

THE UNIVERSITY CORPORATION
Executive Committee
September 7, 2022

A meeting of The University Corporation Executive Committee was called to order by First Chairman Dr. Ben Yaspelkis at 3:01 p.m. on Wednesday, September 7, 2022 via Zoom Conference Call at California State University, Northridge. A quorum was present.

Members Present via computer video and audio: Colin Donahue, Paige Hajiloo, Michael Phillips, Ben Yaspelkis

Members not Present via computer video and audio: Erika Beck

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

Others Present via computer video: Amy Berger, Robert Carlson, Andrew Crowell, Bryn Hagfors, Omar Galvez, Tom McCarron, Bella Newberg, Genevieve Evans Taylor,

ITEM 1. APPROVAL OF MAY 3, 2022 EXECUTIVE COMMITTEE MINUTES

MSP (Donahue/Yaspelkis): That the minutes of the May 3, 2022 Executive Committee meeting be approved as circulated.

ITEM 2. YEAR-END FINANCIAL STATEMENTS

TUC Executive Director, Rick Evans provided a general overview of the year-end financial statements for FY 21-22. As of June 30, 2022, TUC ended with a net cash generated that is better than budget by \$1.6 million. Mr. Evans reported that all divisions markedly performed better noting, for example, Food Services being \$1.8 million positive to budget. This was due to preparing a budget in Spring of 2021 with the expectation of having only 300 students on the meal plan. However, the year ended with 1,400 students participating in the meal plan. He indicated that this large discrepancy between the budget and the actual net cash generated is largely a reflection of the unknowns being dealt with during the pandemic. He added that TUC were able to fund the university's Special Projects reserve at \$260,000 and the Faculty Housing reserve at over \$900,000, leaving TUC with \$1.8 million of net cash generated to replenish reserves.

Mr. Evans shared that the balance sheet for FY 21-22 is much less exciting, as investments dropped by \$2.8 million. He stated that when this was calculated the Dow was down from 34,000 to 31,000. Still, he indicated that the balance sheet is strong over-all.

Mr. Evans mentioned a couple of highlights on the reserves schedule. TUC purchased a house on Rathburn and Halsted, which almost depleted the Real Estate Investment fund. However, this fund has been replenished when the \$1.8 million of net cash generated was moved into the current fiscal year. As a result, the total operational reserves of \$6.4 million is almost the same as it was last year at \$6.3 million.

ITEM 3. INVESTMENT PORTFOLIO

Mr. Evans introduced Mr. Bryn Hagfors of DA Davidson Investment who provided the overview of TUC's portfolio. Mr. Hagfors, Senior Vice President, Director of Business Development, recognized that it has been a tough year with a different narrative both on equity and on fixed-income as compared to the two previous years since DA Davidson became TUC's investment manager. He narrated that both the Federal Reserve and Fiscal policy through the legislature, pumped a lot of money into market in hopes of maintaining strong economic activity through an uncertain time. These actions led to the lowering of interest rates, and stimulating the economy with more printed money. Nevertheless, this condition contributed to inflation, which in turn created challenges for corporate earnings.

Mr. Hagfors reported that in January 2022, the Investment Subcommittee of TUC's Executive Committee set a 75% equity portfolio, 25% fixed income as a target for calendar year 2022. This equity allocation target was pulled back to 70% in April due to concerns on rising interest rates. Mr. Hagfors shared that this turned out as a good move when TUC scaled back the risk in the portfolio from an equity perspective into fixed income, as equity markets have fallen in the remainder of the year.

Mr. Hagfors then presented the investment results achieved this year. He reported that although the portfolio for fiscal year to date is down by about 11%, it did out-perform the benchmark set when DA Davidson took the investment management in 2020. The benchmark set was reflective of a more conservative asset allocation at 65%. He noted that since DA Davidson took over the relationship in August 2020, there has been positive returns of 4.34 in the portfolio as compared to the benchmark of 2.12. Although there is a lot of uncertainty with the month-over-month deceleration of inflation and the probability of heading into a recession, Mr. Hagfors felt confident with the approach and strategies set forth for TUC.

Mr. Andrew Crowell, Vice Chairman of Wealth Management at DA Davidson, stated that diversification seemed to not work very well this year as when stocks went down by 23%, the Bloomberg aggregate bond index also went down about 12%. However, he felt confident with TUC's bottoms-up stock-picking approach since TUC is investing on companies that would navigate through whatever the economic climate is. In addition, he felt optimistic for the fourth quarter leading up to 2023. Mr. Hagfors acknowledged that it has been a good partnership between DA Davidson and TUC.

ITEM 4. FRAUD PREVENTION REPORT

TUC Director of Administrative Services, Heather Cairns provided a brief background on the TUC Fraud Prevention and Ethics Policy. The policy requires any instances of fraud or theft be reported to the Executive Committee. The policy led to the creation of a fraud prevention plan and the need to provide the committee an annual update of that plan. Ms. Cairns referred to the agenda packet for items listed in red as the recent updates to the plan. She then reported that TUC continues to have annual fraud prevention trainings led by Mr. Evans and CSUN Campus Auditor Howard Lutwak. There are also regular communications sent to all administrative and sponsored programs employees regarding the TUC's Code of Conduct and Ethics Hotline.

TUC Associate Director of Accounting, Cindy Ruan noted the advantages of TUC having the Positive Pay system in preventing losses from fraud incidents. In July 2022, a notification from the bank came in 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 PeopleSoft system. TUC staff was able to cancel the check in time. Through the Positive Pay alert, it was recognized that the name was altered. There was no financial loss occurred on this case.

CSUN Professor, Dr. Mike Phillips asked if there was any police activity involved in this incident. Ms. Ruan replied since there was no monetary loss, the incident was not reported to the police and so no police activity was involved. Dr. Phillips shared some concerns that the incident was not reported to the police as a similar scenario he related showed that these situations usually involve reporting. He congratulated TUC for taking the necessary steps to preventing the perpetrator from stealing money but recommended to take this opportunity to report criminal acts and make TUC's fraud prevention response more visible. Mr. Evans acknowledged Dr. Phillips' concerns and suggested to Ms. Ruan to have a further discussion about this and will follow-up accordingly. Ms. Ruan further noted that due to this incident, TUC is in the process looking into transitioning from check payment to ACH bank deposit payment as the latter is a more secured system.

ITEM 5. DEVONSHIRE DOWNS UPDATE

Mr. Evans reported that in close partnership with CSUN's Facilities department, the TUC team is a third of the way through developing the design-build criteria documents, which is expected to be completed early next year. He reminded the committee that the project is using the Design Build approach which is a competitive design process that involves selecting the final architect and the General Contractor as a joint team to design and build the project to a set budget. AC Martin is the company taking the lead in developing the design criteria documents. North Campus Development Corporation is funding the pre-development design work. Mr. Evans continued with providing a couple of reasons why the Design Build approach is ideal. In these particular times, when interest rates are high and construction cost are escalating, the criteria documents could still be completed if the project was to be put on hold due to financial viability. These documents will hold their shelf-life longer than completed construction plans. When market conditions change, the project can be picked-up quicker rather than starting from scratch.

Mr. Evans shared that before the official kick of the project, the cost of construction was relatively stable and interest rate were very low. A viable proforma analysis was developed for a self-developed project utilizing taxable Systemwide Revenue Bonds (SRB). However, in the months that followed since the January kick-off, the cost of construction dramatically increased. Mr. Evans reported that the estimated total project cost increase from \$125 million to \$175 million, making the project currently financially not viable under the model of utilizing SRB. He stated that TUC will continue to work with AC Martin to complete the Design Build criteria documents but it is currently anticipated that, upon completion of these documents, there is a likelihood that the project will not proceed into the next phase of conducting a Design Build Award process. Mr. Evans noted that the TUC team is working closely with the Chancellor's office to consider all potentially viable options for financing the project.

ITEM 6. PURCHASE OF RATHBURN HOUSE

Mr. Evans stated that TUC has a Real Estate fund. The fund was created by a Board policy in 2001 which recognized that CSUN's General Fund does not provide capital funds for addressing long term off campus real estate needs, and that TUC can offer a mechanism to help address these needs. He explained that the

policy even discusses the importance of purchasing vacant property adjacent to the campus, and of course the importance of growing CSUN faculty staff housing program.

TUC Real Estate Associate Director, Linda Turner reported on TUC's purchase of the 9600 Rathburn home which closed Escrow on August 5, 2022. Ms. Turner described that the house has 3,400 square feet with lot size of 18,000 square feet, with 4 bedrooms and 3 baths and the guest house is legally permitted ADU. The net purchase price is \$1,364,000 with the asking price of \$1,430,000. Ms. Turner shared that the house has had some upgrades but will require approximately \$200,000 to renovate which in turn will increase its value. She noted that TUC will lease the main house and guest house to separate tenants producing two revenue streams for the property.

Dr. Yaspelkis asked now that TUC has all those properties, what is the long-term plan? Mr. Evans replied there is no master plan but acquiring those properties and having this sphere of influence will help the University in the long term.

ITEM 7. RESEARCH AND SPONSORED PROGRAMS REPORT (APRIL, MAY, JUNE 2022)

Grace Slavik, Associate Director of Research and Sponsored Programs, TUC, reported that total RSP activities have significantly increased by 8% compared to the prior fiscal year, from \$29.1 million to \$31.4 million. Both indirect costs and indirect costs continue to increase by 7% and 47% respectively. Ms. Slavik shared that the net available to campus at the end of FY 21-22 is almost \$2.38 million and that the TUC share to cover expenditures for post-award administration is above budget by \$43,000 which is 2% more than budget. She added that the domestic and international travel, and student support expenditures are slowly going back to pre-pandemic levels.

Ms. Slavik stated that on the pre-award side, the level of grant submissions and grants awarded are at a similar range to last year. It is anticipated that there will be an increase in awarded dollars given the number of new awards coming from National Institute of Health (NIH) and National Science Foundation (NSF) funding. She also stated that several SuRE-First Awards, which stands for Support for Research Excellence – first Independent Research Award came through. This is a NIH mechanism that helps build research capacity to sustain research excellence at institutions that serve groups of underrepresented students in biomedical research with an emphasis on providing students with research opportunities and enriching the research environment at the applicant institutions.

Dr. Phillips asked if it is possible to show a comparison of pre-and post-award activities between 2019 and now, and see how close CSUN is to recovering from the pandemic. Mr. Evans suggested to Ms. Slavik to look at the 5-year trend for the post-award activities and to send the comparison to the Executive Committee after the meeting.

ITEM 8. ANNOUNCEMENTS

Mr. Evans noted that there was no formal food service update when the agenda for this Executive Committee meeting was being prepared but he wanted to take a moment to give an update on some progress. Mr. Evans sent out an e-mail to the Board and others this last weekend discussing the challenges that Chartwells is experiencing with the start of school. He explained that bottom-line, the labor shortage in the

hospitality industry, along with supply chain conditions, are the two biggest factors creating the long lines and limited products. He noted that he will continue to send out e-mail updates and to meet with student leadership, until the situation is completely addressed. He called on to Chartwells District Manager, Omar Galvez to take a moment to update the committee on how Chartwells is addressing the situation. Mr. Galvez acknowledged that shortage of staff is always a challenge. He related that Chartwells continue to hire everyday but there is that constant challenge where the staff drops-out or not show up. He shared that although Chartwells has transitioned to a new vendor who is doing more product delivery dates during the week to get more products in the shelf, the fill rates are still in the 60% versus a 95-98% rate before the pandemic.

The open meeting ended at 3:55 p.m. The Executive Committee moved into executive session to discuss legal matters.

Respectfully submitted,



11/30/2022

Colin Donahue, Recording Secretary