THE CSU, CHICO RESEARCH FOUNDATION
California State University, Chico
Minutes for the Finance & Investment Committee
Thursday, May 17, 2018 1:00 – 3:00 pm
SSC 122/124

Committee Members Present:
David Hassenzahl, Eric Bartelink, Bob Kittredge

Members Absent:
Tod Kimmelshue

Other Board Members Present:
Ahmad Boura, Debra Larson

Also Present:
Jessica Bourne, Amanda Bullock, Stacie Corona, Richard Tafalla, Michele Flowerdew, Jennifer Morgan, Pam Hollis, Eddie Vela, Stephanie Bianco

1. Call to Order – Hassenzahl called the meeting to order at 1:03 pm and asked for introductions.

2. Approval of minutes from March 7, 2018 – Action Item

   Motion to approve the minutes from March 7, 2018
   (Hassenzahl)
   (3/0/0)

3. Public Comments – None.

4. Business Items

   a. Fiscal year 2017-18 Financial reports and 2018-19 Proposed Budget

      i. Research Foundation General Fund – Bourne explained that with this year's budget report, she provided background information on Research Foundation activities and funds. In reviewing the statement of net position, she highlighted the unbilled revenue in the Sponsored Programs Fund. Boura asked if there is something that can be changed in the future to facilitate decreasing that amount before fiscal year end. Flowerdew replied that it is a timing issue and so not much can be done to change it.

      Bourne shared that the $(5,819,702) decrease in the net position for the Sponsored Programs Fund is partially due to indirect costs that have yet to be charged to the projects and partially from the distribution of the accumulation in net assets by way of the Surplus Policy. The overall decrease in net position has several factors: timing, transfers to campus, endowment transfers to the University Foundation and depreciation are a few.

      Bourne presented the RF general fund proposed budget, which included the RF Admin and Sponsored Programs offices, and explained that although it does not
include center activities, it is the only one that needs Board approval. Boura asked about the 25/35 Main cost allocations and Bourne shared that more work will be done in the coming fiscal year to analyze these costs. Overall, she explained the budget is conservative on the revenue side and realistic on the expense side. Increases are expected in operating sources and operating uses, resulting in a decrease in operating activities net compared to FY17-18. Flowerdew elaborated that technology upgrades are necessary in RESP due to the software change. Also included in the RESP budget are consultant fees to upgrade the website and costs to train staff. Bourne explained that some of these costs are covered with money from the Board designated fund. Boura asked for assurance that investing funds into training and technology will be connected to a future revenue source. Tafalla shared that the goal would be to increase grant revenue by providing training in grant writing.

Within the RF-RESP shared organizational expenses, the software costs beyond the Board-approved $542k are being amortized over the next 3 years.

Larson commented on the significant reduction in the faculty incentive transfer. Bourne explained that the distribution methodology was changed resulting in a higher contribution in FY17-18. The budgeted amount for FY18-19 comes from the RF general fund which is experiencing higher than normal expenditures due to the software upgrade. With projected revenue increases and reductions in costs, this contribution is expected to grow in coming years.

Larson introduced and discussed the idea of an ad hoc committee charged with structurally reorganizing the Research Foundation and Research and Sponsored Programs. This will be addressed at the Board meeting on May 31, 2018.

Bourne pointed out that this budget includes a few one-time anomaly fees for things like penalties and legal fees that will not be recurring in the future.

Kittredge asked if there is anything outstanding that will affect or should be listed in the budget. A few items that could potentially have an impact were discussed, however, nothing that is missing from the report.

Motion to approve the Research Foundation general fund proposed budget for recommendation to the Board (Kittredge/Boura)

Motion carried (3/0/0)

ii. Ecological Reserves – Bourne shared that the Ecological Reserves budget for next year is dependent upon revenue being sought from donations and grants and will be readjusted if those methods don’t come to fruition.

iii. North State Public Radio (NSPR) – Bourne explained that the budget for NSPR is currently incomplete as it hinges on the pending MOU with the Research Foundation but should be ready for the Board meeting.

b. Surplus Policy Report – Bourne asked if after review, any members had additional
questions. Kittredge questioned what the professional development fund is used for and who makes decisions regarding the spending. Tafalla shared that the funds are spent by Academic Affairs to incentivize grant development. Boura added that allocating these resources should be directly connected to a revenue stream.

c. **Reserve Policies – Revised** – Bourne proposed splitting the current Reserve Policies into two policies, the Reserves Policy and the F&A Distribution Policy.

   i. **Reserves Policy** – She explained that the largest changes from the existing policy are in the working capital and the capital replacement sections. Working capital now states more definitively that the Research Foundation will hold reserves to fund Sponsored Programs activities. Capital replacement now allows the Board to utilize the funds on any Research Foundation owned properties, not just the 25/35 Main buildings. Kittredge noted that the new policy is more generalized.

   ii. **F&A Distribution Policy** – Bourne highlighted that aside from breaking the F&A distribution into its own policy, the most notable change is that the distribution amount is to be determined by Academic Affairs.

   **Motion to approve the Reserves Policies and F&A Distribution Policy for recommendation to the Board**
   (Kittredge/Larson)

   Motion carried (3/0/0)

d. **Investment Policy – update** – Bourne shared that following the approval of the revised Investment Policy at the March Board meeting, a MOU has been drafted to contract investment services from the University Foundation. It will be proposed to the University Foundation Board of Governors in June. If approved, transferring excess current funds from the Research Foundation will follow shortly after.

   The 4 quasi-endowments that were housed in the Research Foundation totaling $1.2 million have been transferred to the University Foundation for investment.

e. **Policy of Project Cash Management and Loans – proposed revision** – Bourne explained that the main revision to this policy is the idea of encouraging projects that have large balances to invest their excess cash into a quasi-endowment with the University Foundation to maximize their interest earnings.

   **Motion to approve the Policy of Project Cash Management and Loans for recommendation to the Board**
   (Kittredge/Bartelink)

   (3/0/0)

5. Announcements – None

6. Next FIC meeting & calendar of meetings – Meeting invitations will be sent out.

7. Adjournment - 3:02 PM
Respectfully submitted,

[Signature]

Jessica Bourne, Secretary