Minutes for the Board of Directors
Wednesday, June 18, 2014, 2:00 pm to 4:00 pm
BMU, Room 209

MEMBERS PRESENT:
Belle Wei, Lorraine Hoffman, Richard Ellison, Mike Wiltermood, Alisha Patton

MEMBER PRESENT VIA PHONE:
Tim Colble

MEMBERS ABSENT:
Paul Zingg, Drew Calandrella, Jatinder Kullar, Russell Shapiro

ALSO PRESENT:
Katy Thoma, Jessica Bourne, Gina McCammon, EK Park

1. CALL TO ORDER – Belle Wei
   The Provost called the meeting to order at 2:23 pm. Mike Wiltermood was introduced as a new board member.
   Provost Wei asked for comments on the agenda, business at hand and other business. No discussion.

2. PUBLIC COMMENTS – none

3. MINUTES
   Provost Wei asked for review and approval of the minutes from the April 15, 2014 RF Board meeting. There was no discussion. She called for motion.
   Motion to approve the minutes of 04/15/14. (Hoffman/Ellison) Motion carried. (5-0-1)

4. FOUNDATION PRESIDENT'S REPORT - Belle Wei
   Provost Wei asked VP of Business & Finance Hoffman to report on State Budget approval. Hoffman reported the Governor's original budget from January and May-revised was approved for $142M. Going forward the University will be held to certain benchmark standards with regard to enrollment time-to-degree. Those benchmarks have yet to be determined. All twenty-three CSU's will be required to set forth a three-year academic sustainability plan which will address the benchmark issues. These benchmarks will be determined by the Governor's office along with consultation from the Chancellor's Office.
   Provost Wei explained the Governor is shifting from a funding model to an enrollment model based on performance. The $142M increase was $95M short of the CSU Trustees original request. Provost Wei reported Academic Affairs is currently working on renewing the Academic Plan. The University is moving from the Possibility Conversations to Action Conversations.

5. UNIVERSITY PRESIDENT'S REPORT - None
6. Business
   a. Financial Update
      i. Acknowledgement of IRS Form 990 Tax Return
         RF Finance Director Bourne advised the 990 was submitted on February 15, 2014.
         Prior to submission, the form was emailed to the Board for review. It has been
customary for the Board to approve the 990 prior to submission. It is being presented
at this meeting for acknowledgement.

         Ellison motioned that the RF Board acknowledge that the 990 was reviewed by
the board prior to submittal on Feb. 15, 2014. Ellison/Colbie Motion carried
6/0/0

ii. Presentation of Operating Budgets
      Bourne reported that prior board financial reporting did not include all funds.
      Significant items for fiscal year 2014: the projected negative balance for this fiscal
year was not as significant primarily due to staffing changes.

         Provost Wel asked Bourne for a rundown on the 2015 proposed revenues and
costs column for comparisons. Bourne reported fiscal year 2015 is based on
actuals for fiscal year 2014 projecting the remaining time period. Changes due to
the software upgrade are anticipated for the coming fiscal year. The software
purchase will be capitalized, and costs will be amortized over 5 years for the
$311,000 software.

         Office expenses – Salaries 2% COLA for RF staffing (except for Thoma) is
included in the proposed budget.
         Hoffman stated that it is hard to bring a negative budget for approval by the board.
She asked how we might save money. Sager explained that the presented admin
budget always shows negative because it has yet to be funded. Bourne explained
further in the budget packet it will be shown how the funding activity will roll up
then talk about the negative budget presented.

         23/35 Main Street bond refinancing and the lack of rent collection by the majority
of tenants were discussed. Hoffman clarified that the University pays $60,000 per
year for space occupied by state employees working in RESP.

         Sager reviewed RESP Revenue. Approved budget for 2014 Net Indirect Income
was $2.95M. Because of federal sequestration they were more conservative and
requested a budget of $2.75M. Thoma advised they felt that was too conservative.
RESP has done better than the $2.75M and expect to end at $2.833M. That
amount is with the partial sequestration. EK Park interjected that it could have
been much worse. Sager advised for 2015 she is not comfortable with going up to
$2.95M. They are seeing more agency caps come through. She is proposing
$2.85M to be budgeted. If it looks like they are ahead of projections, adjustments
may be made to expenditures.
Provost Wei asked for examples of administrative fee income. Sager answered that the administrative fee is the 8% they earn on campus program accounts. The largest is the account for Regional and Continuing Education and running their programming for the ALCI which is the American Language and Cultural Institute program.

Thoma asked Sager to explain ARI to new board member Mike Wiltermood. Sager explained Agricultural Research Initiative is funded out of State General Fund dollars. It is an appropriation made every year to the CSU. There are four (4) campuses that have always been involved which are Pomona, Chico State, SLO and Fresno, campuses that have Colleges of Agriculture. Now Monterey Bay and Humboldt are starting to participate to be able to access that money. Each of the campuses gets an allocation based on its size. This campus gets an allocation of $600,000. $85,000 of that comes to RESP because we manage the program. Any faculty can apply as long as the proposal has to do with improving ag industry/environmental issues in the State of California. It is designed to pull in industry cooperation. It has a match requirement of 1:1. 25% has to be cash. Ag faculty reaches out to local agricultural industry partners who have interest in ongoing research.

Expenses – Sager continued review of RESP proposed budget. Everything other than salaries and benefits is relatively flat. Salary increase will be a 2% COLA.

Bourne picked up with budget explanation - Page 7 – Computer Center within the General Fund – Costs will include paying for campus email which has never been realized before. Fiscal year 2015 will be the start of this cost. Increases will be realized in following years. Sager expressed a concern about the Foundation picking up costs that should be in the indirect cost pool for the University. She’s not sure where the IRIS costs are. This may need further review. Thoma advised she has not gotten a final MOU on the email issue. Mike Schilling has not yet developed an MOU but this was his estimate of the cost ($55,000). Sager advised data port and telephone are paid separately. Thoma said these additional charges will hit everyone, not just the RF.

The budget for 25/35 Main assumes rent will be paid by tenants in the building. This will be the first fiscal year for this to happen. Actual rent will be conditional on recommendations of the Deans, Center Directors, and Thoma and Bourne.

It is anticipated that the University will be taking back the Cal Water property in fiscal year 2015.

Provost Wei presented a question on the rent income anticipated at 25/35 Main. Bourne responded that budgets show expected progress in collecting rents in fiscal year 2014. Thoma also explained that these numbers represent actual cost per square footage for the suites and common areas.

Sager explained that what is proposed for the rent will most likely come from the college’s incentive dollars. This will show as a transfer from one fund to another. Hoffman advised the board should keep in mind that it is unlikely there will be
sufficient incentive dollars to cover estimated rent. This will leave a hole in the debt service and operations for the RF.

Remainder of packet reviewed - Pg. 23 is the final bottom line budget for the Farm. They continue to perform positively. Pg. 38 is the bottom line for KCHO whose budget is showing in the negative. Funding opportunities are being explored. They are confident that they will not go negative. Discussion ensued.

Pg. 39 - Budget for the Orion. There is no comparison as no budget was presented in prior years. They continue to show positive with work form Mark Plenke.

Pg. 40 – Budget for BCCER. A new auxiliary cost center for the next fiscal year.

Bourne stated that an auxiliary negative fund balance had been carried by the RF since prior to 2000; the balance related to fire projects. In fiscal year 2014, approximately $91,000 was transferred from the general fund to clear the negative auxiliary fund balance. Discussion of debt collection and responsibility for the debt continued. The project director may have been a faculty member and will be investigated. Not sure if this could be an Academic Affairs issue to fund the balance. No action required on this information, at this time. Hoffman suggested this matter be returned to the Board in September for action. If that amount is to be written-off, this is an additional $91,000 that we don’t have. Just a few years ago $600,000 was written off for PIC. She would prefer to explore other options. Thoma explained that more digging is needed; not sure if this director was a faculty member or not. More information will be available for the September Board Meeting. Bourne advised Financial Statements will be finalized in September. December may be a more realistic timeframe to expect a report on findings on this matter.

Bourne reported that the proposed 2014/15 unrestricted net position summary was prepared based on prior practices and her first budget with the Foundation. Reported last year was an incentive award of $450,000. This target of $450,000 has been included in this budget. That amount would bring the Research Foundation to negative net $114,000 for this fiscal year. To give out a $450,000 incentive to end up in the negative would be imprudent, in Bourne’s opinion as the new Financial Director. Hoffman offered that this amount was presented last year when the RF was not in the "red." As the Treasurer, Hoffman requested discussion of reducing the incentive award amount to $300,000, reducing by $150,000. If the board could agree to drop the incentive amount by $150,000 it would be approving a “break-even” budget. Wiltermood asked how the incentive awards worked. Hoffman explained RESP and the Provost work to return money to the colleges and Principal Investigators, where they teach. Some of those PIs or Center Directors’ offices are located in 25/35 Main Street. This year, for the first time a portion of their rent was paid by incentive funding. Incentive funding is paid by a percentage basis. If the incentive award is $450,000 the Deans/PI’s incentive dollars going toward rent are greater than if it is set at $300,000.

Hoffman advised, as Treasurer, she would not want to approve a negative budget. If the incentive award were dropped by $150,000 this would help keep the budget in line.
Provost Wei further explained to Wiltermood the workings of the incentive awards. Wiltermood asked if the Incentives were to yield future revenues for this budget. Hoffman answered that it is supposed to incentivize a principal investigator to continue to write grants. However, a portion of it was going to the Deans and staying with the Deans. Wiltermood asked how much the Incentives should be reduced to compensate for the reduction in rent. Hoffman answered all of it. She offered that the Board could look elsewhere for cuts. Further discussion ensued. Wiltermood requested a business plan to show how rents and incentives would work. Sager suggested compromising and start with the $300,000 which would not be a decrease to the incentive awards. Keep $50,000 in the Capacity Building Awards. This will be a reduction of $100,000 and hold on the $50,000 and wait to see what revenues come in. Thoma concurred. Hoffman reviewed the numbers, reiterated that the numbers stated in the proposed budget include rents that may not be collected. Once revenues are generated at greater than $2.65M there will be the $50,000 for the Capacity Building Awards. She suggested budgeting conservatively.

Wei suggested taking the $114,000 deficit in the proposed budget from the incentive awards in order to make this a balanced budget. If other variables come into the picture they can be reviewed later. Hoffman clarified Wei is suggesting taking $150,000 from the incentives so there is a buffer due to unlikelihood of collecting rents. Hoffman reiterated that Wei is saying the budget should be approved as presented. Hoffman suggested that the proposed budget not be approved, thus the RF would have no budget.

Boume advised there are variables not reflected in the proposed budget that would put it in a worse position. There are additional negatives that are not being shown in the proposed budget. Realistically, if the budget were adjusted for those negatives it will take the deficit to an additional negative $320,000 if rents were not collected. If a revision is done, including negative $320,000 plus negative $120,000 for the rent which may not be collected, and add the $50,000 understatement, this would equal a much greater negative. Provost Wei clarified that reviewing the numbers as presented, that there are uncertainties; there is a desire to approve the budget; there is a desire to approve a balanced budget. Board Member Colbie advised he would like to see a budget in place by July 1. He made a Motion to approve the budget with stipulation of lowering the Incentive Awards to $300,000 which would give a positive net $25,000. Wiltermood seconded. Ellison explained that rents collected in current year are $135,000. Thoma corrected him with rent is $250,000. Provost Wei advised that there was a motion on the table by Colbie and seconded by Wiltermood.

Discussion: Boume advised the fiscal year 2014 numbers are close to being realized and 2015 on page 10 of the budget show $200,000 for 35 Main and $54,000 for 25 Main. Only $30,000 is collectible from CLIC. This leaves $220,000 as uncertain for collection. This fact pushes the budget to an additional negative $320,000.

Wei expressed concern that the message would say to the PI’s that they would be bearing the complete cost. This was not a good message to send. She felt
because of uncertain rents a comprehensive review is needed. Hoffman advised that the suggestion of taking $150,000 out of the proposed $450,000 would not be realized by the PI’s. She suggested the Provost could go to the occupants in 25/35 Main, as the Provost, and pursue the rent payment using the reasoning that she did not want the other PI’s to get less Incentive dollars due to the loss of the rental income. Hoffman stated there would be no loss in proposed incentive if the rents at 25/35 Main were made.

Call the question – Hoffman proposed a friendly amendment that the Capacity Building of $50,000 be included in the budget but not allocated until 6 months, pending review in December. Sager offered that allocations are usually made in February. Wei commented again that a comprehensive review is needed. She voiced concern on how the PI’s/Deans would view the situation; that they would be bearing the brunt of the cost of the rent. Hoffman voiced a concern that the PI’s understand that the RF Board supports them and their efforts, there have been other decisions made in the past that have put the budget where it sits now. Wei again said going forward further comprehensive review by the RF is needed.

Thoma advised the significant number of projects whose indirect recovery does not cover cost of business and creates losses for the RF. Sager advised there are projects that directly generate FTE – loss of the cost of business is $485,000. Wittermood commented if the threat of reductions in rents and the threat that the budget still being out of balance even with the $150,000 cut, it sounds like the RF is trying to preserve monies for the PI’s with the hopes once things are straightened out that there might be more incentives down the road. Preserving last year’s budget looked good in this case, with the threat of further reductions.

Wei called for vote to Approve General Fund Budget with Incentive awards to be $300,000 and the Capacity Awards of $50,000 to wait until December. Colbie/Wittermood Motion carried 6/0/0

c. 25/35 Main Street Bond Re-Fi Update
Hoffman advised in an effort to reduce costs 25/35 Main Street, at the last meeting, the Board approved bond re-funding of 25/35 Main Street. We expect the bond will be successfully refunded in July which will reduce our annual principal and interest payment by $94,000.

iii. Board of Directors Nominations
Thoma explained that Colbie met with Dan Hunt. She asked that Colbie share the meeting. Colbie advised on June 4th he met with Dan Hunt, Manager of Mid-Valley Title. Hunt is a previous RF board member. Colbie made Motion to welcome Dan Hunt back onto the Board of Directors, as a Community Board Member starting in our new year, in September. Hoffman seconded.

Discussion: none
(Colbie/Hoffman) Motion carried – 6/0/0
Thoma further discussed board terms. Thoma will contact the RF attorney for a proposed bylaw change that community board members can serve two consecutive terms with a one year hiatus until they can serve another term.

7. Other Business

a. **Software Business – Thoma**
The RF signed an agreement with the AS on February 26th in great-faith, under great pressure because they wanted to move ahead. Nearly four months later the AS still does not have a contract with SunGard for the software upgrade. She received a message from Susan Jennings, AS Financial Director, on Thursday that the contract is currently sitting with their attorney for review. There have been a number of iterations. She hopes to have a report in September.

Sager asked how this will affect the implementation timeline. Hoffman clarified that an implementation date commitment had been pursued with the AS; preferably at the beginning of the fiscal year with no luck. We were hoping for July 1, 2015, but at this time we have no date.

b. **BCCER – Thoma**
Thoma advised Jeff Mott is retiring the end of July. The RF has entered into an MOU with Academic Affairs which will result in a steady, stable stream of revenue for the Reserve. The RF will be hiring 3 people: a director, an outdoor education coordinator and a full-time administrative position that will also assist with Eagle Lake and the Butte Creek Ecological Preserve.

c. **Eagle Lake Field Station - Thoma**
The College of Natural Sciences has withdrawn any offer of funding after October 2014. We have been inundated by alumni who have used Eagle Lake; lots of emails, etc. We received wonderful emails but not one offer of donation. College of Natural Sciences has covered all the bills.

Hoffman asked about future plans. Thoma advised that she and Hoffman have a meeting planned with the BLM (Bureau of Land Management) within the next few weeks. In a telephone conversation Thoma had with the BLM, they advised they are interested in doing a "land swap."

8. **Closed Session – no minutes**
9. **Return to session 4:25**
10. **ADJOURNMENT – 4:45 PM**

Respectfully submitted,

[Signature]

Catherine "Katy" Thoma, Secretary