Board of Directors Meeting Minutes
March 14, 2024  1:00 – 4:00 pm  
Colusa Hall Room 100B  
https://csuchico.zoom.us/j/85161033575?pwd=MG1pSEtqcjFpc3VtY05yMW12STRVdz09&from=addon  
Telephone: US: +1 669 900 6833  
Meeting ID: 851 6103 3575  
Passcode: 508716

MEMBERS PRESENT: Ahmad Boura, John Carlon, Kristen Chatham, Leslie Cornick, Dave Hassenzahl, Tod Kimmelshue, Shane Mayor, Steve Perez, Ben Seipel, Mary Sidney, Angela Trethewey

MEMBERS ABSENT: Anita Chaudhry, Jamie Clyde, Bob Kittredge

ALSO PRESENT: Gloria Bassett, Stacie Corona, Karen Franks, Kristin Gruneisen, Pam Hollis, Julie Jessen, Vance Kelly, Dana Pitman, Susan Podesta, Elizabeth Voelker, Russ Wittmeier

I. Call to order – Cornick called the meeting to order at 1:00 pm.

II. Approval of minutes  
   A. Motion to approve the minutes from the Board of Directors meeting on December 13, 2023  
      (Kimmelshue/Trethewey)  
      The motion was carried unanimously (9/0/0)  

   B. Motion to approve the minutes from the Board of Directors meeting on February 7, 2024  
      (Kimmelshue/Trethewey)  
      The motion was carried unanimously (9/0/0)

III. Public Comments and Announcements – None

IV. Reports  
   A. University President’s Report – University President Perez provided an overview of his state of the university address last week. He shared details about the budget deficit and the effects of that on the university. Based on enrollment and budget estimates, he projects the university will use about 9% of its reserves. Compensation increases were not funded so they will come out of those reserves. He projects increasing deficits over the next three fiscal years. There will be a 5% budget reduction for all divisions throughout the university.
Economized spending efforts and additional revenue generation must continue. Revenue reductions from the State of California can be partially overcome if the university meets the enrollment goals set by the Chancellor’s Office. He shared the analysis of academic programming has resulted in the closure of some programs. Programs graduating fewer than 10 students per year will be evaluated for possible growth or elimination. He shared the exciting news that Giving Day broke previous records with donations of $1.1M in one day. He shared groundbreakings on several buildings, including the university services building (Facilities Maintenance and Services, Risk Management) and the Emergency Operations Center (EOC). This will be the first mass timber-built construction project in the CSU system, with increased sustainability. He noted that the university will lean more heavily on CSE and revenue generation over the next few years.

B. **Board President’s Report** – CSE Board President Cornick provided an update, sharing that she has implemented an Academic Affairs Budget Council that mirrors the university’s budget committee. The council is made up of deans, chairs, Cornick’s leadership team, and the chair of the faculty senate. They will review historic spending data and make projections about future costs, soliciting proposals from all units reporting to Academic Affairs, including CSE. She will provide an update at the next Board meeting. She provided updates on the searches for the deans of engineering and the library departments. She is holding a retreat with her advisory council to ensure that we offer the right programs that best support the needs of our students, region, and state and how to deliver those programs in a financially sustainable way. Cornick noted that she is working toward renewing a Memorandum of Understanding (MOU) between the campus, CSE, and the Big Chico Creek Ecological Reserve (BCCER). She shared her excitement about the development of a master’s program and undergraduate Wildlands Management program under development in collaboration with our Tribal Relations Office. Cornick shared that she serves on the CapRadio Board and the full slate of board members has been approved and committee activities are being finalized. She will also serve on the Audit Committee. She shared that Frank Maranzino has been named CapRadio’s interim director.

C. **Finance and Investment Committee Report**

1. **Review of Year-end Financials through 1/31/2024** – Kelly reviewed the financial statements for the benefit of the Board, first reviewing the General Fund Combined Budget to Actual through January 31, 2024. He noted that indirect cost recovery (F&A) ended the period at $3.3M, or 62% of budget. Investment income was $555K and 159% of budget. Total revenue was $4.3M and 64% of budget. In the expense categories, wages and benefits continue to be the largest cost and ended this period at $2.9M and 52% of budget. Office operations are at 79% of budget at $168K. Other contract services are $157K and 101% of budget, noting that we have paid our audit fees this year so this number likely won’t change much before fiscal year-end. Insurance costs continued to rise and ended the period at 111% of budget and $252K. Total expenses are at 55% of budget at $4.1M. The operating activities net ended at $272M. He has tracked the unrealized gain/(loss) of our investment activities, noting that we are negative for this period at $(77)K.

   Kelly reviewed the Statement of Net Position as of January 31, 2024, sharing that cash and investments ended at $21.7M, a change of $685K year-over-year (Y.O.Y). Accounts
receivable YOY is $18.9M, showing a positive change of $5.8M. Capital assets ended at $10.8M, increasing by $1.9M YOY. Kelly noted that this change is due primarily to the purchase of the Orange Street properties, being transferred to the university soon. Total assets are $53.2M, $9.2M higher than last year, attributable to the land purchase and increase in accounts receivable. Unearned revenue is $12.7M, an increase of $9.4M over the prior year, showing receipt of up-front funding for two large projects. Total liabilities ended the period at $22.3M, an increase of $9.7M. The net position ended at $30.8M, showing a slight decrease of $649K YOY.

Kelly reviewed the Statement of Revenue, Expenses, and Changes in Net Position through January 31, 2024, showing the changes in individual funds year-to-date year-over-year. Grants and contract revenue increased by $10.3M YOY, ending the period at $33.6M. Cornick noted that she and Sidney have discussed the nuances and variability of grants vs. contracts depending on funding sources. Breaking those details out might be something that could be presented at a future Board meeting. Investment activity ended this period at $505K, representing an unrealized loss of $379K. Total revenues and other support are $38M, a positive change of $9.7M YOY. In the expenses categories, Kelly shared that salaries and wages totaled $13.1M, an increase of $2.2M YOY. Employee benefits increased by $884K over the prior year. Faculty and student support ended this period at $6.6M, showing an increase of $4.5M. This illustrates that several of the newer projects contain a large increase in student support (stipends). Contract services increased by $2.9M. Operating expenses are $2M, showing a slight decrease of $527K YOY. Total expenses ended the period at $38.9M, an increase of $10.4M over the prior year. The net position ended the period by $2.1M less than the prior year at $30.8M.

2. **Review of Financial Dashboard** – Sidney explained that the first of the three dashboards illustrates program direct spending, indirect recovery against those programs, and the indirect cost recovery rate. She noted that the direct expenditures for programs is not commensurate to the indirect cost recovery rate, so the graph allows that activity to be clearly tracked. Growth in sponsored programs within university centers activity has outpaced the rest of campus, so Sidney continues to have conversations with center directors to restructure their grants.

Sidney shared the sponsored programs expenses by month for FY23-24 compared to prior years. Sponsored program growth in direct costs as compared to the prior year is 40%. Indirect (F&A) costs have increased to 23%. She noted that programs don’t spend at an even rate throughout the year, so monthly comparisons can vary widely. She noted a recent proposal example where there was a push to get the proposal processed quickly. Upon scrutiny, it was determined that the contract would have put CSE at risk for $8M in construction costs while generating no F&A return and involving no faculty or students in the construction project itself, just the proposed partner. She noted that these types of projects are not typically generated by faculty at Chico State but rather external partners. Careful evaluation of the structure of proposed grants and contracts for financial feasibility is helping avoid unnecessary financial and legal risk as well as the issue of very low indirect cost recovery. Perez noted that there could be opportunities to write direct costs into a grant that allows for the hiring of additional staff to support that specific grant. Trethewey noted that it would be helpful for faculty to understand
those mechanisms. Sidney shared that the CSE pre-award team are strengthening their knowledge and understanding of appropriate budgeting options for partners and collaborators which will assist project directors in the planning process. Seipel agreed that this could be built into the grant development process so that the pre-award team can better assist faculty, particularly new faculty, who may not understand the budgetary options associated with their grants. He also noted that grant award funders may sometimes have specific applicants in mind for an award. These applicants may have an infrastructure already in place. For Chico State, as an institution that may not have the necessary infrastructure when they apply for these awards, this should be addressed with the funder at the proposal stage. Sidney agreed and noted that this presents an opportunity for CSE to be the sub-awardee rather than the primary on some awards. This could allow for full indirect, thus making it financially more advantageous to move forward with the project.

The final dashboard shows awards by college/unit YTD for FY23 and FY24. It tracks the awards with YTD by academic unit. We will continue to provide this data to the Board.

D. Audit Committee Report

1. RFP Result – Kelly shared that he worked with the chairs of CSE’s and the University Foundation’s Audit Committees last year to develop an RFP to recognized and Chancellor’s Office-approved audit firms. Those RFPs resulted in four firms initially contacted, two declines, a response from Aldrich, our current audit firm, and one other firm. CSE’s panel reviewed and ranked the proposals and presented their recommendation to the Audit Committee. CSE’s Audit Committee was comfortable moving forward with the recommendation, noting that we may want further discussion about updating our charter to show how the RFP process might be developed. Kelly is working with the chairs of both audit committees on that topic. On the University Foundation (UF) side, the committee opted to review the RFPs and do their own ranking, ultimately coming to the same conclusion to go with Aldrich.

2. Audit Firm Selection Process – There was some discussion about whether requesting a different lead auditor might be beneficial. Boura shared that, with the UF, every 5 years, they bring in a 3rd party firm to evaluate the current financial consultants. He suggested that CSE could request a 360 evaluation of our auditors to ensure a healthy process. Kelly noted that audit firms must meet specific requirements as well as undergo mandatory peer review with a sampling of audits pulled for review. He also clarified that funder-specific “desk audits” are done by different auditors than what’s referred to as our “single audit”. At any given time, there can be as many as four desk audits underway. He also noted that additional language in the Audit Committee charter is being developed.

E. Governance Committee Report – No updates

F. CEO Report

1. Continued Growth – Sidney shared that, while CSE is growing its staff and infrastructure, we are also providing space in our buildings for programs that are
growing. CSE’s staff employment numbers are approximately 1,600 employees with close to 377 faculty and staff.

2. **Finance Enterprise Upgrade** – Sidney shared that CSE’s current business operations software is being upgraded from server-based to cloud-based. However, the vendor’s cloud-based software has not been fully functional, so there have been hiccups in the transition process. CSE has hired a consultant to assist with these issues and is working through them as quickly as possible. Testing is currently underway by CSE staff.

3. **CapRadio – NSPR Update** – Sidney provided a brief update on CapRadio, noting that the Interim General Manager advises that CapRadio is currently financially stable, despite some recent upheaval. CSE has a grant under scrutiny because of the recent changes in CapRadio staff and Board members. The interim CapRadio leadership team seems responsive and to be working toward a positive future. She has requested these details in writing from CapRadio.

4. **City of Chico Development Project Status** – Sidney noted that she hasn’t heard any additional details from the city about the development of downtown. An RFP was submitted and proposals are under review, but we have no further details at this stage.

5. **Chancellor’s Office Visit** – Sidney shared that CSE will have a visit next week from the Director of Sponsored Programs and the Compliance Office at the Chancellor’s Office and she is looking forward to showing them our campus, some of our programs, and collaborating with them.

6. **Sponsored Programs Showcase** – Sidney shared the April 15, 2024 date for the upcoming inaugural Showcase, noting that this will be a wonderful opportunity for our campus, faculty, and community to learn more about the research that is going on within our campus community.

7. **Comprehensive Capital Campaign** – Sidney shared that CSE is involved with University Advancement to ensure an appropriate infrastructure to handle the continued growth and support that we can provide to our campus community. There is an upcoming planning retreat to facilitate further planning and discussion.

V. The meeting was adjourned at 2:52 PM

The next Board meeting will be held on May 21, 2024.

Respectfully submitted,

Mary Sidney, Secretary