

**THE UNIVERSITY CORPORATION
Executive Committee
May 30, 2019**

A meeting of The University Corporation Executive Committee was called to order by First Vice President, Ben Yaspelkis at 2:05 p.m. on Thursday, May 30, 2019 in University Hall Room 250, California State University, Northridge. A quorum was present.

Members Present: Colin Donahue, Dianne Harrison, Michael Phillips,
Ben Yaspelkis

Staff Present: Heather Cairns, Elizabeth Corrigan, Rick Evans, Dan Martin, Sheree
Schrager, Karina Ward, Lih Wu

Others Present: Catherine Kniazewycz, Ken Rosenthal, Mary Clare Smithson

**ITEM 1. APPROVAL OF FEBRUARY 21, 2019 EXECUTIVE COMMITTEE
MINUTES**

MSP (Phillips/Donahue): That the minutes of the February 21, 2019 Executive Committee meeting be approved as circulated.

ITEM 2. FINANCIAL STATEMENT

Executive Director, Rick Evans stated the details of the financial statement will be discussed in detail during the budget presentation in agenda item number 6.

**ITEM 3. THE UNIVERSITY CORPORATION INSTRUCTIONAL
IMPROVEMENT PROGRAM GRANT**

Karina Ward, Executive Assistant, reported on The University Corporation Instructional Improvement Program. This program was previously known as the Judge Julian Beck Grant. Traditionally the list of recommended proposals are presented to and action taken by the Executive Committee. Ms. Ward stated that there are 13 proposals totaling \$43,134 and Faculty Support programming totaling \$13,585. The grants are to support faculty as they develop and implement innovative ideas that promote learning-centered instruction.

Colin Donahue, VP of Administration and Finance, asked if the same projects are funded annually. Chief Financial Officer, Lih Wu stated that the projects change every year. Faculty submit their grant proposal to the TUC-Learning Centered Grant Selection Committee for review and selection based on established guidelines and available funds.

MSP (Phillips/Donahue): 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.

(Chair Dianne F. Harrison arrived)

ITEM 4. CSUN RESTAURANT AND CONFERENCE CENTER UPDATE

Mr. Evans stated that the original CSUN Restaurant and Conference Center project budget is \$7,000,000 with TUC contributing half, or \$3,500,000.

Heather Cairns, Director of Administrative Services, reported that a more detailed report will be presented at the upcoming Board of Directors meeting on June 3, 2019.

Elizabeth Corrigan, Director of Foodservices, stated that the feasibility study conducted by Gensler showed the campus wanted a high quality operation at the CSUN Restaurant and Conference Center. Ms. Corrigan explained that the Corporation has engaged Envision Strategy, a foodservice and hospitality consultant, to assess CSUN Dining and assist with the Request for Proposal (RFP).

Mr. Evans clarified that the RFP is for the restaurant and conference center. The driver is to provide the campus with a high quality restaurant and to operate it at least at break even. Dr. Phillips asked how the financial model is structured. Mr. Evans stated that the financial model and agreement has yet to be determined. Mr. Donahue commented that the goal is to attract a high quality operator that will run a profitable facility. Ms. Corrigan confirmed that the four, full time staff members of the Orange Grove Bistro will be offered continued employment with the Corporation if the restaurant and conference center is operated by a contract management company. Ms. Corrigan stated that having a First Right of Refusal policy in place will help increase revenue and appeal to an outside operator.

Ms. Cairns provided an overview of the \$7,000,000 project budget. The Corporation and the university will each contribute half or \$3,500,000. Ms. Cairns stated that the current project estimate is \$8-8,500,000. The Corporation would like to request the \$3,500,000 allocation to keep the project moving forward. Ms. Cairns stated that there is a possibility the Corporation will ask for an additional allocation at a future Executive Committee meeting. Dr. Phillips asked if the university has committed contributing the \$3,500,000. Mr. Donahue confirmed that the university has dedicated funds for the project. Mr. Donahue stated that there are some unknown factors on the cost of the project and the final cost of the project will be dependent on the bid market.

Dr. Harrison asked how the \$8,500,000 estimate was determined. Catherine Kniazewycz, Campus Architect, Director of Design and Construction, stated the construction management company and contractor creates a cost opinion based on the feasibility study. Ken Rosenthal, Associate Vice President of Facilities Development & Operations, stated that the construction management company compares similar projects to create an estimate. Mr. Rosenthal also stated that he and Ms. Kniazewycz reviewed the cost estimates forwards and backwards to make sure the assessment is correct. The kitchen is roughly half the cost of the budget. Dr. Harrison commented that the value engineering of the project should be done to ensure quality is maintained. Mr. Rosenthal confirmed that the interior of the restaurant will be designed to deliver a high quality experience.

Ms. Cairns provided an overview of the reserve allocation proposed to achieve the target balance of \$3,500,000 toward the project cost.

MSP (Phillips/Donahue): That The University Corporation Executive Committee recommend that The University Corporation Board of Directors approve the remaining allocation of \$3,175,000 to fulfill The University Corporation's commitment of \$3,500,000 toward the project cost.

ITEM 5. HOTEL UPDATE

Mr. Evans reported that a detailed update will be provided at the upcoming Board of Director's meeting on June 3, 2019, when the development partners from Corvias, Steinberg Hart, and Gilbane will present on the overall approach, members of the team, and schematic design for the hotel. An update on the progress, timeline, and financial deal will also be presented at that time.

Mr. Donahue stated that negotiations on the ground lease and exhibits are in process. In the next couple of weeks, the schematic review as well as the Land Development Review Committee meetings will be at the Chancellor's Office. The various aspects of the project are in order and on schedule for the Board of Trustees meeting in September.

(Catherine Kniazewycz and Ken Rosenthal left)

ITEM 6. 2019/2020 OPERATING BUDGET

Mr. Evans provided a general overview of the executive summary. For FY 18/19, the total net cash generated from operations is projected to be \$1,500,000, a decrease of almost \$500,000 from the 18/19 budget. This decline is largely due to the foodservices division being below budget resulting from a lower than expected freshmen enrollment as well as various factors affecting meal plan participation. Other than foodservices, all divisions are meeting or exceeding budget, net assets continue to grow, there has been investment gains, and the reserves designated for immediate needs and financial viability are fully funded.

The Corporation will continue to take a co-lead role on the hotel as well as the development of the new Restaurant and Conference Center. Research and Sponsored Programs continues to improve efficiencies and level of service. The foodservice business model is being reviewed. Potential development on North Campus will continue to be pursued.

Mr. Evans went on to review FY 19/20 budget. Significant issues affecting the budget in the upcoming fiscal year include: the financial commitment to University Special Projects; a 3% general salary increase for employees; and no additional staff positions are requested.

Mr. Evans provided a summary of reserves, commenting that the majority of FY 18/19 Net Cash Generated to Replenish Reserves will be allocated to the Restaurant and Conference Center.

Lih Wu, Chief Financial Officer, provided an overview of the Balance Sheet. Total assets for FY 18/19 are projected to increase resulting from the net surplus from this fiscal year and investment gains. Ms. Wu stated that for FY 19/20 total assets show a slight increase. There is also an increase in net fixed assets due to the Restaurant and Conference Center project. Ms. Wu reviewed the schedule of reserves reiterating the reallocation of funds for the Restaurant and Conference Center development.

Divisional budgets were reviewed by staff.

General and Administrative (G&A): For FY 18/19, the budget realized a savings of \$180,000. The main factors for this include payroll and benefits savings from staff vacancies, increased Licensing management fees, lease refinancing of the Campus Store Complex in FY 17/18, and a savings in repair and maintenance. For FY 19/20 G&A is budgeted at a slight increase of 6% due to filling vacant positions in financial services, cost of CSUN provided administrative services, as well as repair and maintenance expense.

CSUN Campus Store: FY 18/19 financial performance 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 Corporation's contract with the Store operator, Follett Higher Education Group (Follett) includes a minimum guarantee. The *MyCSUNDigitalAccess* program is anticipated to grow in FY 19/20 offsetting a percentage of the traditional bookstore sales decline.

Food Services: Current year performance was negatively impacted due to a decrease in enrollment. Freshmen account for 70% of meal plans sold. The decline in enrollment directly affected the purchase of the residential meal plans. Overall first time freshmen (FTE) enrollment was down 1.2% from prior year plus a lag in financial aid disbursement affected a significant portion of on-campus sales. As a result, projected sales for FY 18/19 is \$1,020,000 less than FY 18/19 budget. Cost of Goods sold are project to be slightly positive; payroll is over budget due to the Los Angeles minimum wage increasing to \$13.25 on July 1, 2018. FY 18/19 Net Cash Generated is projected at \$1,169,000.

For FY 19/20, voluntary meal plan participation is anticipated to rise by 6% from FY 18/19 projection based on optimistic early meal plan sign ups. Payroll and benefits cost will increase significantly due to the minimum wage increase to \$14.25 per hour on July 1, 2019. Net Cash Generated is budgeted at \$1,229,000. Reasonable price increases will be implemented but will not keep pace with the anticipated effect of the minimum wage increase.

Real Estate: FY 18/19 projected surplus is favorable to budget by \$75,000. Significant factors include an unbudgeted revenue gain from Lime Bike, slightly higher rents on turnovers (units/homes), and a 3% rent increase on existing units. The budget includes a 3% rent increase for existing tenants and a 5% increase for new tenants.

Research and Sponsored Programs: Current year grants revenue is projected to be \$78,000 higher than budget. Changes to the National Institutes of Health (NIH) appropriation affected CSUN's eligibility for funding in a number of NIH programs. Building Infrastructure Leading to Diversity (BUILD) 2 program will be re-funded for another five years.

Capital Budget: The FY 19/20 budget will be \$250,000. Major items include a refresh of the Campus Store Complex Building exterior, the Restaurant & Conference Center web project, and a Fire Alarm Panel replacement.

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

ITEM 7. RESEARCH AND SPONSORED PROGRAMS REPORT (JANUARY, FEBRUARY, MARCH 2019)

Ms. Ward passed out a Research and Sponsored Programs activity report as of April 2019. (Exhibit A) Mr. Evans reported that total Sponsored Programs activity is \$800,000 better than budget, the Indirect Cost Recovery rate is at 15.9% the highest it has ever been, service fee income is ahead by 3%, and the net available to campus is 50% ahead of budget.

Dr. Sheree Schrager, Managing Director of Sponsored Programs provided an overview on the grants awarded. Dr. Schrager reported that a NIH R01 Research Project Grant application is being submitted.

ITEM 9. ANNOUNCEMENTS

Mr. Evans reported that Dr. Crist Khachikian is retreating back to faculty and his last day at Research and Graduate Studies was May 28, 2019. The department will become two departments: 1) Graduate Studies and 2) Research and Sponsored Programs. Dr. Schrager will be administrator in charge over Research and Sponsored Programs.

Mr. Evans introduced Dan Martin, The Corporation's new Controller. Mr. Martin will be the lead on financial audit this year. Mr. Martin is a CSUN Alumnus with a degree in accounting.

There being no further business, the meeting adjourned at 3:37 p.m.

Respectfully submitted,



Colin Donahue, Recording Secretary