

The CSU, Chico Research Foundation

California State University, Chico

Minutes for the Annual Meeting of the Board of Directors

Thursday, September 9, 2010: 10 a.m. to 12 noon
Selvesters Café-by-the-Creek – Creekside Room

MEMBERS PRESENT:

Sam Allen, Rick Coletti, Richard Ellison, Sandra Flake, Lori Hoffman, Dan Hunt, Richard Jackson, Katie Milo, Paul Zingg

MEMBERS ABSENT:

Drew Calandrella, Jonathan Day, Jane Dolan

ALSO PRESENT:

Karen Finley, Shane Mayor, Jen Lowe, Jeff Mott, Jim Pushnik, Carol Sager, Fred Woodmansee

A. CALL TO ORDER – Provost Flake

The Provost called the meeting to order and noted 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. MINUTES of the Annual Meeting held on September 22, 2009 were approved at the subsequent regular meeting of the Board held on December 16, 2009.

C. BOARD APPOINTMENTS

Effective September 1, 2010, in accordance with the amended Bylaws, the President made the following appointments:

Dan Hunt – Three-year term (Community member)
Sam Allen – One-year term (returning Student member)

D. CONFLICT OF INTEREST STATEMENTS

The Foundation is required by the Education Code to monitor potential conflicts of interest between the Foundation and its Directors. Letters for each Board member have been prepared for completion and signature (*attached*).

E. BOARD ROSTER AND MEETING SCHEDULE

An updated roster of Board members and their terms of office will be distributed. The next scheduled meeting of the Board is Thursday, December 9, 2010.

F. ADJOURNMENT

The Board voted to adjourn the Annual Meeting (m/ Lori Hoffman, s/ Richard Ellison).

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A. CALL TO ORDER AND INTRODUCTIONS

Provost Flake called the meeting to order at 10:15 a.m., and introduced new Board member Dan Hunt. Dan is a Chico alumnus (class of '76), has been with Mid Valley Title for 32 years and is President of the company. He is an active member of the Chico community.

The Provost asked that the December meeting be rescheduled to accommodate the teaching schedule of the faculty member of the Board.

B. PUBLIC COMMENTS

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

C. APPROVAL OF MINUTES

The minutes show Richard Ellison as present, but in fact Robert Alber attended in his absence.

Action Taken: The minutes of the Board meeting held on June 15, 2010 were unanimously approved as corrected (motion by Richard Ellison, second by Lori Hoffman).

D. FOUNDATION PRESIDENT'S REPORT

Provost Flake reported there are 1900 new freshman on campus, down from 2500 the prior year. CSU foundations have been in the news of late, with audits raising the issue of state funds being inappropriately held in auxiliary organization accounts, and legislative bills calling for more accountability. The Chancellor's Office is reviewing policy concerning the

function and role of auxiliaries, and what activities are appropriate to run in auxiliary accounts.

E. UNIVERSITY PRESIDENT’S REPORT

President Zingg talked about the recent Orion newspaper article on CSU foundations and the recent publicity in the media. The law requiring auxiliaries to be subject to the Public Records Act will likely become law sooner or later. It is a complex issue distinguishing state from non-state activity when all parties are working jointly on university priorities, but it is important that campuses are careful to keep the two “colors” of money separate and not “commingle” them. At Chico, we haven’t had the issues that other campuses have, and our audits have been clean and successful.

The President pointed to a couple web-site features: the inaugural “Flash Mob” event – a pseudo-spontaneous and exuberant dance on the campus quad – and the coverage of the President’s fall convocation. The lower number of freshmen this year has resulted in \$4.5 million in lost revenue for the campus dorms. In recent audience ratings, KCHO was ranked 16th in the nation in its respective market – a tribute to its outreach efforts and responsiveness to its audience.

F. FINANCIAL REPORTS

Budget-to-Actual Report and Significant Activity

Richard Jackson reported that the financial statements he distributed showed projected activity through the end of the first quarter (9/30/10). Investment income, one of the two revenue drivers that provides support for the operations of the Administrative Office, continues to be in the tank. The other important source of income is administrative fees, which will be affected by the expected movement of campus program accounts from the Foundation to the University as a result of a recent audit finding. At one-quarter of the way through the year, the Administration Office is at 23% of its income projection and 25% of its budgeted expenses for the year.

Carol Sager presented the quarterly results for RESP. Indirect is right on target with projections, and expenses are lower than anticipated – at 22% one-quarter of the way through the year. The State is withholding payments on contracts until a budget is passed, and in November and December \$3 million was due us for project work we continued to perform.

Jackson highlighted recent significant financial transactions regarding the Foundation’s use of funds. The Foundation will have to pay \$5K for the deductible on the damage to the building (hopefully from the 25 Main repair reserve). The Foundation loaned the Farm \$22K over a three-year period for the purchase of a truck. The College of Engineering, Computer

Science and Construction Management has committed to a \$5K annual payment on the College's \$97K Environmental Lab loan.

The Auxiliary Organizations Risk Management Alliance (AORMA)

Jackson pointed to the \$41K insurance dividend and explained how it came about. The 90+ auxiliaries in the system are part of a JPA which provides insurance coverage to the auxiliaries and universities. The auxiliary portion of the JPA has been very successful in providing self-insurance layers for liability and workers' compensation coverage. Through good claims management and prevention strategies, the auxiliaries have not only managed to achieve long-term price stability, but also have been able to return premiums to the member auxiliaries – these are profits that would have been gone to an insurance company in the past.

Jackson handed out slides from the CSURMA-AORMA annual report for 2009-10 showing the premiums that are normally paid on the commercial market, and the differential that comes back to the Research Foundation in the form of a rebate. With traditional insurance, about \$250,000 of Research Foundation money would have been left on the table over the last five-year period.

Foundation Cash Position

Jackson pointed to the information on pages 6-7 in the minutes of the June meeting for background on the Foundation's cash position. In addition to the normal cash flow need to front contracts and grants expenditures (which can be between \$3 million and \$6+ million at any one time), we have the compounding factor of the state budget crisis and the millions in delayed state contract payments. The recent Campus Programs finding by the Chancellor's Office auditors called for \$3.6 million in Foundation assets to move to State-side accounts. This is a perfect storm.

Long-term solutions include the University purchasing from the Foundation the various College Park houses and other properties the Foundation purchased on the University's behalf. There is also the possibility that account holders with large balances (like Continuing Education) may need their funds and withdraw them. Should there be a run on the bank, so to speak, the short-term solution is that we borrow funds from another auxiliary on campus in accordance with agreements in place with them.

Katie Milo was concerned that the University and Foundation address this problem before it has an adverse effect on the faculty's momentum in generating contracts and grants. RESP is focused daily on growing Project Directors and furthering the campus's research agenda. This "perfect storm" of factors sends a negative message to Project Directors –

that the Foundation has a problem managing grant funds that are generated. We don't want to be telling a Project Director like Jeff Mott that he needs to shut the doors on the Reserves program because we can't move the money where he needs to spend it.

G. RESEARCH PROJECT PRESENTATION

Katie Milo introduced Shane Mayor in the Physics Department, who has a lab housed at the University Farm for research work using infrared lidar to reveal atmospheric conditions. Shane described the process whereby laser pulses are sent into the atmosphere where they scatter off of dust and aerosol particles. The resulting patterns are tracked and analyzed. This type of analysis of aerosol distributions is important in defense and intelligence work. It is also used, for example, to track turbulence in a forest canopy, air flows in marine weather fronts, and air stress on the blades of a turbine.

H. TRANSPARANCY AND ACCOUNTABILITY AND THE RESEARCH FOUNDATION

Richard Jackson addressed the articles that appeared at the end of August in major west coast newspapers and in the media. For example, a front-page headline in the San Francisco Chronicle proclaimed: "CSU Foundations Mixing Public, Private Funds." It sounded as if State General Fund appropriations were being deposited into Foundation accounts where the University was attempting to hide funds from public view so they could do secret things with it. This was very misleading. What the CSU auditors meant by "commingled" funds was that there were situations where auxiliary money that was owed to the University for services provided to the auxiliary had not yet been reimbursed to the University and was still sitting in auxiliary accounts. Moreover, system policy is that reimbursement to the University doesn't need to be in cash – it can be in the form of a documented in-kind "exchange of value."

The Foundation is audited, not only by the Chancellor's Office, but by an independent CPA firm. The MOUs documenting the exchange of consideration between the University and Foundation have been accepted by the Chancellor's Office auditors in the past, and the Foundation had very clean audits. What happened with the most recent audit is that the University Auditor reinterpreted and established policy, which is not the role of an auditor. This has caused controversy at the Chancellor's Office, and some campuses objected that the auditor's policies regarding the auxiliaries needlessly stripped them of their operational flexibility. The Business and Finance division of the Chancellor's Office, which is responsible for policy development, is developing a new Executive Order clarifying and distinguishing between university and auxiliary funds.

Meanwhile, the Foundation is surveying its campus program accounts and taking a fresh look at deposits to see which ones should more appropriately exist stateside, and to make sure the University is being properly reimbursed for the use of its General Fund resources.

Fueling the transparency/accountability issue is SB 330 which proposes to make the private auxiliaries subject to the public records act. The CSU and Auxiliary Organizations Association (AOA) have opposed the bill, not because they are opposed to transparency or against responding to reasonable public requests for information, but because the Bill tries to legislate accountability by making the auxiliaries into public agencies. The CSU, UC, and AOA sponsored an alternative bill that proposed codifying the same principles and requirements of public disclosure, but did it without confusing the 501(c)3 organizations with state agencies, which would potentially interfere with their utility to their campuses. The alternative bill didn't get any traction with legislators.

I. **PROGRAM REPORTS**

Environmental Reserve Update

On hand to give a report were Jim Pushnik, Director of the Institute for Sustainable Development, and Jeff Mott, the Project Manager for the Environmental Reserves. Mott reported on the research and educational opportunities at the Big Chico Creek Ecological Reserve, including K – 12 educational programs (1200 visitors per year) and research grants for students funded by the Candles in the Canyon fundraiser. Relationships are being built with the Gateway Science Museum. The presenters also detailed the physical improvements that have been made in the caretaker's house, the old barn, and maintenance building – largely accomplished with \$50K in Foundation funds earmarked for this purpose, and with donations and volunteer labor.

Pushnik reported on two land acquisition opportunities. The first is the proposed BLM property exchange for some Foundation-owned Eagle Lake property. This acquisition would protect the integrity of the BCCER along Highway 32. The second is a proposal by Loafer Creek LLC to sell about 6,000 acres adjacent to the Foundation's Reserve property. The land is a pristine and biologically diverse habitat. The President has submitted a letter of interest indicating willingness to explore with the California Department of Fish and Game the potential acquisition and management of the properties. The campus is discussing if this initiative fits into its fundraising priorities. Even though the campus would not have to purchase the property, it would be responsible for the property's management – yet no management funds come with the deal.

Capacity Building Awards

The Provost reminded the Board that \$100K of the \$400K allocated as Incentive dollars went for Capacity Building – that is, they were to be spent specifically on building capacity for additional research and result in the awarding of additional grants to the campus. \$20K was earmarked to promote multi-disciplinary and group strategies. She referred to a handout titled “Significant Successes from Use of Capacity Building Funding,” and highlighted the Colleges’ various innovative uses of the funds and the successful results achieved (see attached).

Provost Flake also distributed “2010-2011 Capacity Building Projected Expenditures,” which lists some of the types of expenditures made by the Colleges in utilizing their Capacity Building dollars (see attached).

J. REPORT BY VICE PROVOST FOR RESEARCH

Katie Milo distributed a handout entitled “Spring 2010 – Research Foundation Scholars Awards” which is a list of nine projects and proposals that won funding awards this year (see attached).

Milo also reported that project set-ups in advance of receiving funding totaled \$233,756 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.

K. REPORT BY EXECUTIVE DIRECTOR

Research Foundation Audit Committee

Jackson reported that the Foundation’s Audit Committee consisting of the community members of the Board, the faculty member, the Vice President for Business & Finance, the Executive Director, and various staff, will meet on September 23rd.

L. ADJOURNMENT

The Provost adjourned the meeting at 12:02 p.m. with the consent of the Board (motion by Lori Hoffman, second by Rick Coletti).

Respectfully submitted,

Richard Jackson
Secretary