an uptick in indirect recovery, so the conversations and clarifications with project directors is having a positive impact. She then shared slides describing the numbers and levels of proposals and awards, both of which show continued growth in grants and contracts.. The final two slides broke these details down specifically by college/division.

4. **Facilities Use Fee Update** – Sidney shared an update on the status of facilities use fees. She met with Jamie Clyde to discuss a plan for determining the facilities use fees and it appears that the university is close to a resolution. She reminded the Board that CSE has used a placeholder of \$206K in that expense category for the past couple of years until this was resolved. In a recent conversation, Clyde advised that she has submitted a proposal for review by the Cabinet that nets out the placeholder \$206K fee for 2-3 years against the \$285K support from campus, then recommends that there be a hiatus of assessing any facility use fee for 3 years. The three year pause would allow the campus to do a deep analysis of actual facility use costs, identify the supporting documentation for those costs, and understand what costs are being assessed across the campus and the basis. Sidney indicated that she is looking to have the decision provided in writing following the cabinet discussion.

#### **D. Audit Committee Report**

1. **Status of Chancellor’s Office Audit Findings** – Kittredge shared that the audit is complete and should be finalized soon. He shared that the audit outcome was very positive, with no material findings. He commended Kelly and his team for their diligence over the past few years in getting CSE to this point. Kittredge also shared that a request for proposal (RFP) is being sent out to audit firms from the list provided by the Chancellor’s Office. He indicated that we have been happy with our current audit forms and they are eligible to submit a proposal.

#### **Discussion of policy updates for F&A distribution and Board reserves –**

As an information item, these topics were discussed by the FIC. A formal recommendation for a policy change will be forthcoming by the Committee at the December Board meeting.

#### **E. Governance Committee Report**

1. **Discussion of member terms** – Sidney shared that she reviewed the terms of our Bylaws, which reflect maximum terms of 6 years. Upon consultation, our

attorney suggested that the terms should have started as 6 years and that it's classified as a scrivener's error. She also shared that she has briefly researched other auxiliaries and noted one in particular that had established terms that could be extended indefinitely without a term end date. Based on the length of time it typically takes for a new member to get acclimated to the CSU and how CSE is structured, she plans to share details with the Governance Committee about other CSU auxiliary Board terms which will include a discussion of this option. Based on that discussion, the Governance Committee can recommend any changes to the Bylaws for approval by the full Board.

- 2. New Community Board member seat** – Hassenzahl shared that the committee discussed considering members from underrepresented or indigenous groups in our area. Sidney shared that the committee discussed the characteristics that we should look for in community membership. She noted that the committee agreed that searching for community members whose skills and experience complement those of other members would be helpful. Those skills might come from candidates from the finance, non-profit, human resources, or grants and contracts fields, for example. Carlon opined that the more the community understands what this Board does, the more beneficial it will be. The more we can educate the community about what we do, the better we will be able to build an environment of collaboration with various community entities with whom we may be able to partner on grant opportunities.

F. Break

**G. CEO Report**

- 1. Fall Open Forum** – Sidney shared CSE's efforts at being more visible with our campus constituents and noted that the open forums have been well attended and received. She followed up on every question from the Spring open forum. She shared that CSU, Chico is ranked 5<sup>th</sup> in the CSU system in sponsored program awards which is remarkable for a rural campus. She shared increased staffing and website enhancements, among other topics. These forums have become a great tool to communicate effectively with our campus constituents.
- 2. City of Chico Development Project Status** – Sidney provided a brief update that the city continues to pursue the development of downtown.

**V. Presentation: NSPR Annual Report**

NSPR General Manager Phil Wilke provided a review of NSPR for FY22-23, particularly in light of recent significant financial and leadership challenges at CapRadio. Wilke provided details on the CapRadio issues based on his best understanding of how the organization got itself this difficult situation, much of which involved major construction projects. The Sacramento State accounting team has stepped and is doing a detailed financial analysis of the organization. In terms of impacts on NSPR's financial and operational health, Wilke advised that through fundraising and grants, total revenue actually exceeded expenses, due primarily to the receipt of five planned gifts, and therefore NSPR actually had a very good year. That said, he went on to describe staffing reductions and other cost savings measures he has implemented to bring operations in

line with anticipated revenue for the upcoming year. Wilke also described specific programming changes as well as accomplishments over the past year. There have been clear benefits to NSPR of the CapRadio infrastructure and technical expertise, but the continued benefits and impacts of CapRadio's financial distress will not be fully understood for another 12-18 months. Wilke invited Board members to contact him directly if they would like any additional information.

- VI. Presentation: North State Planning and Development Collective** – Jason Schwenkler provided an overview of the projects and activities underway with the Collective.
- VII. The meeting adjourned at 3:59 p.m.**
- VIII. The next Board meeting date will be announced at a later date.**
- IX. Adjournment**

**Respectfully submitted,**

  
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Mary Sidney, Secretary