A meeting of The University Corporation Executive Committee was called to order by Chair Dianne F. Harrison at 3:02 p.m. on Thursday, May 7, 2020 via Zoom Conference Call at California State University, Northridge. A quorum was present.

**Members Present via computer video and audio:**
Colin Donahue, Dianne Harrison, Rose Merida, Michael Phillips, Ben Yaspelkis

**Staff Present via computer video and audio:**
Heather Cairns, Elizabeth Corrigan, Rick Evans, Dan Martin, Grace Slavik, Linda Turner, Karina Ward, Lih Wu

**Others Present via computer video and audio:**
Catherine Kniazewycz, Ken Rosenthal,

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**ITEM 1. APPROVAL OF FEBRUARY 6, 2020 EXECUTIVE COMMITTEE MINUTES**

MSP (Donahue/Merida): That the minutes of the February 6, 2020 Executive Committee meeting be approved as circulated.

Abstain: Ben Yaspelkis

**ITEM 2. APPOINTMENT OF NOMINATING COMMITTEE**

MSP (Donahue/Yaspelkis): That the Chair appoint a nominating committee to make recommendations for Corporation officers, one-year terms to begin July 1, 2020.

**ITEM 3. FINANCIAL STATEMENT**

Executive Director, Rick Evans stated that traditionally this item is skipped since the budget item covers similar information.

**ITEM 4. THE UNIVERSITY CORPORATION INSTRUCTIONAL IMPROVEMENT PROGRAM GRANT**

Karina Ward, Executive Assistant, reported on The University Corporation Instructional Improvement Program. Typically, the Office of Faculty Development selects 10-12 applicants to receive the grant. This year, due to the COVID-19 pandemic, there were only seven submissions by the March 30 deadline. The Office of Faculty Development is requesting the approval of 12 applications, the seven included in your packet and the remaining five to be on a rolling recruitment and selected prior to the fall semester. The additional five applications will be presented to the Executive Committee at a later date for approval.
Dr. Yaspelkis asked if there is a publicized date for the new deadline. Ms. Ward stated that a date has not been determined but it will be before the start of the fall semester.

**MSP (Merida/Yaspelkis): 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. INVESTMENT FIRMS UPDATE**

Dr. Phillips joined the meeting.

Lih Wu, Chief Financial Officer, provided an update on The University Corporation two investment firms, Northern Trust and D.A. Davidson. Ms. Wu explained that both firms have done a good job at managing the investments. However, having two investment advisors looking after TUC’s investment portfolio may not be the optimal approach in terms of risk and return.

Ms. Wu explained that in October 2019, TUC asked D.A. Davidson to conduct a hypothetical simulation based on TUC’s June 30, 2019 investment balance as a first step toward assessing the scenario of consolidating two firms into one. The investment sub-committee met late January 2020 to review the analysis and discuss the potential of consolidating the two current advisors into one. A quantitative and qualitative assessment was conducted and it was concluded that D.A. Davidson would be the better firm to manage TUC’s regular investments as well as the three student-managed funds.

President Harrison asked what led the committee to favor D.A. Davidson over Northern Trust? Dr. Phillips answered that D.A. Davidson has been an extraordinary supporter of the finance program. They have tried to hire CSUN students, participated with internships, and have sent professional staff to meet with student associations and classes to the extent that they have become part of the Matador family.

**MSP (Phillips/Merida): That The Executive Committee approve the replacement of Northern Trust with D.A. Davidson.**

**ITEM 6. HOTEL UPDATE**

Colin Donahue, Vice President of Administration and Finance, provided an update on the status of the hotel project. Mr. Donahue stated that the university and TUC has a strong partner that is committed to the project. Schematic Design, Board of Trustee approval, environmental approval, state fire marsha approval, and lease negotiations have been completed. Additionally, the construction drawings have been completed to the point that it has been through plan check, CSUN’s building department plan check, and State Fire Marshal. A second submission to plan check needs to be done based on the comments received from the plan check agencies. Once that is completed, the drawings will be approved and permitted. Due to the COVID-19 pandemic, the construction start date will be delayed. The consensus is to provide all parties with additional time to ensure economic stability and to complete project milestones so that construction could start when the time is right.

Mr. Donahue stated that an $800,000 earnest deposit is currently being held to be released upon completion of the project. However, the developer’s design team has approximately $1,000,000 in outstanding invoices. The agreement that has been discussed is to release the $800,000 for the purpose of the developer
to make a payment towards the invoices. Proof of payment would need to be provided to the university. A nine-month extension on the due diligence period, ending on March 31, 2021, would be provided. The agreement will stipulate that if the developer is not able to fund the project by the March 31, 2021 deadline, TUC will have full access, use, and ownership of the design and construction drawings. An addendum has been created to memorialize the agreement.

Dr. Phillips asked, with the change in economy, would there be a chance construction costs would go down? If so, is there any way to recapture the savings. Mr. Donahue stated, yes. Gilbane Building Company, the general contractor on the project, is a large company with buying power. It is likely that there will be decreases in materials and labor. Ken Rosenthal, Associate Vice President Facilities Development & Operations, stated that there is a lot of uncertainty with the economy in the upcoming months. The additional time by the new addendum will allow opportunity to potentially bid in a lower market.

ITEM 7.    ORCHARD CONFERENCE CENTER & CATERING UPDATE

Heather Cairns, Director of Administrative Services, reported that the project remains on schedule. In order to deal with the immediate issues associated with the COVID-19 crisis, discussions on finalizing the contractual language for a seven-year agreement with Chartwells to operate the OCC and campus catering were temporarily stalled. However, discussions have recently re-commenced.

Ms. Cairns stated that since the last Board of Directors meeting, TUC management reviewed and updated the funding plan for the project. As a result of COVID-19, the approved reserves allocation to fund the project needed to be changed. The original plan was to fund the project with $525,000 from the FY 19/20 operation. Prior to the COVID-19 pandemic, TUC was projected to generate a surplus for the year sufficient to help pay for the OCC project. The pandemic however, has altered the funding source. The needed funds will be re-allocated from the Campus Store Complex Roof Reserve to the OCC project.

Ms. Cairns noted that TUC’s contribution of its half of the project budget $4,250,000 has been fulfilled. Nearly 80% of the design firm’s $1,000,000 purchase order is complete, and $3,200,000 has been transferred to the campus’ Facilities Planning for construction.

Catherine Kniiazewycz, Campus Architect and Director of Design & Construction reported good progress is being made with construction and within budget. Ms. Cairns stated that March 2021 is the projected opening of the Orchard Conference Center.

Dr. Phillips asked if there will be a room charge for a small group interested in having lunch at the Conference Center. Ms. Cairns stated that Chartwells will be operating the location and it is too soon to answer that question.

ITEM 8.    2020/2021 OPERATING BUDGET

Mr. Evans stated that TUC typically starts working on the budget in late February. When COVID-19 started to have an impact in mid-March, the budget process had already started. Projections and assumptions were adjusted, however, a decision had to be made to start preparing the budget with the best assumptions available. The budget is largely based on the assumptions that there will be a 15% enrollment reduction with the similar drop in food sales and a 25% decrease in meal plan sales. Mr. Evans stated that if the
campus moves to a virtual or hybrid learning mode in fall, it will change the budget projections significantly.

Mr. Evans reported that the annual budget is typically the guiding financial plan. However, the guiding financial plan this fiscal year will be to take whatever actions are necessary to minimize TUC’s expenditures where: 1) there’s no commensurate offsetting revenue coming in, 2) the same level of back of house support is not required due to foodservices largely being closed, and 3) other options will be considered. All this will be done while still maintaining quality support and service in areas that are still in operation.

Mr. Evans provided a general overview of the executive summary. For FY 2020, the total net cash generated from operations to replenish reserves is project to be a deficit of $421,000, which is $1,666,000 less than the original budget. There will not be a contribution to the University Special projects reserve this year which was originally budgeted to be $500,000. Mr. Evans noted that the $420,000 deficit is primarily due to lost food service revenue, mainly from 1,200 cancelled meal plans resulting in over $1,000,000 in refunds, and an almost $400,000 loss on Campus Store commission. Mr. Evans reported the immediate actions taken to stabilize the financials which included a series of layoffs, furloughs, and elimination of vacant positions. The net total savings through the start of fall semester from these work force adjustments is $1,141,000.

Mr. Evans continued on to review FY 2021 budget. There is just under $300,000 going back to University Special Project reserve and over $400,000 to TUC’s Net Cash Generated to Replenish Reserves. The major assumptions for this budget include the following: 15% reduction in overall student enrollment and a 25% reduction in meal plan participation, campus will resume in fall with a combination of in person and online instruction, a hiring chill, no general salary increase, no Follett minimum commission guarantee of $1,224,000 on book sales, the second $1,000,000 cash payment from Follett (amortized over five years), University House to be sold early spring 2021, and a change in Sponsored Programs fee. The post-award administrative support financial model will change in FY 2021 from the current model of a service fee of 3.9% of total grant and contract activity to a new model where 50% of the total indirect cost recovery will be retained by TUC. Mr. Evans noted the new model is a simpler formula than the current one.

Mr. Evans reviewed FY 2020 Budgeted Net Cash Generated. Significant issues affecting the budget in the upcoming fiscal year include: the negative deltas in the CSUN Campus Store and Food Services. Mr. Evans continued on to review FY 2021 budget.

Dan Martin, Controller, provided an overview of the Balance Sheet. The largest variances are in Cash and Cash Equivalents due to the over $1,000,000 refunds in meal plan and cash outflow for the construction of the Orchard and Conference Center. Mr. Martin noted the decrease in long-term investment is due to the market fluctuations because of COVID-19. Total assets for FY 2021 are projected to increase in short-term and accounts receivable for grants and contracts.

Lih Wu, Chief Financial Officer, reviewed the schedule of reserves for FY 2020. The most notable is an allocation to the Orchard Conference Center reserve. Ms. Wu stated that FY 2020 will be a deficit year due to the lack of surplus for the upcoming year.

Mr. Evans presented four different scenarios for FY 2021 depending on the direction of campus for the fall semester. Mr. Evans stated that all four scenarios account for the elimination of five administrative positions, a layoff of one Associate Director of Food Services, and commensurate elimination of all
foodservice managers and staff when campus is virtual. Even with the workforce reduction TUC will still be running deficits. As a result, additional actions will be necessary such as not funding the Reseda Annex reserve for one year, changing the 403B matching from a 200% employer match to a 100% match, and additional staffing furloughs. Mr. Evans stated that once there is clear direction on the fall semester, the budget will be updated accordingly.

Dr. Yaspelkis asked if there would be a better picture of the situation by the June Board of Directors meeting. Mr. Evans stated that a revised portion of the budget will be presented at the June Board of Directors meeting.

President Harrison stated that Chancellor White will be providing an update on the state of the CSU system at the Board of Trustees meeting on May 12. President Harrison stated that she would like to recognize how difficult and painful this situation has been for TUC.

**MSP (Yaspelkis/Phillips): That The University Corporation Executive Committee recommend that The University Corporation Board of Directors approve the 2020/2021 operating budget as proposed. Contingent upon the following:**

- The budget will be updated and resubmitted based on the clarification of the status of the campus for the Fall semester.

(Rose Merida, Catherine Kniazewycz, and Ken Rosenthal left the meeting.)

**ITEM 7. RESEARCH AND SPONSORED PROGRAMS REPORT (JANUARY, FEBRUARY, MARCH 2020)**

Mr. Evans reported that total Sponsored Programs activity is $800,000 better than last year at this time, the Indirect Cost Recovery rate is at 19% compared to the 15.5% budgeted. The net available to campus year to date is $2,200,000.

Grace Slavik, Sponsored Programs Post-Award Manager, provided an overview on the grants submitted and awarded. The total number of grants awarded and submitted are comparable to the same time last year.

**ITEM 9. ANNOUNCEMENTS**

The open meeting ended at 4:07 p.m. The Executive Committee moved into executive session to discuss legal and personnel matters.

(Rose Slavik and Linda Turner left the meeting.)

Respectfully submitted,

Colin Donahue, Recording Secretary