

The CSU, Chico Research Foundation

California State University, Chico

Minutes for the Annual Meeting of the Board of Directors

September 22, 2009: 3 – 5 p.m.

Kendall Hall, Room 103

MEMBERS PRESENT:

Sam Allen, Drew Calandrella, Jud Carter, Jonathan Day, Jane Dolan, Richard Ellison, Sandra Flake, Lori Hoffman, Richard Jackson, Rebecca Lytle, Katie Milo

MEMBERS ABSENT:

Rick Coletti, Paul Zingg

ALSO PRESENT:

Karen Finley, Carol Sager, Fred Woodmansee

A. CALL TO ORDER

Provost Flake welcomed the Board and called the meeting to order at 3 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.”

B. APPROVAL OF MINUTES

The minutes of the Annual Meeting held on September 25, 2008 were approved at the subsequent regular meeting of the Board held on December 17, 2008.

C. AMENDED BYLAWS

Provost Flake reviewed the proposed change in the Bylaws introduced at the September meeting. Instead of the current one-year appointments, Board members would be appointed for staggered three-year terms of office. The overlapping terms will provide for smooth transitions and continuity, and the term limit will give the Board an infusion of fresh blood on a periodic basis. The minimum number of Directors was increased from 7 to 10.

Action Taken: The Board approved the Bylaws changes as presented with one vote in opposition (motion by Lori Hoffman, second by Rick Ellison).

D. BOARD APPOINTMENTS

In order to implement the staggered terms of the community members, the President appointed Jud Carter, who has been on the Board the longest, to a one-year term, Jane Dolan to a two-year term, and Rick Coletti, who has been on the Board the shortest amount of time, to a three-year term. Faculty representative Rebecca Lytle was appointed to one additional year to complete her three-year term, and Jonathan Day joins the Board for a three-year term as the new faculty representative, giving us two faculty representatives during this transition year. Sam Allen, the student representative, was appointed to a one-year term, renewable up to three years. In accordance with the new Bylaws, these appointments are effective September 1st.

E. 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.

F. BOARD ROSTER AND MEETING SCHEDULE

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

Jackson announced that the next scheduled meeting of the Board is Wednesday, December 16, 2009.

G. ADJOURNMENT

The Board adjourned the Annual Meeting by acclamation (motion by Jud Carter, second by Drew Calandrella).

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Jonathan Day, 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 who were present.

B. PUBLIC COMMENTS

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

Item #L.3 was added to the agenda: Resolution Regarding the 403(b) Retirement Plan.

C. APPROVAL OF MINUTES

Action Taken: The minutes of the Board meeting held on June 4, 2009 were unanimously approved with the correction to page 9 that Katie Milo (who was absent) made her RESP report in the form of a handout distributed to the Board (motion by Jud Carter, second by Drew Calandrella).

D. FOUNDATION PRESIDENT'S REPORT

Provost Flake said that she would not make her usual report, so she could share some items under the University President's report.

E. UNIVERSITY PRESIDENT'S REPORT

President Zingg was unable to be in attendance. The Provost presented an update on the University budget reported on by the President at the last meeting. The CSU and its campuses must reduce student enrollment by a significant amount over the next two years, and ironically this comes

at a time when Chico's retention rate is up and it has a greater show-up rate on incoming Freshmen. The impact on the community and the region is severe when we have reductions in enrollment, salaries and spending as a result of the budget crisis. The President believes that "one size should not fit all" when it comes to enrollment cuts expected of the CSU campuses. The impact of reduced enrollments is different in each case, and depends upon the character of the particular campus and community.

The campus' priority is to help students get the classes they need to complete their degrees, and spur "super seniors" move to graduation to make room for other students.

The Research Foundation helps in times like this by providing faculty and student development opportunities, and by meeting the needs of the community and North-state region.

F. COLLEGE PARK HOUSES UPDATE – Jackson (*attached*)

Jackson reported on the Memo of Understanding discussed at the June meeting and since signed by the Research Foundation and the campus. As of June 30, the interest on the funds fronted by the Foundation for the houses, plus the cost of operating the rental program since its inception, will be offset by the income achieved on the rental of the properties and paid by the University in a lump sum. Total expenses of \$771K were offset by income of \$374, making the total payment due the Foundation as of 6/30/09 \$417K. Going forward the Foundation will assume the risk for the house rentals, as well as the opportunity for a return on investment, and the University will pay LAIF interest on the original purchase prices until the University purchases the houses.

In order to continue renting the houses, which everyone expected the University to have purchased and demolished by this time, some improvement money is going to have to be invested. In an update to the June budget, we expect improvement costs may increase to \$35K, but our potential for net income each year could go from the \$10K originally projected to \$40K. This will help the Foundation's net income position.

The University asked which three houses they could purchase in the 2009-2010 year. Since two of houses have been identified as too run-down to rent in their current condition, and too expensive to renovate, they were good candidates. And University Housing has a tenant in one of the others. Therefore, 925 Warner, 611 W. Sacramento and 616 Brice are the houses it makes sense to transfer now.

G. BUDGET UPDATE AND SPENDING PLAN FOR 09-10 – (*handout*) – Action Item

Jackson referred to the “Budget to Actual” reports through 9/30/09. For the Administration Office, income and expenses are where you would expect them to be – at 25% three months of the way through the fiscal year. The fee income earned on the accounts we administer is short of our projection. RESP’s revenues are ahead of projection at 27%, and expenses at 22% are short of the expected 25%. Carol Sager commented that there is progress on improving indirect recovery – so far we are \$57K over this same time last year. This is partly attributable to the greater number of Federal (as opposed to State) contracts. There is a downward trend in State funding for contracts now, because of the State’s fiscal problems.

Jackson next discussed the “Board Allocations” page, noting that the Board postponed approval of a Spending Plan for FY 2009-10 until the September meeting when the Board would have more recent financial performance figures to consider. Jackson noted the addition of \$10K for an Emergency Equipment Fund (replacing the former “Infrastructure Support Fund for Centers”). Katie Milo reported that the Provost and she will work to more closely align the Centers with their academic homes, so that infrastructure support can come from the Colleges, not the Research Foundation. The former “Infrastructure Fund” is now to be an Emergency Fund and used to repair or replace equipment on the spot, so that contractual obligations will not go unmet in instances when the Colleges can’t respond quickly enough.

Katie Milo proposed a different way to award Foundation funds to support faculty scholarship. There have been three types of awards available to faculty: the Chancellor’s Office usually provides funding each year, the Provost dedicates some funds for Faculty Development, and the Research Foundation makes Summer Scholars awards. The Chancellor’s Office has cancelled the CSU Research and Creative Activity grants program. Milo proposes, instead of a summer-only program, that \$20K be used to buy 4 faculty out of teaching a class at \$5K each, replacing Chancellor’s Office funds that had been used for this purpose. An additional \$5 would be used for competitive travel awards that would enable faculty to conduct research – for a total Research Foundation Scholars Awards program of \$25K.

Jackson turned to the page showing the “Discretionary General Fund Net Assets.” If we count the \$40K in revised net income on the College Park rental properties, then the amount available for discretionary spending this year is about \$418K, which is short of the \$527K in projected Board allocations. Because we hope our budget projections are conservative, and because we think it important to continue the programs outlined in the allocations program (including the Incentive Plan for faculty), management

recommends that \$100K of Foundation reserves be used to fill the shortfall if needed.

Action Taken: The Board agreed to the Spending Plan presented for 2009-10 (motion by Jud Carter, second by Rebecca Lytle).

Update on Enterprise Funds

Jackson gave a brief update on KCHO and the University Farm. Station Manager Brian Terhorst reports that the membership drive is coming up in October, and the income from that drive accounts for the majority of the station's revenue. This year's goal is \$160K. National media are reporting that public radio and television are meeting and slightly exceeding their fundraising goals – which is good news given the state of the economy. On the other hand, support from the business community in the form of on-air underwriting is slower this year – which also reflects the national trend.

Farm Manager Dave Daley reports that the University Farm is investing in educational signage that will explain to students and visitors what is going on at the Farm – i.e., what crop is growing, what it is used for, when it is planted and harvested, etc. The signs will also present general facts – such as “Agriculture is a \$35 billion business in California” or “Each farmer feeds 155 people every day.”

J. PROGRAM REPORTS

Eagle Lake Field Station Update

Jackson reported that the Field Station has for years been valued by the Biology Department and the College of Natural Sciences as an important resource for faculty and student research and conferencing. However, through various iterations of restructuring and business plans, the station continues to spend more than it generates in fee income, and the cumulative deficit generated in the Foundation in support of this academically-related program has grown to about \$100K. With the loss of the \$30K from the UC Davis contract, station operations became even less supportable, and the decision was made to close the station this fall.

In order to preserve the facility for potential future use, and to continue to provide some accessibility to faculty and students, the facility has been leased to the former caretakers who will operate their own touring and fishing guide service there. In exchange for use of the facility for their business purposes, the lessees agree to maintain and buildings, grounds and equipment, and to winterize the station. They are responsible for their own expenses, but the Foundation will still have some infrastructure maintenance costs, like any owner/landlord. Having a presence at the facility prevents the theft and vandalism that would occur if the facility were boarded up. At the end of the contract period in December, 2010,

we will reevaluate the terms of the leasing agreement, and potentially recover more of the fixed costs associated with maintaining the facility until we can determine an appropriate future use or solution for the property.

Environmental Reserve Update

Jackson reported that the Provost sent a letter to the Bureau of Land Management indicating that the Foundation is interested in trading a 9.43 acre parcel of lakefront property on Eagle Lake for three parcels of Bureau of Land Management (BLM) property located adjacent to or within the Big Chico Creek Ecological Reserve owned by the Foundation. Jeff Mott, Director of the Big Chico Creek Ecological Reserve, is in discussions with the BLM on the proposal, which will facilitate our land management responsibilities and create new opportunities for faculty and students to conduct environmental research activities.

Jeff Mott is continuing to utilize the funds allocated by the Foundation to repair and improve the conferencing structure on the Reserve – e.g., providing a firewood storage shed and siding for the first and second stories of the Henning House, as well as purchasing a new refrigerator.

Property Activity

Jackson reported that, starting 8-10 years ago, the University began making opportunity purchases of property by utilizing the Research Foundation. General authority was given to the University by the Board to expend “exploratory” funds for such things as appraisals, legal fees, consultants, etc. when the University needed to move quickly or when it was easier to use Foundation business procedures. The University also used the Foundation as a mechanism to make strategic property purchases – agreeing that all Foundation costs would be repaid. The University would like to continue to use the Foundation in this manner if the need arises – again, with Foundation costs reimbursed by the University.

One of the unintended byproducts of the University purchasing property through the Foundation is that the intended use didn’t work out. The result is that the Foundation now has some properties on its books that have maintenance or vagrancy and vandalism problems, and the Foundation would like to be rid of them. One is the house at 839 Rio Chico which was gifted to the University, and which the University requested the Research Foundation purchase from the University Foundation. Another is the property on Cedar between 6th and 7th Streets that the University originally expected to trade with the city. If the University has no need for these properties, we would like to sell them and recoup the Foundation’s investment in them.

K. REPORT BY VICE PROVOST FOR RESEARCH

Update on Suspended State Contracts

Katie Milo reported that 13 contracts are on the suspended list. Three are expected to come back on line on October 1st. Still, \$1.2 million remains to be spent. Stimulus money helped with the Verbena Fields project and other projects may come back, but it is hard to predict.

New grant and contract activity

Milo pointed to some recently funded projects of note – including \$300K in National Science Foundation funding by Gordon Wolfe for an interdisciplinary course on green energy and technology. Research faculty and Foundation grant-funded projects are participating in the CleanTech Innovation Center (CIC) in Oroville, which will attract and provide training and infrastructure for new green industries in Butte County.

Quarterly report on special set-ups of grants and contracts in advance of receiving awards

About \$87K in contracts were set up in advance of receiving funding, because RESP had letters of commitment from the sponsors and work needed to proceed. We have never had one of these advance set-ups go bad on us.

L. REPORT BY EXECUTIVE DIRECTOR

Senate Bill 218 and impact on CSU auxiliaries

Jackson reported on the Senate testimony on SB 218 in which Senator Yee referred to the auxiliaries as “secret societies operating within State government” which refuse to disclose information to the public. He said that auxiliaries are carrying out a “public function,” are commingling auxiliary dollars with public dollars, and need to be held accountable by being brought under the Public Records Act. In reality, the auxiliaries are subject to extensive disclosure and accountability requirements, and most are very responsive to requests for information. It is important that auxiliaries be proactive and create policies making it transparent to the public what auxiliary information is available and how to go about getting it.

If SB 218 passes, management fears a deluge of politically motivated requests for information which will swamp our small staff and usurp their work time. Part of the motivation behind the bill is political (CFA is a sponsor), and the union is looking for money they think the University may be hiding in the auxiliary. Actually, most of the funds in an auxiliary are restricted, whether by sponsoring agencies or by donors.

Performance of Self-Insurance Program

The Foundation's membership in the state-wide group insurance and self-insurance programs for CSU auxiliaries has really paid off. The Auxiliary Organizations Risk Management Alliance (AORMA) offers rate stability over time for its member auxiliaries, and has fewer claims and lower claims costs. In addition to lower premiums than industry, we get back in the form of dividends money that was not needed to pay claims. In July, 2009, the Research Foundation received a Liability Program refund of \$19,903 and a Workers' Compensation dividend of \$62,547.

Resolution Regarding the 403(b) Retirement Plan (handout)

Karen Finley presented the Resolution to amend the Foundation's 403(b) Savings Plan to change the Approved Funding Vehicles that are available under the plan.

The Foundation has had a formal 401(k) retirement plan for employees, and has also permitted employees to set up 403(b) accounts with investment companies to which employees could voluntarily contribute (by salary deferral). Two things occurred this year to change that. First, the Foundation determined that a 403(b) plan is more suitable for the organization than a 401(k) for the organization's sponsored retirement plan. Second, the rules surrounding 403(b) plans changed requiring those plans to be more formally established (plan documents, discrimination testing, audits, 5500 reports, etc.). All of the old 403(b) investment vehicles needed to be rolled to the new 403(b) plan unless they were inactive. In order to reduce the burden and cost of the Plan administration, this resolution removes the past approved, yet inactive, funding vehicles that do not provide services to current employee participants under the plan.

Action Taken: The Board unanimously approved the 403(b) plan Resolution as written (motion by Lori Hoffman, second by Drew Calandrella).

Draft Strategic Plan for the Research Foundation

The Provost reported that management is working on a draft Strategic Plan with the goal of presenting something preliminary at the December meeting. At some point, the Board may wish to have an off-site meeting devoted to discussing this subject.

M. ADJOURNMENT

The Audit Committee will meet on September 24th.

The Provost announced that the next meeting will be on December 16th from 9 -11 a.m. in Kendall Hall, Room 103.

The Provost adjourned the meeting at 5:00 p.m. with the consent of the Board (Jud Carter, second by Rebecca Lytle).

Respectfully submitted,

Richard Jackson
Secretary