

The CSU, Chico Research Foundation

California State University, Chico

Minutes for the Meeting of the Board of Directors

March 5, 2010: 3 – 5 p.m.
Selvester's Café by-the-Creek

MEMBERS PRESENT:

Sam Allen, Drew Calandrella, Jud Carter, Rick Coletti, Jane Dolan, Richard Ellison, Sandra Flake, Lori Hoffman, Richard Jackson, Katie Milo,

MEMBERS ABSENT:

Jonathan Day, Rebecca Lytle, Paul Zingg

ALSO PRESENT:

Karen Finley, Carol Sager, Jason Schwenkler, Fred Woodmansee

A. CALL TO ORDER AND INTRODUCTIONS

Provost Flake called the meeting to order at 3 p.m.

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 December 16, 2009 were unanimously approved (motion by Jane Dolan, second by Jud Carter).

D. FOUNDATION PRESIDENT'S REPORT

Provost Flake reported for both she and President Zingg who was unable to attend. The Gateway Science Museum is now open to the public and drawing good numbers, and it offers great educational opportunities for the community. Academic Affairs has completed a redesign of its General Education (GE) requirements, and a team has been assembled to design the implementation plan. The Provost also addressed the University's budget prospects for next year, and the student rallies on various campuses regarding the loss of State financial support for education.

E. UNIVERSITY PRESIDENT'S REPORT

None

F. AUDITED FINANCIAL STATEMENTS FOR KCHO

Richard Jackson presented KCHO's audited financial statements for Board acceptance. As noted on page 2, the auditors found that they were fairly presented in all material aspects. No material deficiencies in internal controls were discovered, and there were no audit findings.

The financial position of the station declined during FY 2008-09, as detailed on page 8: revenues dropped and expenses increased slightly, dropping net income by about \$23K compared to last year to close to break-even. Net assets dropped from \$522K to \$480K. KCHO's manager is working on a business plan to turn around the station's static net income performance, which will include a proposal to hire a fundraising and marketing person.

The auditors made an important observation on p. 18 – that the operations of this valuable North State asset is contingent on the continued financial support of both the Foundation and the University.

In the Management Comments Letter, there is a comment about segregating duties with respect to receiving cash and pledges – so that the person who has access to cash does not also have access to accounting records. Station Manager Brian Terhorst is working with the auditor on an improved procedure, which is a challenge with their small staff. Rick Ellison noted that the gift processing procedure in the Advancement operation and the University Foundation provides for a cash and pledge depositing process separate from radio station personnel. He suggested the station may be doing duplicate or redundant work and has the opportunity to streamline. Foundation management will check into the station's gift recording process and report back.

Action Taken: In accordance with management's recommendation, the Board acted to accept the audited financial statements (motion by Lori Hoffman, second by Jud Carter).

G. QUARTERLY FINANCIAL UPDATE (handout)

Update on Income and Expenses and on Board Allocations

Richard Jackson referred to the estimated "Budget to Actual" reports through 3/31/10. Three-quarters way through the year we would expect income and expenses to be roughly at the 75% mark. For the Foundation Administration Office, revenues are down from expected at 66%, due to the dismal earnings on investments – which, along with administrative fees, is our only source of revenue to cover operating expenses. We are only getting about .6% on our short term money, whereas we expected between 2 – 2.5% when we were planning budgets. In other words, 20% of our income source is coming in at one-third of what we expected. At this rate, we can expect to be over \$100K short of projection on interest

income at 6/30, which will significantly impact net income. Expenses came in a little better than budgeted at 74%.

RESP's revenues came in at the expected 75%. Expenses at 66% came in better than the expected 75%. Carol Sager noted that administrative fees on campus program accounts are earned only when funds are expended, so if programs are not spending as much in these tight fiscal times, or not traveling as much, this affects the fees we earn.

Katie Milo said RESP activity is looking good. We are ahead of last year in the number of projects, and our estimates on the indirect recovery may be turn out to be conservative.

Jackson conveyed that the scenario for the use of net income has not changed – the main allocations being \$400K for the Faculty Incentive Plan, about \$60K in various award and research-support programs, and up to \$66K in the rent subsidy for Passages. It looks like the \$10K allocated for the Emergency Equipment Fund will not be needed.

Legal Expense

Carol Sager reported on an extraordinary expense that will hit net income and use the \$10K saved on the Emergency Equipment Fund. A couple of faculty in Nursing run a Simulation Center at Enloe Hospital. An employee took some intellectual property with her when she left – material to which she had only marginally contributed, and part of which was lifted from a third party. A settlement was reached in which we agreed to stop using the disputed materials (which were of limited value anyway) but which protected our copyright to the name and prevented the former employee from continuing to besmirch the reputation of one of the faculty members in professional circles.

Update on Enterprise Funds

Jackson gave a brief update on KCHO and the University Farm. The radio station has three principle sources of revenue: membership, underwriting, and grants. The station is ahead of budget on membership with an upcoming Spring drive with a goal of raising \$130K. However, business support in the form of underwriting has been significantly affected by the economic climate and lags projections by about 40%. On the grants side, KCHO received an unanticipated Fiscal Relief Appropriation of \$16,400 from the Obama Administration.

Farm Manager Dave Daley relayed that their budget is on track – income is lower than expected but so are expenses, and they are in better shape than last year at this time. The biggest change was the removal of the orchards out front after the windstorm – which really hurt income (and also reduced expenses). Cash reserves are shrinking, due to annual

payments on the modular buildings and payment on a new tractor. After one more year (\$58K due next September) the buildings will be paid for.

H. **SHOWCASING A FOUNDATION PROJECT**

Katie Milo introduced Jason Schwenkler, the Director for the Geographic Information Center, which is affiliated with the College of Behavioral and Social Sciences. Since he took over the helm from the retiring Chuck Nelson, he has generated an amazing number of contracts, and recently earned RESP's Outstanding Project Director award.

Jason passed out a variety of maps showing examples of the variety of work they do translating data into a visual form displayed on a map. Faced with the state budget crisis and frozen state contracts, the Center expanded its business by building more alignments with the colleges and departments, with campus Centers and programs, and with community organizations. Examples included an internship program in Geography, a Geospatial Workforce Training Center (accessing some stimulus money), as well as mapping projects such as construction planning for Facilities Management, demographics for Enrollment Management, crime mapping for the University Police, mapping where students live for Student Affairs, mapping donors for the Gateway Science Museum, mapping survey responses gathered by Applied Research and Evaluation – to name only a few. Exciting applications are on the horizon as they move into the area of broadband mapping.

I. **PROGRAM REPORTS**

Property Project Updates

With respect to the 25/35 Main Street buildings, staff is working on various fronts to bring in additional revenues to support the buildings. Over the next four years, University support that has been relied on in the past is being withdrawn. We need to make the buildings more self-sufficient or else we will be using our net income and reserves to pay for debt service on the bond issue and operating costs. The various initiatives for increasing building revenues and controlling costs will be modeled in the budget presentation at the June meeting.

Due to some improvements that made them more rentable, the College Park houses (except for the two left vacant that were to be transferred this year to Housing) are now fully rented, and will begin contributing to our net income. We need to have the University proceed with buying the houses from the Foundation as planned because the Foundation is going to need the cash to operate. Our liquid funds (reserves) are all tied up in these fixed assets that were intended to be a short-term investment.

Turning to the Eagle Lake Field Station, the lease of the property to a fishing guide service run by a former employee seems to be working out

O.K. Former Station customers are continuing to use the facility, and even paying higher rates. We will want to re-negotiate the arrangement when it is up at the end of the calendar year with the hope of increasing our rental income.

The proposed swap of land at the Field Station (two parcels totaling 17.43 acres) for Bureau of Land Management parcels continuous to the Big Chico Creek Ecological Reserve is slowly proceeding forward. We are now waiting for the BLM to do appraisals on the Eagle Lake properties. The appraisal on the Butte County parcels has already been completed.

J. REPORT BY VICE PROVOST FOR RESEARCH

Katie Milo reported that RESP is very active in training faculty on the proposal process. Two staff members attended the Grant Resource Center in Washington D.C. and we expect good results to come from that.

Katie also reported that project set-ups in advance of receiving funding totaled \$109,711 this quarter. We needed to proceed with work on the projects and RESP had letters of commitment from the sponsors, so there is negligible risk. We have never had one of these advance set-ups go bad on us.

K. REPORT BY EXECUTIVE DIRECTOR

Chancellor's Office Compliance Audit

Jackson reported that we are awaiting a draft of the findings from the audit that was conducted in January. From the exit interview we think we know what to expect, and instead of the large number of findings other auxiliaries have received, we only expect two or three. The major issue is one which is facing all campuses and auxiliaries in the System, and it is a standard audit finding that the auditors are handing out as a finding when they walk in the door. It has to do with what money is appropriate for programs, colleges, or departments to hold in Foundation accounts, and which revenues need to be held in State accounts. The policy statements the auditors are making are unclear and confusing, and the Chancellor's Office has indicated it will issue a new guidelines on the subject.

Campuses are resisting the idea that they might lose local control over deciding which operations and programs they wish to have run through an auxiliary: most like the flexibility of utilizing the auxiliary for the things they can do more effectively, understanding that any use of state resources would need to be reimbursed.

One major fallout of moving a lot of auxiliary program accounts Stateside is that Foundations throughout the CSU would lose the large pools of cash on deposit with them. This means that they will no longer have the funds

needed to bankroll their Contracts and Grants operations (since sponsoring agencies pay in arrears). At Chico, RESP's negative cash flow can get to \$6 Million at certain times of the year.

Records access legislation

SB 330 is new proposed legislation (the follow-up to SB 218) which would make the records of CSU, UC, and community college auxiliaries subject to the Public Records Act. The legislation is very poorly written, and it is hard to tell what type of auxiliary and types of operations within auxiliaries are subject to the act and which are excluded. The System is faced with a dilemma, because opposing the bill makes us look like we are opposed to transparency and accountability, and the public's right to know the people's business. We are not opposed to disclosure – what auxiliaries are opposed to is being labeled a State agency in the process, which would interfere with the auxiliary's separate status and, thus, its usefulness to the University.

Because we needed a new strategy, the Chancellor's Office, the auxiliaries, and the UC authored their own bill to amend the Education Code, citing the information that will be disclosed and the plan and timeline for implementation. This attempts to accomplish the same transparency goals without calling auxiliaries State agencies. Currently, they are looking for a legislator to sponsor the bill .

L. ADJOURNMENT

The Provost adjourned the meeting at 5 p.m. with the consent of the Board (motion by Drew Calandrella, second by Jud Carter).

Respectfully submitted,

Richard Jackson
Secretary