

THE UNIVERSITY CORPORATION

Executive Committee

February 1, 2022

A meeting of The University Corporation Executive Committee was called to order by Chair, Erika D. Beck at 3:01pm on Tuesday, February 1, 2022 via Zoom Conference Call, California State University, Northridge. A quorum was present.

Members Present via computer video and audio: Erika D. Beck, Colin Donahue, Rose Merida, Michael Phillips, Ben Yaspelkis

Staff Present via computer video and audio: Heather Cairns, Rick Evans, Mike Lennon, Philia Militante, Cindy Ruan, Grace Slavik, Linda Turner, Kathryn Weeks, Lih Wu

Others Present via computer video and audio: Andrew Crowell, Omar Galvez, Bryn Hagfors, Howard Lutwak, Charlene Manzueta, Kylene Ott, Chris Sanford

ITEM #1 APPROVAL OF SEPTEMBER 21, 2021 EXECUTIVE COMMITTEE MINUTES

MSP (Donahue/Merida): That the minutes of the September 21, 2021 Executive Committee meeting be approved as circulated.

ITEM #2 FINANCIAL STATEMENTS

Mr. Rick Evans, Executive Director, reviewed the Net Cash Generated schedule. As of December 31, 2021, the actual Net Cash Generated is at a deficit position of \$170,634 but is far better than what was budgeted. Consequently, this puts TUC in an almost \$1M positive variance to budget. Mr. Evans posited that although this shows a positive report, one might question how can the numbers be so far off. He pointed to the unpredictability around the pandemic as the factor. He expounded on this by showing that the \$540K positive variance in the food services division is a result of more meal plans being sold than expected. He mentioned that TUC's other divisions are also performing better than budget.

Ms. Lih Wu, Chief Business Officer, presented the Balance Sheet as of December 31, 2021. She reported that total assets are higher by \$81K compared to the beginning of the fiscal year. Further, she related that the short-term pool investment has an income earned at \$67K.

Dr. Michael Phillips, Finance Department Professor, asked what is anticipated operationally in the next 6 months given that the campus returns to on-campus learning. Mr. Evans began his response by referring back to the financial statements on how they show that most of the divisions are a little bit better than budget, with the exception of Research and Sponsored Programs just meeting budget. However, the latter

is expected to slowly pick up in the future. He also reported that the campus opening only for virtual learning for the first three weeks of Spring will negatively affect the sales on the Commercial Services side. Nevertheless, since TUC is planning to open up about 70% of food service units after February 14, Mr. Evans expressed hopefulness that TUC will be able to establish budgetary predictability. Mr. Colin Donahue, Vice President for Administration and Finance, added some additional positive factors such as COVID cases among employees are in decline, Housing is operating at 75% occupancy, and the return to in-person classes on February 14.

Dr. Phillips asked if there has been any upsurge on filming on campus and if there is any sense on what summer conference is going to look like. Ms. Heather Cairns, Director, Administrative Services, mentioned that Licensing now has just started entertaining requests for spring and summer groups, but prospects for clients is looking promising.

Ms. Rose Merida, President, Associated Students, inquired about whether the Orchard Conference Center can already be rented out this Spring or would have to wait till Summer by groups on campus. Mr. Omar Galvez, Resident District Manager, confirmed that the space is already available and advised to make a reservation immediately as bookings are filling-up fast in February.

ITEM #3 INVESTMENT COMMITTEE TARGET ALLOCATION REVIEW

Mr. Evans introduced this action item, and that the Executive Committee, which also serves as the Investment Committee, takes at the beginning of each calendar year. He relayed that the investment sub-committee met with the staff and DA Davidson to develop the recommended target allocations. He briefly presented the Previous Target Allocations and then the New Recommended Target Allocations in the following categories: Cash & Cash Equivalents, Fixed Income, and Equities. Mr. Evans shared that there is a new State-side policy regarding divesting from fossil fuels. Although this policy does not apply to auxiliaries, Mr. Evans reported that the sub-committee agreed that TUC would be well-served to follow this direction.

Mr. Bryn Hagfors, Senior Vice President, Director of Business Development, DA Davidson, reported that at the December 13, 2021 Investment Committee meeting, Davidson recommended and the committee adopted a marginally higher allocation towards stock investments relative to the fixed income and cash investment. Mr. Hagfors pointed out that this was driven by the changes already made in the portfolio, particularly with TUC's long-term investment held with and managed by DA Davidson. Throughout 2020-2021, DA Davidson had grown less incline to invest in fixed income investment due to views that the interest rates would be rising and the return expectations in that asset class would be fairly low. Given that concern and the positioning of the equity market relative to inflationary economic environment, DA Davidson proactively increased equity allocations to roughly 74% in the portfolio last year.

Mr. Hagfors reported that during the December 13 meeting, DA Davidson presented a list of securities from the TUC portfolio that could potentially present issues with regard to compliance with the new State-side policy on divesting from fossil fuels. The investment sub-committee instructed DA Davidson to remove any specific investments in TUC's portfolio that could be out of compliance with that guidance and so on Dec. 14, three individual securities that are not in adherence to the intent of the policy, were sold. Mr. Hagfors noted that there is about 0.2-0.6% of the overall invested asset with DA Davidson that may be potentially exposed to some fossil fuel investment. However, due to cost inefficient alternatives to the investments and the fairly minimal overall exposure, the Investment Committee felt comfortable

retaining those co-mingled ETF's and will continue to do so in the future because of their strategic purpose in the portfolio.

Mr. Andrew Crowell, Vice Chairman of Wealth Management, DA Davidson, reported that during the last Investment Committee meeting, the committee requested DA Davidson to draft a guideline investment policy for student-directed portfolios. He shared that the guideline is currently being drafted, will be sent to Ms. Lih Wu, Dr. Mike Phillips, and Mr. Bryn Hagfors for further comment, and finally be brought to the rest of the committee for review and adoption.

MSP (Phillips/Sanford): That the University Corporation Executive Committee of the Board of Directors approve the 2022 target allocations as proposed.

Mr. Hagfors and Mr. Crowell left the meeting.

ITEM 4 FRAUD INCIDENT REPORT

Mr. Evans shared that per TUC policy, staff is to report to the Fraud Oversight Committee any incidents of, or attempts at, fraud or theft, as well as highly questionable or unethical activity. He indicated that there are two recent incidents to report and clarified that the first incident is not the result of TUC's Check Handling procedures but was used as an opportunity to work with CSUN's Internal Auditor, Mr. Howard Lutwak, for review and provide recommendations on how TUC can improve the Check Handling procedures.

Ms. Cindy Ruan, Associate Director, Accounting, shared that the first fraud incident came about in September 2021 after a vendor in Texas reached out on the payment of a past due invoice. While it clearly showed in the bank that the check was cashed, it turned out the check was stolen and deposited to the account of the perpetrator. The incident was reported to Wells Fargo Bank, CSUN internal auditor and the police immediately. In November, Wells Fargo was able to recover the funds in the TUC's checking account. Although this fraud incident was not a result of TUC's operation, Ms. Ruan informed the committee that there were some opportunities identified for improving the process of mailing of checks. Upon the auditor's recommendation, TUC has implemented the check mailing procedure and provided training to the staff. TUC is also in the process of transitioning from check payments to electronic payment (e.g. ACH) as well as improving the vendor set up and maintenance process.

Ms. Ruan then shared the second incident, considered as a minor case, which highlights how the Positive Pay system works. A notification came out in December from the Positive Pay system that someone tried to cash a check for \$2,500. After review, TUC staff caught that the payee's name on the check did not match the information in the system and was able to cancel the check as a response. Through the Positive Pay alert, it was recognized that the name was altered. There was no financial loss occurred on this case.

President Beck thanked Ms. Ruan for the presentation, thanked Mr. Lutwak for his guidance and expertise, and expressed appreciation for the commitment to continuous improvement, accountability and transparency.

Mr. Donahue commented on fraud related issue that other campuses have recently experienced. Specifically, that there has been fraud related to very large construction draw payments. Mr. Lutwak

remarked that the Chancellor's Offices was proactive in informing the campuses about this issue in a timely manner.

Dr. Phillips asked about if there are any updates on some incidents related to internal fraud and pre-paid meal card that happened a couple of years ago. Mr. Evans reported that the incident related to the meal plan card was handled by Student Affairs and TUC has corrected and tighten procedures. He mentioned another case where a person stole \$22,000 worth of checks and CSUN Police Chief Detective Mark Benavidez handled the investigation effectively, resulting in a warrant being issued and TUC being reimbursed.

ITEM 5 CHARTWELLS UPDATE

Ms. Cairns reported that TUC and Chartwells are preparing to open about 70% of dining locations as the campus returns to in-person learning on February 14. It has always been the goal to service as many students, faculty and staff with dining locations and so special attention will be given to foot traffic to help determine which locations will be opened.

Mr. Galvez expressed his excitement towards the spring opening and mentioned the stores that are opening up such as Subway and the Mercado at the USU, Arbor Grill, the convenient store, Freudian Sip and Sierra Center. He shared that the biggest challenge is the labor market as it has been difficult to establish a consistent group of people especially in this competitive environment where other companies are offering better scenarios. He mentioned that Chartwells is starting to solidify and that the current team is strong enough to provide all the services in the spring.

ITEM 6 RESEARCH AND SPONSORED PROGRAMS REPORT

Grace Slavik, Director of Research & Sponsored Programs - Post-Award, reported that there is an increase of activities by 3% for the first six months of the fiscal year as compared to last year. She reported that despite the shortfall from budget by 4%, Research and Sponsored Program's (RSP) Indirect Cost recovery total is in line with the budget estimates. Moreover, the net available to campus is almost exactly on budget with a variance of \$209.

Ms. Slavik recognized that the pandemic is still impacting some of RSP's activities. While travel requests increased over the last two months, they are still not in the same level as pre-pandemic. International Research travel remains limited. However, travel increased by 340% compared to the same time last year. She projected that total expenditures will be 10% better than last fiscal year.

Charlene Manzueta, Interim Director of Research and Sponsored Programs, pointed out two significant awards captured in the agenda packet: 1) Dr. Debbie Ma, Department of Psychology for an award in the amount of \$352K from National Science Foundation and 2) Dr. Merav Efrat, Department of Health Sciences for an award in the amount of \$750K from USDA.

ITEM 7 ANNOUNCEMENTS

Mr. Evans mentioned that the upcoming March 8 Board of Directors Meeting will include an item regarding the potential to develop a faculty & staff housing project on the North Campus. To make this project viable, The University Corporation will need to consider taking a significant position on the project, including potentially the ownership position.

President Beck expressed her gratefulness for all TUC Staff for the remarkable work performed amidst the layers and layers of complexity and shifting landscape in campus operations.

ITEM 8 EXECUTIVE SESSION (CLOSED)

Mr. Evans asked all board members, Ms. Cairns, Ms. Kathryn Weeks, Associate Director, Human Resources, Ms. Philia Militante, Administrative Coordinator, and Mr. Lutwak to remain in the meeting during the closed Executive Session.

There being no further business, the meeting adjourned at 4:06pm.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Colin Donahue", written in a cursive style.

16-Feb-2022

Colin Donahue, Secretary