

The CSU, Chico Research Foundation

California State University, Chico

Minutes for the Annual Meeting of the Board of Directors

September 25, 2008: 1– 3 p.m.

Kendall Hall, Room 103

MEMBERS PRESENT:

Drew Calandrella, Jud Carter, Jane Dolan, Richard Ellison, Sandra Flake, Jessica French, Lori Hoffman, Richard Jackson, Rebecca Lytle, Katie Milo

MEMBERS ABSENT:

Rick Coletti, Paul Zingg

ALSO PRESENT:

Dave Daley, Jennifer Ryder Fox, Karen Finley, Carol Sager, Fred Woodmansee

A. CALL TO ORDER

Provost Flake welcomed the Board and called the meeting to order at 1 p.m., noting that the Bylaws call for an Annual Meeting to be held each fall, prior to the regular meeting of the Board, “for the purpose of appointing Directors and electing Officers of the corporation...and for the transaction of such other business as may come before the meeting.”

The President and Provost had conferred on the annual appointments to the Board, and therefore agenda item “C” below was added to the agenda.

B. APPROVAL OF MINUTES

The minutes of the Annual Meeting held on September 7, 2007 were approved at the subsequent regular meeting of the Board held on December 19, 2007.

C. BOARD APPOINTMENTS

The Provost reported that effective September 25, 2008 the President reappointed Jud Carter, Jane Dolan, Rick Coletti (all community members), Rebecca Lytle (faculty representative) and Jessica French (student member) to additional one-year terms. Board members will receive appointment letters in the mail.

D. CONFLICT OF INTEREST STATEMENTS

The Foundation is required by the Education Code to monitor potential conflicts of interest between the Foundation and its Directors. Each Board

member was provided with a statement to complete and sign. Members were asked to return the signed forms to the corporate Secretary.

E. BOARD ROSTER AND MEETING SCHEDULE

An updated roster of Board members was distributed. Corrections and updates were offered by members.

Richard Jackson reported that the University had instituted new parking regulations. The Foundation office will now need to mail parking passes to community members before each meeting of the Board (that is, the distribution of year-long passes has been discontinued).

Jackson announced that the next scheduled meeting of the Board is Wednesday, December 17, 2008.

F. ADJOURNMENT

The Board adjourned the Annual Meeting by acclamation (motion by Carter, second by Lytle).

The CSU, Chico Research Foundation

California State University, Chico

Minutes for the Meeting of the Board of Directors

September 25, 2008: 1– 3 p.m.
Kendall Hall, Room 103

MEMBERS PRESENT:

Drew Calandrella, Jud Carter, Jane Dolan, Richard Ellison, Sandra Flake, Jessica French, Lori Hoffman, Richard Jackson, Rebecca Lytle, Katie Milo

MEMBERS ABSENT:

Rick Coletti, Paul Zingg

ALSO PRESENT:

Dave Daley, Jennifer Ryder Fox, Karen Finley, Carol Sager, Fred Woodmansee

A. CALL TO ORDER AND INTRODUCTIONS

Provost Flake called the meeting to order immediately after the close of the Annual Meeting and acknowledged the guests that were present. She introduced Board member Lori Hoffman, the new Vice President for Business and Finance.

Item I.3, Budget Augmentation for RESP Staff Position, was added 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 June 11, 2008 were unanimously approved with the correction that Karen Finley was present (motion by Lytle, second by Carter).

D. FOUNDATION PRESIDENT'S REPORT

Provost Flake reported that the University at last has a budget: while the State allocation is not as much as needed, it is better than anticipated. The University had to make budget cuts this year, and we expect next year to be challenging as well. The student count is a record 17,135 and students are taking more units, so the campus is busting at the seams. Increasingly, Chico is becoming a campus of choice.

We welcomed 40 new faculty to campus this semester (and about 150 over the last three years), and they are eager to engage in research.

E. UNIVERSITY PRESIDENT'S REPORT

[President Zingg was out of town, so there was no report.]

F. BOARD ACCEPTANCE OF AUDITED FINANCIAL STATEMENTS

Jud Carter, Chair of the Audit Committee, reported that on September 19, 2008, the Audit Committee met with representatives of Matson & Isom Accountancy Corporation and management staff regarding the audit of the 2007-08 financial statements. In addition to himself, the Audit Committee consisted of Rick Coletti, Jane Dolan, Gregg Kelly (from the University Foundation Board), Lori Hoffman (absent), and Richard Jackson. Copies of the audited financial statements and accompanying management letter were mailed to Board members prior to the meeting.

Carter noted that, since the prior audit firm was renewed for an additional term, the Audit Committees of the three auxiliaries stipulated that the audit partner supervising the job needed to rotate every two years.

At the end of the meeting, the management staff was excused so that Committee members could consult separately with the auditors. The auditors complimented the complex and efficient work by staff, as well as their cooperative attitude. The Audit Committee recommends that the Board accept the audited financial statements, which received an unqualified opinion (p. 45).

Action Taken: The audited financial statements were unanimously approved as presented (motion by Carter, second by Dolan).

G. QUARTERLY FINANCIAL UPDATE

Jackson presented an update on General Fund income and expenses for the first two months of the new fiscal year. Investment income is down – the short-term interest rate is about 2% off what it was last year at this time. On the positive side, we received a dividend of \$46K from the self-insured liability and workers' compensation group programs the Foundation participates in. Compensation costs, the largest expense item, are down.

Katie Milo reported on RESP's financial activity by distributing an information sheet called "Racing the RESP Numbers Highway." Average indirect rose from 9.12% to 9.68%. A number of factors contributed to the increase, including the expiration of former "special deals" on indirect that allowed discounted recovery rates, and insistence on using a rate of 24% on State contracts. At this point in time we are \$20K ahead of last year in recovered indirect, which means we may be on track to take in \$100K

more in 08-09 than we did last year. RESP has had good response from new faculty to its grants workshops and training sessions. The office is up 10% over last year in the number of proposals submitted, and the dollar volume is up as well.

At the request of Vice President for Advancement Rick Ellison, Katie is working on a website listing of the research proposals that have been funded or submitted for funding, and by whom. This information will be useful for the Public Affairs and Publications area of the University in promoting the accomplishments of our faculty, and useful also in attracting donors interested in particular lines of research. Lytle commented that the web tool could well lead to increased faculty collaboration.

There have been no significant changes to the schedule of Board Allocations for 2008-09 presented at the last meeting.

H. **PROGRAM REPORTS**

Touchless Harvester Patent Application

In an electronic communication sent to Board members on 7/22, management advised that they had engaged Mike Rondelli, the Tech Transfer officer at San Diego State, to assess the file on this matter, including the Patent Office rejections thus far. Mike was asked to render his opinion on whether it was worthwhile to continue to pursue the patent and what potential it might have for commercialization.

Upon review of the patent materials, Mike's recommendation to the Foundation was that we abandon the patent. If we were to pursue the patent application further, we would need to engage the patent attorney to develop and dispatch the next level of appeal by mid-August. In the email to Board members, management recommended that we not pursue the patent application further, and asked Board members to indicate by return email whether or not they concurred.

Action Taken (by email communication): A majority of the Board members responded to the email, and each member concurred with management's recommendation. The faculty inventors were notified of this decision.

Environmental Reserve Improvements

Provost Flake reported that, in response to the request and recommendation of Jeff Mott, Director of the Big Chico Creek Ecological Reserve, approval was given to utilize an additional \$15,000 of the infrastructure fund earmarked for the Reserves for additional improvements to the Henning house (e.g., new windows, roof repairs) and water storage tanks. In addition, work will begin on the barn foundation in

the fall. The new funds will also be used to purchase a storage container and build a parking area at the Butte Creek Preserve. Most of the labor on these improvement projects is provided by environmental staff and students. Jackson reported that after this allocation \$77,386 will remain in available infrastructure funds.

Concerns were expressed about the environmental and PR implications of building a parking area at the Reserve. Staff will seek additional information as to the size of the lot and construction materials to be used.

Sale of College Park Properties to Housing

University Housing is ready to purchase the 12 houses in the College Park area that the Foundation purchased and maintained over the past nine years on behalf of the University. The Foundation's investment in the houses is over \$4 million at this point. Vice Presidents Drew Calandrella and Lori Hoffman have been working on the plan and timeline for the transfer to the State and have asked that the Foundation not rent the houses beyond May. Calandrella would like the Foundation to arrange for the houses to be demolished before the land is transferred.

Hoffman has been working with the Chancellor's Office so that Housing will be permitted to buy the houses at the cost of the Foundation's investment in them, even if that is less than the current market price. The money that the Foundation has made on the rental of the houses over the years will go to offset the price of the houses when they are sold to Housing. The University and Foundation are preparing an MOU to document the elements of the sale price which includes the Foundation's cost of money and fees for managing the property.

The Provost commented that the current leadership of the University was not here when the University instituted the College Park property purchase plan through the Foundation, and everyone needs to understand how important it is that the Foundation get its full investment back. The Foundation's entire pool of unrestricted reserves was invested in the houses, and it borrowed against its working capital (cash flow) funds as well. These funds are a critical resource for the Foundation in meeting its future goals. Dolan said it is clear that the Research Foundation was to be made whole, and Calandrella and Hoffman confirmed that was the intent.

I. ALLOCATION REQUESTS

Cal Water Connection to the University Farm

Dean Jennifer Ryder Fox and University Farm Manager Dave Daley presented a request to the Foundation Board for between \$100K and \$130K to help pay for the cost of connecting the University Farm to Cal Water (see the attached copy of the request distributed to the Board).

This infrastructure upgrade is required to bring the Farm into compliance with California Department of Public Health regulations. The remainder of the \$310K to \$340 cost will be covered through a combination of State and University Farm resources.

Also distributed was a letter received from ABB outlining the groundwater monitoring program that MACTEC Engineering and Consulting (ABB's remedial engineering contractor) will be conducting as a part of this remediation project.

Action Taken: The Board approved the allocation of \$100K to \$130K for the University Farm Cal Water connection (motion by Carter, second by Hoffman).

Professional Development Funds

Milo requested \$6,500 to replace Professional Development funds for faculty that the University had to cut back on this year because of the budget crisis.

Action Taken: The Board approved the allocation of \$6,500 to back-fill for one year the loss of Professional Development funds on the University side (motion by Carter, second by Lytle).

Budget Augmentation for RESP Staff Position

Milo requested a \$38K augmentation to RESP's operating budget for 08-09 in order to provide for the hiring of an additional pre-award (i.e., grants development) staff person. This position is needed to help service the increased business in the unit, and also to institute a succession plan for a Development Specialist who will be leaving. This position will be an at-will employee, and the Foundation will be able to eliminate the position should the workload decline. Planning ahead for next year's cost, the position costs \$42K for a full year, which translates to about \$62K with benefits. Faculty member Lytle agreed that the grants development staff provide a critical function, and the hiring of staff should be thought of as an investment that will result in increased resources coming to the University.

Action Taken: The Board approved the expenditure of \$38K for an additional RESP Development Specialist position (motion by Calandrella, second by Dolan).

J. REPORT ON RESEARCH SUPPORT FUNDS

Provost Flake gave an update on the utilization of the \$400K the Foundation allocated in 2007-08 in support of research -- \$300K of which was awarded in Incentive awards and \$100 in Capability Building funds.

The Provost said she would report to the Board on the use of the Incentive awards portion of the \$400K allocation in December. At this meeting, she distributed to Board members a report called "Academic Affairs 2007-08 Capacity Building Summary." The Capacity Building awards are an investment in resources (such as equipment, start up costs, or travel costs for research) that will increase the capacity of faculty members to seek grant funding. The Provost required that reports be submitted on the use of the funds and the anticipated outcomes. She is pleased with the results, and made special mention of colleges that leveraged the results by providing matching funds for programs of internal research grants. Lytle would be interested in knowing how many of these grant submissions were successful in receiving funding, and suggested that this additional outcome be tracked.

The Provost will be discussing with the Deans how to distribute the new \$400K allocated by the Foundation in the 2008-09 budget – whether to distribute the funds by the same method as in the previous year, or in some other way. In future years, however, the Provost would like to employ a different model for the distribution of the funds, one which also takes into account Salary Savings. She will engage the Deans in a discussion of the shape of a new model by this Spring. One feature of the model will be that faculty will know up front – at the time they submit a grant – what incentive funds they will be receiving.

K. REPORT BY VICE PROVOST FOR RESEARCH

Highlights of Current Grant and Contract Activity

Katie Milo remarked on a few important awards, including \$1.4 million awarded to Dan Ripke's Center for Economic Development, a \$1 million grant over 4 years to Bev Marcum in Biology to improve teaching, and \$300K over two years awarded to Lori Beth Way in Political Science to help victims of domestic violence.

Quarterly Report on Special Set-ups of Grants and Contracts

Katie Milo and Carol Sager reported that the Foundation is fronting funding on \$191K in awards (\$161K of which is for a stipend program for degrees in social work), because project staff need to get started on the work. We are confident that the funding will come in from the agency.

L. REPORT BY EXECUTIVE DIRECTOR

Report on Emergency Loan Funds for Students and Faculty

Jackson reported that the Short-Term Foundation Housing Loan Fund, intended to benefit students needing cash flow assistance (e.g., for the first and last months' rent deposits) has a current balance of \$11,575. The fund is administered by the University's Student Financial Services

office. No loans were made in the past year. Jackson will look into the reasons for the lack of utilization (because there is an obvious need) and report back to the Board.

The Foundation's Short-Term New Faculty Loan Program had a 6/30/08 balance of \$49,601. Three new faculty took advantage of the program last year, and a couple of applications have been made so far this year.

Proposal for a Joint Audit Committee of the Research Foundation and University Foundation

The Audit Committees of the University Foundation and the Research Foundation share two members: Jane Dolan was asked to serve on the UF Committee as well as the RF Committee; and Gregg Kelly now sits on the RF Committee in addition to being chair of the UF Committee. This cross-fertilization makes sense because of the activities and funds that flow between the two organizations, and because of similar issues and concerns (e.g., evaluation of alternative investments).

The idea was proposed to form a Joint Audit Committee of the two organizations. The auditors at Matson & Isom liked the idea, because of the overlap in subject matter and because of the difficulty of scheduling separate meetings. Board members did not seem to warm to the idea thus far and raised a number of questions and concerns.

Actuarial Report on Post-Employment Benefit Liability

Jackson reported that GASB 45 requires the Foundation to conduct an actuarial study in order to calculate the organization's post-employment medical benefits liability – i.e., the present value cost of the future obligation to our retirees.

The study determined that the Foundation had an "unfunded" accrued liability of \$513,989. Actually, unlike most organizations, the Foundation is over-funded by \$117K because it has a balance of over \$600K in funds earmarked for this purpose. However, because the funds are not held in trust for this purpose and remain at the discretion of the Foundation, accounting rules preclude it being called a "funded" program.

Years ago when the Foundation and Associated Students ran a self-insured health insurance program, the Foundation built up over \$300K in excess funds (profits from unneeded claims reserves that would have normally gone to an insurance company). The Foundation set aside that money in an endowment to apply to retiree benefits and to smooth out the cost variances in health premiums for its employees.

J. ADJOURNMENT

Board members liked the idea of having a Foundation research project come Board meetings for "show and tell." Members would be willing to hold the Board meeting at the project's location if feasible.

The Provost announced that the next meeting would be on December 17th from 10 -12 a.m. in Kendall Hall, Room 103.

The Provost adjourned the meeting at 3:00 p.m. with the consent of the Board (motion by Carter, second by Ellison).

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard Jackson", with a long, sweeping horizontal line extending to the right.

Richard Jackson
Secretary