THE UNIVERSITY CORPORATION
Executive Committee
May 2, 2024

A meeting of The University Corporation (TUC) Executive Committee was called to order by Recording Secretary Colin Donahue at 3:06 p.m. on Tuesday, May 2, 2024 via Zoom Conference Call at California State University, Northridge. A quorum was present.

Members Present via computer video and audio:	Colin Donahue, Paige Hajiloo, Michael Phillips
Members not Present via computer video and audio:	Ben Yaspelkis, Erika Beck
Staff Present via computer video and audio:	Heather Cairns, Rick Evans, Michael Lennon, Philia Militante, Christina Robertson, Cindy Ruan, Grace Slavik, Alexandra Stahl, Linda Turner, Kathryn Weeks
Others Present via computer video:	Whitney Scott, Arlette Tillett, Lih Wu

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ITEM 1. FRAUD UPDATE

Rick Evans, TUC's Executive Director, began with a reminder that the Executive Committee also serves as the Fraud Oversight Committee for TUC, which requires reporting transparency whenever there is an incident of fraud, theft, or significant ethical breach, as well as updates on these incidents. In September 2020, four TUC checks totaling $22,000 were stolen and deposited by an unknown individual. This was discovered when a food service vendor contacted TUC to follow-up on unpaid invoices, which TUC responded to by reporting the incident to the bank, CSUN's internal auditor, police services, and to this fraud oversight committee. Though it was determined that the checks were not stolen due to TUC check handling procedures, TUC did conduct a thorough review of internal practices and controls relating to bank positive pay approval processes.

While a suspect was identified at the time by CSUN police, an arrest remained pending. Mr. Evans then stated that a few weeks prior to this meeting, CSUN Deputy Chief Mark Benavidez reached out to update him that an arrest had been made in this case in cooperation with LAPD.

Michael Phillips, CSUN Professor, Department of Finance, asked if there were any details about the person who stole the checks. Mr. Evans replied that he had no details on the individual, but it is known that the theft occurred off campus and happened either at the post office or at the point of delivery; there was no breach of TUC check handling procedures.

ITEM 2. APPROVAL OF FEBRUARY 7, 2024 EXECUTIVE COMMITTEE MINUTES

MSP (Phillips/Hajiloo): **That the minutes of the February 7, 2024 Executive Committee meeting be approved as circulated.**

ITEM 3. APPOINTMENT OF NOMINATING COMMITTEE

MSP (Phillips/Hajiloo): **That the Chair appoint Ben Yaspelkis and Mike Phillips as the nominating committee to make recommendations for Corporation officers, one-year terms to begin July 1, 2024**

ITEM 4. THE UNIVERSITY COROPORATION INSTRUCTIONAL IMPROVEMENT PROGRAM GRANT

Philia Militante, TUC's Administrative Services Manager, provided a background on the TUC Instructional Improvement Program Grant. This quasi-endowment was created in 1976 to support the development and implementation of practical teaching methods through grants awarded to faculty. TUC has partnered with CSUN's Faculty Development office to achieve this goal, and this partnership produced the budget for FY 24/25 that the Executive Committee is being asked to approve today.

Ms. Militante then highlighted a few items on the budget. The Professional Development Grant is awarded to faculty who submit a proposal to travel to a teaching related conference. There is also funding for bringing inspirational speakers to campus to allow facilitators to meet with faculty regularly to share feedback and knowledge with each other. Additionally, there is funding for programs that invite faculty to shift their mindsets on students and teaching, as well as equity programming which encourages faculty to critically analyze their grading practices. Finally, there will also be funding to support faculty's use of the new Maple Hall building. All of these activities focus on improving faculty teaching techniques to improve student success. The proposed spending allocation for FY 24/25 is $54,493.

Mr. Donahue asked for more details about the funding to support faculty's use of Maple Hall. Whitney Scott, CSUN's Director of Faculty Development, replied that the funding would go to a program to train faculty in the ways that Maple Hall has been designed to promote active learning for students and allow them to share ideas on how to optimize the space to deepen learning.

MSP (Hajiloo/Phillips): **That The University Corporation Instructional Improvement grants for the year, as recommended by The University Corporation Instructional Improvement Grant Selection Committee, be approved as circulated.**

ITEM 5. 2024/2025 OPERATING BUDGET

Mr. Evans gave an overview of the FY 24/25 operating budget, noting that while the full budget is presented to the Executive Committee, the highlights will be presented to the Board of Directors in June. Mr. Evans began by stating an over 25% drop in on campus foot traffic, since the pandemic, creates a significant negative impact on commercial services, particularly on foodservice revenue. Next, this summer the Sierra

Marketplace will undergo a renovation, with plans to reopen at the start of the fall semester. Moving on, the CSUN Ready program will not launch this fall, but an ad hoc committee is being formed to re-examine the program for a possible implementation in the future. Research and Sponsored Programs (RSP) is budgeted to exceed the current year by $2 million, and while that's not TUC revenue, it does contribute to a significant increase in additional IDC. This coming year will also see the construction of TUC's Phase I of the ADU project.

Mr. Evans stated that even though TUC's budget seems challenged at times with sustaining or increasing operational income, TUC's balance sheet continues to become stronger every year. In FY 18/19, TUC's net assets were $43 million, while in FY 23/24 those net assets increased to $56 million, which does not even reflect the $30 million in off-campus real estate held by the corporation not reflected on the balance sheet. Moving on to the FY 23/24 projection, the net cash generated from operations will total nearly $1.7 million. TUC will fund the University Special Projects Reserve by $260,000 and will fund the Faculty/Staff Housing Project Operational Reserve by $407,000, which leaves nearly $1 million to replenish other TUC reserves. FY 24/25 is budgeted very similarly, with an increase of about $50,000.

Mr. Evans then moved onto the major assumptions for FY 24/25 that serve as the foundation of the budget; Campus foot traffic will remain 25% lower than pre-pandemic, the guaranteed minimum commission from Follett will lower to $622,000, IDC retention will increase by $451,000, real estate will continue to strengthen, but will be challenged with providing adequate transitional housing, the 4.5% General Salary Increase (GSI) will be $128,000, and finally, payroll increases, adjustments, and benefits will increase by $227,000. Mr. Evans then expanded on the last two assumptions, which total $355,000 together despite no new additional full-time employees. While about a third of the $355,000 is the GSI of 4.5%, another third is for other payroll increases and adjustments that helped significantly with retention, and the last third is an increase to professional staff benefits from 28% to 32%.

Highlighting individual departments, Mr. Evans began with RSP, which will see a record $3.7 million financial return to Academic Affairs this year for their 50% of Indirect Cost Recovery. Increasingly the campus needs to address the costs of space utilization related to research, which is an allowable IDC expense. Moving on to Real Estate, in addition to buying a new single-family home, there was a new city ordinance that now prevents TUC from putting occupancy time limits in leases. This will partially be addressed by increasing rent closer to market after 3 or 5 years depending on the type of property occupied, which will hopefully encourage tenants to leave after a few years to make room for other CSUN employees in need of housing.

Dr. Phillips asked if TUC's rental properties were subject to rent control. Linda Turner, TUC Associate Director, Real Estate, replied that TUC's properties are not subject to rent control, but are subject to ordinances such as the Just Cause for Eviction Act, which is what now prevents TUC from removing tenants after a set period of time.

Mr. Evans then gave a brief overview of the Budgeted Net Cash Generated schedule, the highlight of which is $1 million in Net Cash Generated to replenish other reserves for FY 23/24, $40,000 more than originally budgeted, which is projected to increase to $1.05 million in FY 24/25. While Food Service continues to be lower than pre-pandemic levels, the growth of RSP and Real Estate create the slight increase in Net Cash Generated to prior year.

Cindy Ruan, TUC's Associate Director, Accounting, then discussed the Balance Sheet, in which for FY 23/24, total assets are expected to grow to $79.4 million, which is an increase of $1.7 million, the majority of which is in cash and investments. Ms. Ruan stated that for FY 24/25, total assets are projected to grow by another $1.2 million to reach a total of $80.9 million by the end of the year.

Mr. Evans gave an overview of the Reserves Schedule, noting that the largest expense in FY 23/24 was the purchase of the new house and ADU for $1.6 million, which is mitigated by the allocation of the $1 million discussed earlier in the Net Cash Generated sheet to the Real Estate reserves. In FY 24/25, $500,000 from the Real Estate reserve and $1.4 million from the Faculty Housing reserve will be used for the ADU project. TUC anticipates that total reserves at the end of FY 24/25 will be over $27 million, which is $407,000 higher than at the start of the year. However, Mr. Evans pointed out that only about $15 million are actual TUC reserves, $3 million of which the company cannot touch by policy. The remaining reserves are funds TUC holds for the campus the campus.

Divisional budgets were reviewed by TUC Directors and Associate Directors.

<u>*General and Administrative (G&A*</u>): For projected FY 23/24, there was actually a net surplus improvement of $120,000 as a result of savings on expenses and increases on revenue comparing to the FY 23/24 budget. For the FY 24/25 budget, an increase of G&A expenses by $171,000 is planned, due to increased payroll and benefits. As discussed earlier, this is due to a combination of a 4.5% GSI, internal position transitions, and the rising costs of benefits.

<u>*CSUN Campus Store:*</u> As has been the case for over a decade, sales at the Campus Store have continued to decline, resulting in a decrease in TUC's guaranteed minimum commission revenue. In FY 23/24, $768,000 in revenue was budgeted, however the total lower sales have resulted in a projected minimum guaranteed commission of $703,000 instead, a variance of $65,000. TUC management spent the majority of the year working on the CSUN Ready program; however, due to current Faculty Senate feedback, the program will not launch this coming fall as discussions continue. For FY 24/25, the guaranteed minimum commission is projected to be $622,000. In this coming year, the focus will continue to be on Access programs such as MCDA and continued discussions regarding CSUN Ready.

<u>*Food Services:*</u> As discussed earlier, on campus foot traffic is at least 25% lower than it was in 2019, which has continued to have a significant negative impact on revenue. For FY 23/24, net cash is projected to be $79,000 lower than budget, but after adding back the non-cash depreciation expense, there is a surplus of $1.07 million. FY 24/25 assumes foot traffic will be similar, and there will be a renovation in the Marketplace to refresh the look of the space and add two new dining concepts. The renovation will be funded by an allocation of $1.4 million from the capital budget included in the Chartwells contract. For next year, revenue and meal plan cost will increase slightly, though the cost of CSUN's meal plan remains in the lowest third of all CSU campuses. FY 24/25 revenue is estimated at $6 million with an operational deficit of $97,000, which is just $2,000 less than FY 23/24.

<u>*Real Estate:*</u> As stated previously, the City of Los Angeles implemented the "Just Cause for Eviction" ordinance that severely restricts TUC's ability to terminate no-fault tenancies, which means that time limits can no longer be placed on tenant leases. As a result of this, TUC's new policy in compliance with the ordinance allows rent to be increased by 8.8% for tenants beyond their original lease termination dates until July 31, 2024, though even with this increase rents will still be 15% below market. For tenants not yet beyond their original lease termination, a 4.5% increase in rent is budgeted, also still 15% below market.

Additionally, TUC received a Public School Exemption for the College Court townhouses, resulting in a considerable reduction in property taxes, and a similar exemption is anticipated for TUC's single family homes in the coming year. For FY 23/24, there is a projected net surplus of $108,000 due to higher occupancy rate, new rent revenue, and lower property tax. For FY 24/25, a net surplus of $126,000 is projected due to increase in rent and an increase in housing stock due to TUC's most recent single family home purchase. For FY 24/25, after adding back non-cash depreciation expense of $414,000, the department is cash positive by $1.06 million.

Research and Sponsored Programs: For FY 23/24, revenue is projected to be $37.3 million, surpassing budget by $243,000. While this exceeds expectations, the IDC of $3.24 million retained by TUC is slightly short of budget by $100,000, though this is up by 2.6% compared to the previous year. RSP operating expenses for FY 23/24 is close to budget, with all essential positions filled and the department operating at full capacity. For FY 24/25, revenue is projected to be $39.4 million, translating to an increase of $451,000 in TUC's retained IDC. There will be an increase of $206,000 in operating expenses due to internal restructuring of Accounting and RSP which necessitates the hiring of an RSP supervisor position, three RSP employees transitioning to higher level positions with an increase in benefit rates, and other operational expenses. It was reiterated that TUC as a whole is net neutral on no FTE increases/decreases in professional level staff.

Mr. Donahue pointed out that insurance numbers have gone up recently and asked if that increase had been built into the increase in benefit rates. Ms. Slavik responded that prior to building the budget, AORMA was consulted for estimates and included in the budget.

Capital Budget: For FY 24/25, the proposed Capital Budget is $200,000. While Chartwells' dining contract includes a $4 million contribution to capital project improvements, TUC is still responsible for the repair & maintenance of equipment and facilities, which is what this budget is for. Two of the anticipated uses for this budget include $50,000 for replacing antiquated kitchen equipment and $30,000 to replace the carpet on the second floor of the Sierra Center, which is over 20 years old.

MSP (Phillips/Hajiloo): **That The University Corporation Executive Committee recommend that The University Corporation Board of Directors approve the 2024/2025 operating budget as proposed.**

ITEM 6. POURING RIGHTS CONTRACT

Heather Cairns, TUC's Associate Executive Director, Administrative Services, discussed the TUC pouring rights contract. TUC went through a Request for Proposal (RFP) process 20 years ago, and then again 10 years ago, to select the beverage company for the campus pouring rights contract. Pepsi was awarded the contract both times. With the current contract expiring on December 31, 2024, there are now two options available to TUC: Release another RFP or extend the current contract with Pepsi. Pepsi has proposed a 5-year extension which includes the same components as the current contract, a rebate program based on proposed sales, resulting in an estimated $80,000 annually to TUC, and a sponsorship payment averaging $205,000 per year over the next five years. This topic has been presented at the Food Service Advisory Committee and after some discussion, the committee members agreed that the 5-year extension be accepted.

Dr. Phillips suggested that the Executive Committee affirm the opinion of the Food Service Advisory Committee. No formal action was taken, but there was consensus among present members of the committee. Mr. Evans confirmed his intention to sign the extension.

ITEM 7. ANNOUNCEMENTS

Dr. Phillips recognized that this would be Paige Hajiloo's last Executive Committee meeting and he and the rest of the Executive Committee congratulated her on her upcoming graduation and thanked her for her service on this committee.

There being no further business, the meeting adjourned at 4:34 p.m.

Respectfully submitted,

Colin Donahue, Recording Secretary