The CSU, Chico Research Foundation  
California State University, Chico  

Minutes for the Board of Directors Special Meeting  
Monday, January 23, 2017, 1:30 – 3:30 pm  
BMU – Room 210  

MEMBERS PRESENT:  
Interim Provost/VP Academic Affairs, Michael Ward; VP Student Affairs, Drew Calandrella; Interim VP Business & Finance, James Hyatt; Angela Trethewey, Dean Member; David Hassenzahl, Dean Member; Eric Bartelink, Faculty Member; Dan Hunt, Community Member.  

ALSO PRESENT: Jessica Bourne, Amanda Bullock, Russell Wittmeier, Jamie Visinoni, Jerry Fieldsted, Dan Hicks, Jennifer Morgan, Kevin Kelley, Michele Flowerdew, Sandra Shereman, Betsy Boyd, Dan Ripke, Timothy Sistrunk, Gabriel Sandoval, Pam Hollis, Stephanie Bianco, Brooke Banks.  

1. Call to Order – At 1:31 pm by Ward. Ward asked everyone at the Board table to introduce themselves to the gallery.  

2. Public Comments – Boyd commended Ward for his leadership during his interim tenure as Provost. 

3. Approval of the Minutes – Ward asked for a motion to approve the minutes from the December 12, 2016 Board meeting. Kelley requested postponement due to not having the minutes to review in advance of the packet. The Board approved. Hunt asked if the minutes would be combined; Bourne replied that they could be two separate action items.  

4. Provost’s Report – Ward announced this would be his last meeting as Interim Provost and as a Board member. CSU, Chico’s new Provost Debra Larson will be taking over Ward’s role for the March meeting. Next, he mentioned that progress is being made on the Associate Vice President of Research position, noting that the committee is currently reviewing applicants.  

5. Business  
   a. Sungard One Solution Upgrade – Bourne  
   
   Bourne reported a few outstanding items prior to contracting with Sungard: IT documentation of the program for ADA compliance and vetting security of the program. Bourne said the proposed resolution at the last meeting is not necessary due to a shift to the most recent HTML5 version of the software. It has better ADA compliance and allows the RF and the team on campus to accept the proposal for implementing the software without a board resolution. The scope and budget for the upgrade is being finalized, and the contract will be reviewed by the senior leadership team and executive sponsors, upon the RF receipt of the contract from Sungard. It is anticipated that the contract will be signed in February. Bourne observed that kick-off has been delayed by about a month, which should not alter the final launch date in March 2018, including the final reporting, training, back-end work and distribution of the reports to users and stakeholders. Ward asked how this synchronizes with the RF year-end reporting. Bourne answered that it does not, but explained that
financial reporting is largely prepared outside of the current software package for year-end reporting. Bourne shared additional tables on the implementation project with the Board.

b. 2015-16 Audited financial statements – Bourne
Bourne noted that this agenda item is typically brought to the board in the Fall. The delay in presenting the financial statements to the board resulted from challenges encountered during the annual financial audit, conducted by AKT. In completing the audit, AKT had been unable to provide a clean, or unqualified opinion. RF Admin and RESP worked to correct the accounting so that AKT could issue an unqualified opinion. She added that revenue had been understated. She shared examples of the financials to the Board, discussing some of the weaknesses mentioned in the audit. Trehewey asked Bourne to define what it means to appropriately recognize revenue. Bourne replied that revenue can be considered as “money in, money out,” and explained that the past practice of the RF was to record “money in” one time per year in one lump sum as a journal entry (JE) with the assumption that revenue equaled expenses. Revenue has not equaled expenses, and the RF is currently working to record revenue appropriately.

i. Summary of adjustments
Bourne noted that pages 7 – 9 in the Board packet detailed the adjustments that were necessary to issuing the financial statements with an unqualified opinion. She explained the three adjustments to the Board. She then shared a graph showing which departments had previously understated revenue, and as a result, understated net assets or surplus. Kelley asked for more clarification on the Business Information Systems (BIS) department’s obligation to spend its surplus on infrastructure and if the adjustments changed anything. Bourne replied that it does not, and that the program income would have the same accounting treatment. Kelley noted that seeing the long bar (in graph) might suggest profit but that is not actually the case, as the funds have a designated use. Hunt asked if some of these surpluses would need to be returned to their funding source. Bourne stated that they do not because most come from fixed price or rate card contracts. Flowerdew added that in the case of BIS, all surplus goes into purchasing new equipment to support their future activities. Ward observed that typically these are huge upgrades done all at once. Bourne brought up the surplus policy, which has not been reviewed by the Board since 2014; Kelley stated that the Centers would like a reevaluation of the policy, given that it is currently a 50/50 split in the residual, where one-half goes to the PI and one goes to the Board-designated fund. Centers feel that this is an issue because these funds may be used as research infrastructure generators. Ward said that the 50/50 split has been standardized for years but agreed that the system in place is not perhaps the best course to continue on for each individual center or program. Kelley noted that prior practice by the last VP of Business and Finance was to set up MOUs specific to these situations, but it did not get fully implemented. He feels this is something the Board should consider examining, and to also look into how other CSUs are dealing with this scenario. Hassenzahl asked if these listings by department indicated the PI instead of the department as a whole, and if that PI is both departmental and worked for a center, what determines where the money lives? Bourne said yes to the first question. Flowerdew answered that centers have their own project codes separate from affiliated departments, citing the GIC and BIS as examples. Hassenzahl then asked if the PI has the capability to make the decision to choose where the funds will go between their departments or to a center. Flowerdew and Kelley said that those decisions are up to the Dean of a particular college. Hassenzahl inquired about the departments with
negative surplus on the graph. Bourne said that it reflects net loss in contracts. Flowerdew explained that funding varies per contract, and that in some instances, funders will not reimburse the RF until the end of the agreement. Bourne noted that activities generating a loss or surplus were mostly contracts, as grants were recorded with revenue equaling expenses. Additional discussion on scenarios where the PI overspent their funds ensued. Bianco wanted to clarify the procedure on the routing forms in terms of her experience as an AD of a center and as a professor, which turned into a longer discussion.

Bourne shared with the Board the 2013 RF Financial Statements to demonstrate an error in prior reporting. In prior years, total revenue and total expenses were overstated by the amount of the indirect cost recovery (IDCR). The IDCR has been double counted in organizational revenue and expense; this was corrected as of the June 30, 2016 financial statements. While the activity does not affect changes in net assets, it overstated the activities of the Foundation. Going forward, total revenue and expenses will decrease due to this correction. Kelley asked for more clarification. Bourne explained that the RF’s “transfer” object codes were not treated as such; they were being used as revenue and expense codes, which reports these items twice. IDCR revenue was reported as grant revenue in the sponsored programs fund, and then again as revenue to RESP in the general fund. She noted that audits never revealed this, nor was it identified the first year RF Admin prepared the financial statements.

c. Research Foundation Administration — Bourne
   i. 25/35 Main cost allocation summary
   Bourne expressed the need to be transparent regarding the cost allocations of 25/35 Main Street facilities. The methodology for determining the costs of the buildings is a three year averaging of operating expenses, the current year debt service, and allocation of the actual space occupied within the buildings, with shared spaces (hallways, restrooms, conference rooms, etc.) being prorated. Kelley asked how does that relate to the market rate for rent – in other words, are the centers getting a reasonable rate relative to the market? Bourne said that she does not have the market numbers, but could explore. Kelley added that the “rent” is being pulled from RESP F&A. Bourne added that utilities and other costs are included in the allocation, making it more than merely “rent.” Hyatt noted that the entirety of the costs must be factored in, for instance the debt service. In the end, a fair treatment of costs should be determined. Bourne said the goal is to be cost-reimbursable on the buildings, which has not been achieved in the past. Prior to 2014, costs of the buildings were not allocated to occupants. Therefore, no transfers had been made to fund debt service and the operating costs of the buildings. Hunt asked if the occupants could get a better deal on the open market, and is there an option for the Centers to move out? Trethewey agreed, and felt this has been a long-standing question on campus. She added that her department has had incentive moneys used to cover “rent” but never knew what the actual cost of that rent was. There has never been an invoice breaking down the costs to use that space to her knowledge. Kelley felt the Centers should not be responsible for the debt service. Hyatt interjected, stating that we do not have the facts at present, so the discussion cannot really progress beyond this. He added if the Board wanted to examine in more detail, then it should do so, but not at the current meeting. He thought the full cost of having a Center stationed in the buildings should be contrasted with the market value elsewhere. With the RF saddled with the buildings due to their debt financing, there is no walking away for the RF beyond the potential of being sold.
He felt tabling this until a later meeting when more information could be available and possibly pulling in some of the financial staff from Kendall for their input. Ward concurred. Bourne asked Hyatt if they could collaborate on what to bring for a future meeting. Bianco wanted to quickly point out that if the two buildings are considered “off-campus” that would impact the F&A rates for those Centers negatively. Hyatt agreed, stating that moving Centers off-campus would potentially be detrimental.

ii. FY16-17 2nd Quarter financials – Bourne
Bourne shared handouts and displayed the financial data for the Board. She reviewed the reports, highlighting key data from the report. Hassenzahl asked what deferred revenue is; Bourne answered that it is cash advanced from a funder prior to work occurring, typically in unbilled grants and contracts. She emphasized the net position section of the financials. She explained the reserves, noting in particular the faculty incentive reserve. She added that the cost allocation of the buildings is relevant to this number – if the RF had been properly allocating and funding the buildings, the faculty incentive reserve may be lower as it is calculated from the net income of the general fund. She recommended that discussion and review of the reserve policy should be brought to a future meeting. She then discussed the net position numbers with the Board. She noted the indirect cost recovery in the transfers section, properly excluded from revenue and expenses. She noted the General Fund is showing a decrease of $400,000, stating that there are outstanding items that she anticipates occurring prior to June 30. By fiscal year-end, the College Park houses will be purchased by campus which will result in a roughly $350,000 gain. Hassenzahl asked if the RF has a Reserves target for an ideal best practice. Bourne answered that the RF general fund is budgeted to, at minimum, break-even, but there is not a specific target. She transitioned to the RF Administration Office budget, adding that the office has undergone many changes during this fiscal year. She highlighted the timing of the insurance payment, which is for the whole year, as well as paying for audit and tax services. Also, investment income is less than budgeted.
She next discussed the budget for RESP. Kelley asked for clarification on RF Admin charges to RESP in the General Fund and the RF Admin Allocated Cost; Bourne replied that the figure is booked quarterly and reviewed at the end of the year, and that to her knowledge it has never exceeded $1 million. Flowerdew observed that last year a lump transfer of $1.4 million took place. Bourne said that that included 25 and 35 Main. Hassenzahl questioned why some of the figures in the general RF Administration sheet had or would exceed their proposed budget, namely salaries. Bourne noted that these were mostly due to staffing changes and payments to employees. Bourne next shared the properties and assets sheet with the Board, discussing what the RF owns and their book values. Hunt asked what the other fixed assets section represented. Bourne replied that it was equipment, furniture and computers with original costs of more than $5,000. She added the accumulated depreciation figure of $7.8 million dollars indicates that many items are obsolete and will be removed from the list in the future.
Hollis asked about 35 Main’s cost allocations in regards to NSPR and if that meant rent revenue. Bourne said yes, those are included in that allocation. Hassenzahl inquired about Eagle Lake’s unfunded liabilities and if they were included in this figure. Bourne stated that it is not and that more detailed numbers will be given to the Reserves Committee.

iii. Banking and cash management services – Bourne
Bourne raised the topic of banking and cash management services for Board discussion. She explained that the RF has been with Tri-Counties for many years, but wanted to potentially
explore new avenues that may improve service and further expand investment opportunities. She noted that the UF opened a new account at Wells Fargo because Tri-Counties had been unable to offer gift processing services appropriate to its needs. She added that there have been significant frustrations with Tri-Counties’ on-line banking, related to payroll processing. There was a brief discussion about the intent of this topic – is this a request to switch banks because Tri-Counties is incapable to perform best practices in banking? Trethewey asked if Tri-Counties would be willing to implement the tools needed to better suit the RF and UF’s demands. Bourne replied that they knew of the needs of the UF for over a year. They were asked if they could do it; they replied positively but have yet to deliver. Gift processing on campus could not wait any longer. Ward asked Wittmeier for his thoughts. He felt issuing a RFP (request for proposal) with other banks would be a good strategy to consider. Hunt asked how much we make on our reserves at Tri-Counties. Bourne replied we make nothing. She then added that investment options should be reviewed. Ward asked if a separate RFP would be done for cash/investment management – Bourne concurred, feeling that a bank could bid on one particular service or multiple depending on their capabilities. Hunt asked about the $40,000 unrealized loss on bonds and who advises the RF; Bourne replied Wells Fargo. Since the Board was in consensus of looking into other banks, Bourne said that they would bring RFPs for their review for the May meeting, as well as the investment policy of the RF.

d. Risk management and HR – Wittmeier

Wittmeier gave an update on risk management within the RF. He explained that the Foundation is insured through the Auxiliary Organization Risk Management Authority (AORMA). He added that the Foundation has put into place a MOU with CSU, Chico Risk Management to expand the RF’s risk management capacity. The RF has also contracted with independent vendors such as ISES (who performed a facilities review on both 25 and 35 Main; report still pending) and Praesidium (self-assessments for risk practices for projects and camps). There was discussion about the MOU with CSU, Chico and CSUC Risk Manager Mike Thorpe, who has been working with the RF to better understand and implement risk policies. Thorpe is in constant contact with Wittmeier, and this MOU merely formalized the procedure already in place. Kelley also shared insights from RESP’s perspective. Wittmeier next discussed slides showing the AORMA Liability Program breakdown, the RF loss run history, and the claims expense numbers for the past 14 years.

Wittmeier transitioned to HR updates: the open enrollment period for benefits ended in November, and was conducted via Employee Navigator, an online enrollment program that the vast majority of benefited RF employees utilized to set up their new benefits as approved by the Board in September. He highlighted how this program was positively received by employees. The program saved time and money and improved efficiencies at no additional cost to the RF. Monthly medical bills have decreased by approximately $40,000 under the RF’s new benefits plans. The Fair Labor Standards Act was blocked, preventing implementation of the new federal overtime rules. However, minimum wage for the state did increase for all employees to $10.50 an hour, which caused some confusion. Wittmeier explained that hourly employees must meet the "duties" test and earn at least double minimum wage to qualify as exempt. Salaried employees must meet the "duties" test and earn at least $3,639.63/month. Current salary level to qualify exempt is $3,466.60/month. He noted that employees can be reclassified as non-exempt if they do not meet the minimum earnings test. Hassenzahl asked how the FLSA could affect this. Wittmeier noted the $3,639 earnings test would go up by a few hundred dollars. For now, the RF is complying with the state’s figure. Lastly, he shared the
new RF website with the board and its progress. Bourne highlighted how much of an improvement it is over the old site.

e. Reserves update – Visinoni (1:31:27)
Visinoni introduced herself to the Board and gave a brief history of her involvement with the Reserves since her hiring in June 2015. She shared details about the Big Chico Creek Ecological Reserve and the Butte Creek Ecological Preserves. She also discussed her fellow Reserves staff and their contributions. 4,099 users came out to the Reserves for educational programs last year, a new record. She next shared data and information on the many programs the Reserves hosts, including the hunt program, K-12 outdoor classroom, university classes and research and public outreach. She noted some operational highlights for the Reserves, followed by some challenges and discussion on opportunities to better advertise and alert people to the potential rewards of engaging with the Reserves.

Visinoni mentioned the ad hoc Reserves Committee (which also includes Eagle Lake), and Hassenzahl (head of the committee) noted that the committee is now underway and beginning to pull together the information needed to properly evaluate the future of the three properties. Hassenzahl added that it is unusual for a university to have these kinds of properties available to them, especially one upstream of the campus (in the case of BCCER). He feels that there are many interesting possibilities for the properties. He asked Visinoni about the active research projects in the Reserves; she stated that there are 9 undergraduate projects with more anticipated in the spring, 4 graduate projects underway, and 4 – 5 ongoing research projects that have taken place since the inception of the Reserves. Boyd asked about the TAC committee that had originally been established to provide information about the Reserves, and if there was any connection between the TAC and the new Reserves Committee. Hassenzahl said that Todd Greene is on both committees as well as himself, observing that the TAC was originally conceived by the Dean of the Natural Sciences (prior to Hassenzahl). The TAC was not intended to be an ad hoc committee, was self-formed, and in its current state lacks a clear tie between its authority and its responsibility. His understanding is that the TAC is working on reforming itself to correct those issues and get itself properly proposed in the Academic Senate to be a long-term advisory body for the Reserves, not an ad hoc committee which will end. Ward asked when the board will receive information from the Reserves Committee; Hassenzahl set a goal to have a report for the March meeting.

6. Other Business
   a. Updated bylaws – Bourne
   Bourne noted that the bylaws had been changed to include the provisions in 2017-1 on September 26, 2016.

   b. Open floor
   Ward stated the need to readdress the Mechoopda MOU at the next board meeting.
7. **Adjournment** – The meeting adjourned at 3:08 pm.

   Respectfully submitted,

   [Signature]

   Jessica Bourne, Secretary