A meeting of The University Corporation Executive Committee was called to order by Chair, Dianne Harrison at 3:06 p.m. on Monday, May 1, 2018 in University Hall Room 250, California State University, Northridge. A quorum was present.

Members Present: Sevag Alexanian, Colin Donahue, Dianne Harrison, Michael Phillips (via telephone)

Members Absent: Ben Yaspelkis

Staff Present: Shiva Bahrami, Heather Cairns, Elizabeth Corrigan, Rick Evans, Sheree Schrager, Linda Turner, Karina Ward

Others Present: Grace Ma, Ken Rosenthal

ITEM 1  APPROVAL OF SEPTEMBER 12, 2017 EXECUTIVE COMMITTEE MINUTES

MSP (Donahue/Phillips): That the minutes of the September 12, 2017 Executive Committee meeting be approved as circulated.

ITEM 2  APPOINTMENT OF NOMINATING COMMITTEE

MSP (Donahue/Phillips): That the Chair appoint a nominating committee to make recommendations for Corporation officers, one-year terms to begin July 1, 2018.

Chair Dianne Harrison advised that she will appoint Sevag Alexanian, Michael Phillips, and Ben Yaspelkis to serve as the nominating committee with Mr. Yaspelkis to chair.

ITEM 3  FINANCIAL ADVISOR SERVICES UPDATE

Executive Director, Rick Evans introduced Grace Ma, Northern Trust Portfolio Manager. Ms. Ma distributed an investments report and provided an update on the Northern Trust portfolio’s performance. Ms. Ma advised that equities are diversified and performance has been good; international emerging market allocation provides a strong foothold for a globally diversified portfolio, and fixed income is flat for the fiscal year.

Dr. Harrison asked if the percentages are reset given what the market has been or is doing. Ms. Ma stated percentages and fixed income proportions are reset based on the investment policy.

Ms. Ma explained that the portfolio will be further developed to incorporate three key elements: adding to infrastructure, reconsider high yield, and reweighting allocations among US and non-US equities. The total portfolio is positive on an absolute and surrounding basis for the fiscal year in line with the markets.
Mr. Phillips asked at what point will the optimization be rerun and come up with new forecasted portfolio weights or is the standard model used. Ms. Ma stated this is not a standard model, the best configuration is considered for the Northern Trust portfolio in light of the whole big picture.

(Sevag Alexian arrived. Grace Ma left.)

ITEM 4 HOTEL UPDATE

Mr. Evans reported that the option agreement with Jupiter Realty Company has been terminated as of April 4, 2018. The hotel project will continue to move forward. The California Environmental Quality Act (CEQA) process is estimated to be completed in the near future. Mr. Evans stated that the hotel project may be more viable if the construction of a hotel and conference space are not a requirement of the hotel program. This option would require a replacement for the antiquated Orange Grove Bistro. The University Corporation would continue to operate a daytime restaurant, along with a catering and conference center. Mr. Evans stated that this would allow for better control of conference and meeting space for campus use, as well as controlling costs to campus customers.

Dr. Harrison stated one of the reasons for wanting a restaurant at the hotel is because there are no good restaurants within immediate driving distance to the campus. Dr. Harrison asked what assurance would there be to attract the public to this restaurant not located within the hotel. Mr. Evans noted the restaurant would be open to the public and mainly operate during the day as well as in the evenings for Soraya related events. Betsy Corrigan, Director of Foodservices, added that having a new facility would allow for an opportunity to better service the needs of the campus and Soraya. Colin Donahue commented that this option would be a better solution than having a third party private restaurant. In regards to the hotel, Mr. Donahue stated the environmental process is currently underway and has been circulated for public review and comment. Ken Rosenthal confirmed the document will be returned in 30 days, allowing time to obtain official approval at the July 2018 Board of Trustees meeting.

(Chair Harrison left. Sevag Alexian assumed chair of the meeting.)

Michael Phillips asked if the new restaurant will commemorate the history of the Faculty Club Association. Mr. Evans assured the Faculty Club memorabilia will be displayed at the new space. Mr. Donahue stated this solution is a true replacement of the Faculty Club.

ITEM 5. FINANCIAL STATEMENTS

Mr. Evans stated that much of the information in the financial statements would be incorporated in the budget presentation.

ITEM 6. 2018/19 OPERATING BUDGET

Mr. Evans provided a general overview of the executive summary. For FY 17/18 Net Cash Generated from operations will surpass the budget resulting in a contribution of $850,000 to the campus. The increase is largely due to foodservices exceeding its budget as a result of improved freshman enrollment.

Significant factors for FY 17/18 budget include: a 3% general salary increase for employees; the increase in the California minimum wage from $12.00/hour to $13.25/hour beginning July 1, 2018; stabilization of
enrollment; and anticipated continuing declines in CSUN Campus Store sales. A small increase in licensing activity is expected. Sponsored Programs division will meet its budget. Faculty/staff housing rents will be increased as tenants turn over. No additional staff positions are requested.

Mr. Evans went on to review reserves, commenting that the FY 18/19 request includes $735,000 to begin saving for a significant renovation of the Sierra Center Marketplace, and $370,000 to continue saving for the Campus Store Complex roof replacement.

Shiva Bahrami, Controller and Director of Financial Services, provided an overview of the Balance Sheet. Cash is expected to grow by $569,000 mainly due to better accounts receivable collection efforts. Investments are projected to grow based on the review provided earlier by Ms. Ma. Long term fixed assets are expected to decrease mainly due to depreciated assets. For the year, the net assets is projected to increase by $196,000. The investment portfolio is estimated to have a conservative growth next year due to the market.

(Ken Rosenthal left).

Divisional budgets were reviewed by staff.

**General and Administrative (G&A):** For FY 17/18, the budget realized a savings of $184,000. The three main factors for this include payroll and benefits savings from staff vacancies, a reduction in depreciation within the Campus Store Complex, and an unplanned savings in repair and maintenance. G&A is budgeted at a slight increase of 3% due to a proposed increase in Payroll and Benefits from filling vacant positions in financial services and CSUN provided administrative services MOUs.

**CSUN Campus Store:** Current year commission on sales is projected to be flat to budget due to the significant increase in competition from online book sales and a percentage of students not purchasing course materials. The decrease is expected to continue in FY 18/19. The Corporation’s contract with Store operator, Follett Higher Education Group (Follett) includes a minimum guarantee.

During the Spring 2018 term, Follett developed and piloted its Immediate Access program. This program allows students to purchase heavily discounted digital course materials before the first day of class. The goal is to continue to add courses to this program in the coming year.

**Food Services:** Current year performance was positively impacted due to a substantial increase in freshman enrollment. First time freshman increased 16% resulting in a projected Net Surplus of $827,000 better than budget mostly due to meal plan revenue. Freshmen account for 70% of meal plans sold. Cost of Goods are estimated to rise slightly; marketing expenses will decrease due to the Matamoney discount reduction from 10% to 5%; payroll is over budget due to the Los Angeles minimum wage increasing $12.00 per hour on July 1, 2017. FY 17/18 Net Cash Generated is projected at $1,751,000.

For FY 18/19, the same level of sales and voluntary meal plan participation is anticipated. Payroll and benefits cost will increase significantly due to the minimum wage increase to $13.25 per hour on July 1, 2018. Net Cash Generated is budgeted at $1,714,000. Some price increases will be implemented, but will be kept as low as possible.
**Real Estate:** Current years expenses are less than budget, primarily due to lower custodial costs as well as repair and maintenance attributed to near completion of renovations of all 33 College Court units. The budget includes a 3% rent increase for existing tenants and an 8% increase for new tenants.

**Sponsored Programs:** Current year grants revenue is projected to be $500,000 higher than budget. For FY 18/19 there is a net variance of $134,000 driven by a few factors including staff salary and benefits, the hiring of an additional staff member, and an increase in legal as well as professional services. Additionally, $50,000 is earmarked to repay the Sponsored Programs reserves.

**Capital Budget:** The FY 18/19 the budget is reduced to $215,000. Major items include a refresh of the Freudian Sip Sierra Center, the University House Sustainability Program, and a redesign of TUC’s website.

**MSP (Phillips/Donahue):** That The University Corporation Executive Committee recommend that The University Corporation Board of Directors approve the 2018/2019 operating budget as proposed.

**ITEM 7. FRAUD PREVENTION UPDATE**

Mr. Evans stated that the Executive Committee also serves at TUC’s Fraud Oversight Committee. Ms. Bahrami advised the committee on an incident that occurred in March 2017. An employee cashed a check that was mailed to her residence. The employee claimed the check was sent to an incorrect address and the signature on the check was not hers. A replacement check was issued and cashed by the employee. After some research, it was discovered that the check was mailed to the correct address and the signature on the cashed check did belong to the employee. When Ms. Bahrami became aware of the situation, she filed a fraud report with the bank and a police report. Ms. Bahrami was notified that the threshold of time had passed and further action could not be taken. From this instance, a process is now in place to prevent a future loss should this happen again.

Mr. Phillips recommended that Ms. Bahrami join the Association of Fraud Examiners. Mr. Donahue recommends Ms. Bahrami also talk to Howard Lutwak, Director of Internal Audit.

**ITEM 8. RESEARCH AND SPONSORED PROJECTS – AWARDS AND SUBMISSIONS (JANUARY, FEBRUARY, MARCH 2018)**

Georg Jahn, Director of Sponsored Programs, advised that Research and Sponsored Programs activities exceeded budget by 4%, indirect cost recovery for the year-to-date is 12% ahead, service fee income in ahead by 4%, and the net available to campus is 43% ahead of budget.

Sheree Schrager, Managing Director of Sponsored Programs provided an overview on the grants awarded. Ms. Schrager reported that pre-award is fully staffed and in development is a timeline for grant processing to assist faculty with grant submissions.

Mr. Donahue stated he will share a system wide document that shows the indirect cost recovery by campus.
ITEM 9. ANNOUNCEMENTS

Mr. Phillips invited the committee to the Undergraduate Portfolio Presentation in Bookstein Hall on May 9 at 3:30 p.m.

There being no further business, the meeting adjourned at 4:14 p.m.

Respectfully submitted,

[Signature]

Colin Donahue, Recording Secretary