

THE UNIVERSITY CORPORATION
Executive Committee
May 1, 2017

A meeting of The University Corporation Executive Committee was called to order by First Vice President, Ben Yaspelkis at 3:00 p.m. on Monday, May 1, 2017 in University Hall Room 250, California State University, Northridge. A quorum was present.

Members Present: Sevag Alexanian (via telephone), Michael Phillips, Michael Spagna, Benedict Yaspelkis

Members Absent: Dianne F. Harrison

Staff Present: Heather Cairns, Elizabeth Corrigan, Rick Evans, Georg Jahn, Elizabeth Kioussis, Michael Lennon, Linda Turner, Lih Wu

Others Present: Colin Donahue, Ken Rosenthal

ITEM 1 APPROVAL OF FEBRUARY 9, 2017 EXECUTIVE COMMITTEE MINUTES

MSP (Phillips/Spagna): That the minutes of the February 9, 2017 Executive Committee meeting be approved as circulated.

ITEM 2 APPOINTMENT OF NOMINATING COMMITTEE

MSP (Phillips/Alexanian): That the Chair appoint a nominating committee to make recommendations for Corporation officers, one-year terms to begin July 1, 2017.

Ben Yaspelkis advised that the Chair wishes to appoint Sevag Alexanian and Michael Spagna to serve as the nominating committee.

ITEM 3 JUDGE JULIAN BECK INSTRUCTIONAL IMPROVEMENT GRANTS

The list of recommended grants and support programs was distributed.

MSP (Phillips/Spagna): That The University Corporation Executive Committee approve the Judge Julian Beck Instructional Improvement grants and support programming for the year, as recommended by the Beck Grant Selection Committee.

ITEM 4 JUDGE JULIAN BECK INSTRUCTIONAL IMPROVEMENT PROGRAM – NAME CHANGE

The Corporation Board established the endowment that supports the instructional improvement grants in 1973 using funds from operational surplus. In 1983, the Board named the program in honor of Judge Julian Beck, who introduced the legislation that established the university. The name of the program has become a source of confusion. Management recommends changing the name of the program to make it clear that the Corporation is the funding source.

Michael Spagna suggested that another way to acknowledge Judge Beck's contribution be identified so that this part of the institution's history may not be lost. Mr. Evans responded that the Corporation will ensure that Judge Beck is acknowledged in some way.

MSP (Phillips/Spagna): That The University Corporation Executive Committee approve changing the name of the Judge Julian Beck Instructional Improvement program to The University Corporation Instructional Improvement Program, effective for the 2017/2018 academic year; that all grants-related materials be amended accordingly beginning with the 2017/18 funding cycle.

ITEM 5. FINANCIAL STATEMENTS

Mr. Evans stated that much of the information in the financial statements would be incorporated in the budget presentation. CFO Lih Wu noted the significant investment growth since the start of the fiscal year.

ITEM 6. 2017/18 OPERATING BUDGET

Acknowledging the challenges of the current and next fiscal years, Mr. Evans stated that the Corporation's financial condition is nonetheless strong, net assets continue to grow, and most reserves are fully funded. The FY 17/18 budget shows *Net Cash Generated to Replenish Reserves* of approximately \$750,000. Key projects during FY 17/18 will be the on-campus hotel, planning for the highest and best use of North Campus, initiatives to improve Sponsored Programs service, and studying various business models with an eye to cost savings and revenue augmentation. Mr. Evans continued that the significant reduction in first-time freshman enrollment has impacted current year results.

For FY 17/18, the university will receive 40% of Net Cash Generated, budgeted at \$1,252,000; the Corporation will retain 60% to replenish reserves. Control of the Matador Bookstore Complex (MBC) annex, at the southeast end, will revert to the university on July 1, 2017. At the university's request, the Corporation assumed management, including maintenance of the annex, when the Tseng College of Extended Learning occupied the space, which has now been vacated. Associated rental income, which for FY 16/17 was \$220,000, will cease.

Other significant factors for FY 17/18 budget include: a 2% salary increase for employees; the increase in the California minimum wage from \$10.50/hour to \$12.00/hour beginning July 1, 2017; stabilization of enrollment; and anticipated continuing declines in CSUN Campus Store sales. A small increase in sponsored programs activity is anticipated, as well as in licensing. Faculty/staff housing rents will be increased as tenants turn over. No additional staff positions are requested.

Lih Wu noted that the new format for the balance sheet and pointed out the current year increase in net assets, primarily due to long term investments. The FY 16/17 decrease in Cash & Cash Equivalents is due to the Matador Bookstore Complex HVAC project. Ms. Wu noted the combined debt service payments of \$853,000. For FY 17/18, total assets are lower by \$254,000 and debt service payments are \$950,000.

The CFO went on to review reserves, commenting that the FY 17/18 request includes \$250,000 to begin saving for Matador Bookstore Complex roof replacement and \$200,000 for renovations to the single-family home that the Corporation expects to acquire.

Divisional budgets were reviewed by staff.

General and Administrative (G&A): After taking into consideration the termination of rent collected for the Matador Bookstore Complex annex, the increase in depreciation expense, and the current year payroll and benefits savings from staff vacancies, G&A is budgeted relatively flat, except for the 2% salary increase and minor increases in payroll system and consulting costs.

CSUN Campus Store: Current year commission on sales is projected at less than budget, due to the decrease in freshman enrollment and continuing pressure from online and other sources. The decrease is expected to continue in FY 17/18. The Corporation's contract with Store operator, Follett Higher Education Group (Follett) includes a minimum guarantee.

Michael Phillips referred to the "schizophrenia" of the Corporation trying to ensure a profitable store operation while the university emails faculty on open source academic materials. Mr. Evans responded that Follett is involved with the CSU Affordable Learning Solutions (ALS) program. Follett's new Direct Digital Access (DDA) program will likely be piloted at CSUN next spring semester. DAA provides students with electronic learning materials before the first day of class to try out for a limited time at no cost. Publishers are willing to reduce prices for the opportunity to achieve 100% 'sell-through.' Prof. Phillips suggested that the Associated Students might get involved in endorsing the program. Mr. Evans will invite Follett to a future meeting.

Food Services: Current year performance was impacted by the 20% decrease in first-time freshmen. Freshmen account for 70% of meal plans sold; while the budget assumed a 6% decrease in meal plans, the actual reduction was 13%. Some savings are projected in Cost of Goods Sold; payroll is over budget due to the Los Angeles minimum wage increasing \$10.50 per hour on July 1, 2016, and paid sick time increasing from 24 to 48 hours for hourly workers. FY 16/17 Net Cash Generated is projected at \$1,117,000, which is \$158,000 less than budget.

For FY 17/18, enrollment is expected to stabilize and the same level of sales is anticipated. Payroll and benefits cost will increase significantly due to the minimum wage increase to \$12.00 per hour on July 1, 2017. The Orange Grove Bistro will be razed to make way for the on-campus hotel development and a renovation specialist will be engaged to consult on changes to the Marketplace. Net Cash Generated is budgeted at \$925,000. Some price increases will be implemented, but will be kept at low as possible.

Real Estate: Current year expenses are less than budget, primarily due to a delay in the Reseda Annex renovation, resulting in lower depreciation. FY 17/18 will be the first full year that the Reseda Annex will be fully occupied and operational. The budget includes a 3% rent increase for faculty/staff housing units. As units turn over, rents will be brought closer to market rates. Michael Phillips opined that the hiring unit should determine if a candidate should receive a housing allowance; the Corporation should provide the facility, not the subsidy. Michael Spagna suggested a study to determine if the housing is indeed a valuable recruitment tool. Mr. Evans questioned if colleges or administrative units would have the funds to provide housing allowances to new hires. CSUN Vice President for Administration and Finance, Colin Donahue, added that there might be issues if the Corporation's non-state funds were supplemented with general fund monies. He added that the program will have to be reviewed if faculty/staff rental housing is built on North Campus.

Sponsored Programs: Current year grants revenue is projected to be \$1 million below budget. The non-renewal of a large grant to the National Center of Deafness was a factor, offset in large part by several new, smaller grants. Service fee income is slightly lower than budget. Several staff vacancies were filled. For FY 17/18, despite possible cuts to federal programs, grants revenue is budgeted at \$32 million, as the impact of any cuts to research funding will likely be felt in subsequent years.

Capital Budget: The FY 17/18 budget is reduced by \$50,000 from current year. Major items include replacement of 40-year-old coolers at Geronimo's, replacement of the grease trap at Burger King, and a Juice It Up refresh required for contract renewal.

MSP (Phillips/Alexanian): That The University Corporation Executive Committee recommend that The University Corporation Board of Directors approve the 2017/2018 operating budget as proposed.

ITEM 7. HOTEL PROJECT

The Executive Director advised that a letter of intent has been signed. Three information meetings with the development team have been scheduled for May 10 for: a) the campus community; b) Northridge Vision community/business group; and c) local neighborhood councils and residents. Mr. Donahue added that much time and attention had been given to developing a detailed letter of intent. While some area residents have indicated some concerns, there has been overall support for the project.

ITEM 8. RESEARCH AND SPONSORED PROJECTS – AWARDS AND SUBMISSIONS (JANUARY, FEBRUARY, MARCH 2017)

Georg Jahn, Director of Sponsored Programs, advised that indirect cost recovery for the year-to-date is 5% ahead of budget, service fee income is ahead by 2%, and the net available to campus is 14% ahead of budget. Michael Spagna commented on infrastructure needs to support and grow research. Mr. Jahn responded that the indirect cost recovery rate could increase if more space were devoted to research.

ITEM 9. INCIDENT REPORT

The Executive Committee also serves as the Fraud Prevention Committee. The committee was advised of two incidents. First, an agency employee seeking to rent an apartment changed a salary letter and forged a signature, for which the employee was terminated. Second, a Marketplace cashier was fired for voiding an excessive number of cash transactions and keeping the cash. The employee admitted taking the money.

ITEM 10. ANNOUNCEMENTS

Congratulations to Michael Spagna on his appointment as Provost of California State University, Dominguez Hills, effective July 1, 2017.

Real Estate Fund Purchase: The Corporation hopes to finalize before the end of the fiscal year, the purchase of a single-family home on Zelzah Avenue, across from the Student Recreation Center. This will be a short sale.

There being no further business, the meeting adjourned at 4:29 p.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Michael E. Spagna". The signature is written in a cursive style with a large initial "M".

Michael Spagna, Recording Secretary