

The CSU, Chico Research Foundation

California State University, Chico

Minutes for the Meeting of the Board of Directors

December 17, 2008: 10 a.m. – 12 p.m.

Kendall Hall, Room 103

MEMBERS PRESENT:

Drew Calandrella, Jud Carter, Jane Dolan, Richard Ellison, Sandra Flake, , Lori Hoffman, Richard Jackson, Rebecca Lytle, Paul Zingg

MEMBERS ABSENT:

Rick Coletti, Jessica French, Katie Milo

ALSO PRESENT:

Joe Cobery, Carol Sager

A. CALL TO ORDER AND INTRODUCTIONS

Provost Flake called the meeting to order at 10 a.m. Student board member Jessica French has graduated and is relocating back east, so the Provost and President will soon be making a new student appointment.

There were no additions to the agenda.

B. PUBLIC COMMENTS

The Chair asked if there were any public comments and there were none.

C. APPROVAL OF MINUTES

Action Taken: The minutes of the Board meeting held on September 25, 2008 were unanimously approved with the correction from "\$400" to "\$400K" on page 8 (motion by Carter, second by Dolan).

D. FOUNDATION PRESIDENT'S REPORT

Provost Flake talked about the challenges facing the State, noting that the role of the Foundation continues to be important. Through good advance planning, the toll on the University isn't as great as it might have been, but we have delays in grant funding due to the State budget not being passed, and work on a number of the Foundation's state contracts has been suspended. A workshop on change is planned for spring, because we need to reinvent how we do things.

E. UNIVERSITY PRESIDENT'S REPORT

President Zingg spoke about our dedicated, talented faculty who prompt the strong student commitment we see to this University. He reiterated

our commitment to student success, North State service, and civic engagement. The budget crisis forces us to focus on the core issues – what is vital for our University to stand for and sustain.

F. QUARTERLY FINANCIAL UPDATE

Referring to the “Budget to Actual” financial reports through 10/31/08, Jackson reported that General Fund revenues are on target, being at 34% of projections one-third of the way through the fiscal year, and that expenses at 30% are looking better than projected. Carol Sager noted that Indirect recovery is ahead by some \$117K (or 18%) over where it was at this time last year. In addition, there were salary savings in RESP’s area because a full-time analyst position was replaced with a part-time position.

With respect to the Administration Office budget, Jackson noted the poor performance on investment income, one of the income sources the Foundation’s operating budget relies on to support its program of allocations. Included in this quarter’s costs is a 2.5 % cost-of-living increase for the core Foundation staff, which is less than the 5% budgeted for the year. The Chancellor’s Office increased their audit charges to all auxiliaries, resulting in an unexpected \$8,000 increase this year.

Jackson referred to the handout which updated the “Budget Allocations for 2008-09.” The anticipated \$9,500 payment to the Chancellor’s Office for a capital bond campaign will not be needed this year. Accordingly, the projected allocations for the year have been revised downward to \$582K, which includes the \$400K for the Incentive and Capacity Building Awards in support of research.

G. PROGRAM REPORTS

KCHO Audit

Jackson reported that Matson & Isom has delivered an unqualified opinion on KCHO’s audited financial statements for 2007-08. The financial position of the station hovered around break-even if you disregard the boost it received from the debt forgiveness last year, but there was an increase of \$70K in listener contributions. Expenses were up too, resulting in a \$24K operating net income, which is an improvement over the net operating loss of \$19K the prior year.

There was a management comment about the need to “separate incompatible duties,” even though the small size of the station’s office staff limits the extent of separation of duties. The person who has physical access to the cash should not be the same person who has access to the accounting records. The Farm will ensure that a supervisor will review the work of the one employee handling all cash receipt

functions, and compare the pledges to the cash receipts to verify completeness.

It was discussed that there are “redundancies” in the broader accounting structure used by the three auxiliaries that provide additional checks and controls – such as the gift receipting system, and the accounting functions provided by of the Foundation Administration and AS Business Office.

Environmental Reserve Improvements

Jackson noted that there was a concern at the last meeting about a proposed “parking area” at the Butte Creek Reserve and the potential detrimental environment effects of such an improvement. Project Director Jeff Mott has clarified that they simply want to move the gate back about 20 yards so there is more room for cars to pull off the highway and park. The new area will accommodate about 5 cars, and no soil will be moved or trees removed. This is the only access point for people using the Reserve and the adjacent Department of Fish and Game property.

The Big Chico Creek Ecological Reserve received permission from the Provost to spend funds from the Reserves infrastructure improvement fund to purchase an emergency communications system. This is needed so people can report an injury or emergency from a remote location. Recent injuries and the number of K-12 field trips point to the need for this safety measure. The \$16,396 expense (including installation) will buy six field radios and support equipment at the Reserve headquarters.

Farm Update and Loan

The cost to the Farm to connect to Cal Water was in the neighborhood of \$300K, and the Foundation Board approved an allocation \$100 - \$130 as its contribution to the improvement. This infrastructure upgrade is required to bring the Farm into compliance with California Department of Public Health regulations. The extra \$30K would have been needed if the property owner down the road didn't connect, but he did. So the additional \$30K contingency will not be needed.

The Farm requested a 5-year \$101,656 loan from the Foundation for the purchase of a tractor. The Foundation has a practice of accommodating requests from the University (who is the largest borrower) and Foundation projects for loans in support of their programs. The mutually agreeable past practice is that the borrower pays the Foundation a premium over the short-term cost of money – such as 1% over the LAIF rate. This is a win-win business proposition: the borrower gets a loan at far better rate than on the open market, and the Foundation receives some consideration for diverting the working capital it would be investing in other priorities. In this case, the Farm would have to pay 5.5 – 7% for a commercial loan, whereas the loan from the Foundation is currently 2.77% plus 1%.

Lori Hoffman suggested another approach, such as charging longer-term borrowers an interest rate created by blending the Foundation's short-term and long-term rates of return on its funds. Alternatively, the Foundation could charge the LAIF rate plus an administrative fee.

Eagle Lake Field Station

Carol Sager reminded the Board that, in accordance with a long-term agreement between the University and UC Davis, \$30K annually comes from Davis to the Foundation to pay for their use of the Field Station. UC Davis has given us notice that they will likely be exercising an option to terminate the agreement by 10/1/2009. This will have a large impact on the fiscal viability of the Field Station which is currently struggling. The Station has an opportunity to break even this year, but the account is running at an accumulated deficit of over \$80K. The Foundation in conjunction with the University needs to revisit what to do about the Station and determine whether the Foundation wants to continue to provide financial support.

A number of ideas were discussed for turning the operation into more of a revenue-producing operation (fishing tours, collaboration with recreation or other academic programs on campus, summer camps, long-term conference services, a curriculum program on administering a state park, etc.). There are obstacles to be overcome: needed investment in run-down and dirty sleeping facilities, a bad access road, distance from the campus, the need for vehicles to transport students, etc. Obviously, much discussion and analysis is needed before informed decisions can be made.

College Park Property Update

Jackson reported that Drew Calandrella, Lori Hoffman and he have been meeting to finalize a plan and timeline for transfer of the College Park Houses to the University in an expeditious manner. That may involve the Foundation undertaking the demolition of the houses before the property is transferred. The Foundation's investment in the houses is roughly \$4 million at this point.

H. PROGRAM PRESENTATION BY PASSAGES – (10:30 Time Certain)

The Provost introduced Passages Executive Director Joe Cobery, commenting that that organization has a great impact on the community and region. Through its connection with the Foundation and the University, it provides service learning opportunities for students while offering important services to our region.

Cobery distributed a color brochure on Passages and its various community service programs which serve older adults and family caregivers in ten counties over the North State. These programs include

care management services (which helps the elderly and disabled in their own homes), information assistance, Medicare counseling, caregiver resource and respite services, legal assistance, a long-term care ombudsman, and a volunteer foster grandparent program that helps promote literacy in the schools. Passages serves 10,000 people per year (if you count people receiving multiple services only once), and had 23,680 service interactions overall.

Cobery handed out a chart showing future population estimates for Butte County. By 2030 one in five residents will over 60 year of age – double the current number.

Passages is the designated Area Agency on Aging for the region, and it is the only AAA that is housed within a University setting. The tie with the Research Foundation and University provides internship opportunities with the School of Nursing, School of Social Work, Nutrition studies, and Public Administration.

Most of Passages support comes from government grants – but the indirect rate is capped at about 8%. Passages has a great story to tell and there is a large level of untapped private support. Passages will be the beneficiary of a large estate gift.

I. REPORT BY VICE PROVOST FOR RESEARCH

The Board viewed a prerecorded (and entertaining) video of Katie Milo making her report on the following subjects:

Utilization of the 2007-08 Incentive Awards

Referring to the handout on “Unit Incentive Expenditures,” Milo highlighted some of the ways Colleges are making use of their Incentive money to promote additional grant proposals (e.g. via grant writing workshops, travel support).

Update on Suspended State Contracts

There are three contracts still under suspension (as detailed on a handout), down from six or seven originally.

NCURA Peer Review

The National Council for University Research Administrators is doing a review this spring of RESP and Foundation Administration so we can see how well we're doing relative to other institutions, and to compare our practices with those of other institutions in the hope we will garner useful information.

Highlights of Current Grant and Contract Activity

Milo referred to the handout showing that in for FY 2007-08 RESP had total grant and contract expenditures of \$24,833,981, which generated

indirect of \$2,195,732 – an average recovery of 9.7%. This percentage is slowly but steadily increasing (it was 9.3% last year, and it used to be in the 7% range). There were 653 proposals submitted, with a hit rate of 77%. We are trending toward larger proposals: the average size was \$184K in 2008-09, up from \$137K in 2007-08 and \$94K in 2006-07.

Milo mentioned a few new externally funded projects, such as a Physics/Biology proposal to the NSF regarding teaching science in the elementary schools, and an International Programs/Graduate School proposal regarding educating youth from tribal areas of Pakistan.

Quarterly Report on Special Set-ups of Grants and Contracts

The Foundation is fronting the funding for eight projects for a total of \$51K, but it is very low risk because funding has been committed by the funding agencies.

J. REPORT BY EXECUTIVE DIRECTOR

Transfer of Foundation Student Housing Loan Fund

The Foundation's Short-Term Student Housing Loan Fund, which is administered by the campus Student Financial Services office, was established in 1978 to help students with off-campus housing deposits, first and last month rent, etc., pending receipt of their first financial aid disbursements. Since that time, there have been significant changes in the campus' Short Term Loan program processing, resulting in on-line applications which do not indicate the need for this kind of loan. Thus, the financial aid advisors and others are not able to ascertain if the need for funds meets the fairly restrictive provisions of the program. Further limiting their utility, the fund has a cap of \$500 established in 1988 which doesn't provide much assistance in today's market.

With the support of Drew Calandrella, Jackson has been working with the University's Student Financial Services office, and we jointly propose that the assets of this fund be transferred to the University's Short Term Loan Fund which is more available to students and widely used. The alternative would be to return the funds to the Foundation. The Director of Student Financial Services indicates that the larger fund, which can cover a wide range of needs, is more useful and efficient than dealing with the 40-some special purpose funds they have. Moreover, they sometimes run out of money in that fund.

Board members were supportive of the concept, but for due diligence purposes requested some additional information on the effectiveness and efficiency of the University STL Fund: What types of things are the loan funds used for? How much of the loan money over the years has been returned to the Fund to recycle to other students, and how much has been lost. In other words, what is the recovery rate?

Revised Guidelines for New Faculty Loan Program

Jackson presented the proposed guidelines that were sent with the advance copy of the agenda. The guidelines were revised and updated based on our recent experience with faculty applying for the New Faculty Loan Program, and in consultation with the University's Financial Services Director. The major changes are:

- Increased the maximum loan amount from \$2,000 to \$3,000.
- Added language that gives the Provost flexibility to make exceptions to the program guidelines in unusual circumstances (e.g., loan amount, pay-off period).
- Updated the procedural mechanics with the Student Financial Services office.
- Imposed a \$25 late fee if repayment is not made on the due date (and removed the former interest calculations).

The Provost reported that three loans had been made since she was here. One of them had unusual problems associated with it, and the kind of flexibility proposed here enables the Provost latitude in meeting special needs.

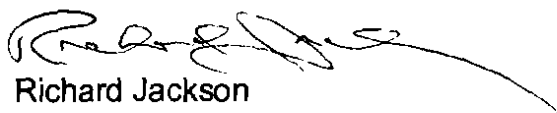
As with the other loan fund, Board members asked to see a schedule by year of the amounts loaned and repaid before they act at the next meeting.

K. ADJOURNMENT

Jud Carter requested that the date of the March meeting be set as soon as possible so he can get it scheduled. Jane Dolan requested that we avoid Tuesday meeting dates.

The Provost adjourned the meeting at 12:00 p.m. with the consent of the Board (motion by Carter, second by Calandrella).

Respectfully submitted,



Richard Jackson
Secretary