

The CSU, Chico Research Foundation

California State University, Chico

Minutes for the Board of Directors

Monday June 6, 2011: 3:00 pm to 5:00 pm
25 Main Conference Room

MEMBERS PRESENT:

Sandra Flake, Richard Ellison, Dan Hunt, Jonathan Day, Rick Coletti, Paul Zingg

MEMBERS ABSENT:

Sam Allen, Lorraine Hoffman, Drew Calandrella

ALSO PRESENT:

Karen Finley, Katie Milo, Carol Sager, Fred Woodmansee, Stacie Corona, Brian Terhorst, Dan DeWayne, Dave Daley

A. CALL TO ORDER

Provost Flake called the meeting to order at 3:08 pm, and noted that Stacie Corona is present for Lorraine Hoffman.

B. PUBLIC COMMENTS None

C. MINUTES

Action taken: The minutes of the Board meeting held on March 11, 2011 were approved as submitted. (Coletti/Ellison – 6-0-0)

D. FOUNDATION PRESIDENT'S REPORT

Provost Flake stated she would defer discussion of the budget to the President. She noted year-end commencements were successful without rain, and it was wonderful to see student achievement. The Campus is busy planning for different eventualities for the coming year. There have been good results in research. The faculty have done an outstanding job.

E. UNIVERSITY PRESIDENT'S REPORT

President Zingg recalled that 6 weeks earlier a meeting with representatives of the CSU, UC and Community Colleges and the Governor had resulted in assurances that higher education had suffered enough. Then, a few weeks, later another \$500 million or more was reflected to be cut from the budget. The May revise is the worst case scenario if there is no support from the legislature. The CSU has friends in the legislature, but it is unknown who will agree to the Governor's deal to stall the additional \$500 million cut from the budget.

The President noted there are hard choices for the future. With fees continuing to increase, the system will lose students. Many will question the need for a baccalaureate degree and will choose, instead, a vocational or trade route.

FOUNDATION PRESIDENT'S REPORT REVISITED

Provost Flake announced that this is Katie Milo's last meeting. She is retiring from position as Vice Provost, but will be returning to her academic home to teach part time. As of July, Dr. E.K. Park will be the new Vice Provost for Research and Dean of Graduate Studies. He comes to us from New York and will be attending the meeting in September.

F. ACKNOWLEDGMENT OF IRS FORM 990 TAX RETURN

Karen Finley noted that Board members had electronically received the Tax Form 990 via email on May 9th. Subsequently this was submitted in a timely manner to the IRS. The board is in acknowledgment of this document and submission to the IRS.

G. PRESENTATION OF OPERATING BUDGETS: FY ending 10/11 & Proposed 11/12

a. UNIVERSITY FARM BUSINESS PLAN AND BUDGET

Daley noted that the Farm is showing a profit for the first time in the amount of \$33,215.00. Yield and commodity prices were good this year in all areas of the farm economy. Next year will be rough due to increases in fuel, fertilizer and feed. A decline in state funds is also making it more difficult to reinvest in equipment and some crops/orchards. The farm has picked up some equipment through grants to replace what is broken and they worked with the Foundation on two items to finance: a F150 and CAT IT Loader.

The mission of the farm is still the students. They see 600 students a week in classes. They currently have 45 student employees and 100 student volunteers. With staff limited they are working hard to keep things going. This is along with the 18,000 visitors each year not counting students or club events. As they look to the future it is unclear, with their limited resources, how they can continue to help with programs such as Blitz Build, Hooked on Fishing, the science fair and other community events. The farm office is operating with only 13 staff members (8 full time, 2 paid through grants, and 3 temps) from the 17 full-time employees plus a manager that were employed through the State for the farm. The farm's first mission is to the College of Agriculture and University education.

Next year's budget looks to be coming in the same as this year's budget, but with the weather the way it has been, it will affect next year's crops and the income generated from them. Currently all 800 acres are used for either crops or grazing. Farm staff are working with Cal Water on the amount they are being charged to get water to the farm. The peach crop this year was not good due to the weather and the rain. Dr. Ryder-Fox is working with Rich Rosecrance on an olive oil deal with the California Olive Ranch which looks promising. This would need a 10-acre orchard put in by private funds. The

farm store is looking into other ways to get product out. The meat lab is open to the public Thursday and Friday and brings in about \$7,000/week. The dairy unit has about 80 milking cows producing the dairy product for sale. This dairy product generates about \$12,000 every two weeks in sales.

The modular class rooms were paid off and were \$58,000.00 per year for 3 years. The farm now has \$25,000 owed on a tractor, \$ 14,000 on the Loader and \$ 7,000 on the F150 to pay off and anticipate future payments for equipment that will need to be purchased. The next big challenge is going to be to replace broken or old concrete lines which are being worked on a little at a time.

b. **KCHO's BUSINESS PLAN AND BUDGET**

Dan DeWayne explained that like the farm, KCHO consistently has to replace broken and outdated equipment and deal with the cost associated with that replacement. The value of the station was proven this week when the tornado warnings were broadcast and helped keep people safe from being in the area of the storms. DeWayne stated that KCHO is very fortunate to have Brian Terhorst as the manager, with his commitment and the ability to bring this radio station to such a high level on such a small budget.

Brian Terhorst spoke about the budget for the station. KCHO had another good year financially. They took the bold move of shortening the pledge drive from 12 days to 9 days. They retooled the drive to take out the mid-drive lull. This paid off by beating the membership goal by 8% over the 5% increase last year. The underwriting department is recovering by beating the goal by 9%, as well as keeping expenses at budget level.

Continued de-funding out of Washington affecting NPR will continue to cause a slow reduction in funding for KCHO. The Corporation for Public Broadcasting is given an appropriation two years out, so they will have funding at least for the next year or two from this source, but that is also dependent on what happens in the next political cycle. KCHO is preparing for reduced funding from these sources.

Projected for the year ahead is a modest 5% increase in membership. Listeners rallied together to finish the membership drive higher due to the de-funding which is not expected to carry over to the next drive. KCHO is building a budget with an increase of income of 5% and a 6.5% increase in underwriting. They are also expecting a reduction in grant funding for the next year.

In the upcoming year the Emergency Alert System needs to be upgraded per a federal mandate. The current equipment needs to be retired and updated with all new equipment. The public radio satellite system is also upgrading their satellite array, which will mean new satellite dishes will need to be purchased. These upgrades are non-negotiable and have to be done. The station will also need to purchase new computers during this upcoming year.

Staff salaries and travel make up the bulk of the budget. The budget shows higher travel due to the need to visit translator sites for repair and maintenance. This does not include the air charter. The cost of driving increased 50% due to the price of gas and the vehicle expense.

Program purchases for the next year will be about \$250,000 for NPR programming and PRI.

This year they will be installing an “app” which will be for I-Phone and I-Pad users and other mobile media devices. This app allows users to download the station information so you can listen through the phone. This will also allow listeners to get the local content that NPR doesn’t have.

The internship program has had a very good year; the news department has forged a strong tie with the Journalism department. They worked with the station to upgrade the journalism ethics document. The station also has a summer intern crew starting to work on computer work for the newly created news blog that will be interactive with the listeners. This will allow listeners to download transcripts and photographs.

APPROVAL OF ENTERPRISE FUND BUDGET

Action taken: Move to approve the Farm and KCHO budgets as presented. (Ellison/Hunt)

Ellison noted that that KCHO is moving under the umbrella of Advancement. It’s a good connection between KCHO & UPE and the advancement of CSU Chico.

Motion Carried. (6-0-0)

c. FINANCIAL OVERVIEW

Karen Finley stated the financial overview has a little bit different look than in previous years. Some of the information has been extracted and will be included as part of the orientation materials. The charts on pages 3 & 4 provide an overview of the restricted and unrestricted funds. The Board approves the unrestricted funds of the Foundation which includes the General Fund, the Plant Fund, Board Designated Funds, and the Enterprise Funds. The Restricted Funds refer to Sponsored Programs account and Campus Programs. She also explained that the General Fund budget mainly refers to the office of Research and Sponsored Programs (RESP) and the Foundation Administration Office.

d. CONSOLIDATED & INDIVIDUAL GF BUDGETS: Administration & RESP

Fred Woodmansee presented the Administration Office budget (page 18) noting investment earnings are all down due to interest rate levels. The LAIF summary on page 12 reflects the downward trend over the past 13 years. The large increase in the net income for FY 2011/12 is due mainly to the

return of \$732,000 in reserves that was part of the Auxiliary Organizations Unemployment Insurance Trust (AOUIT) that is disbanding as of June 30. That program will be placed by a UI program under AORMA/CSURMA. That transition will be discussed later in the meeting. Other savings in the budget reflect the vacancy of the Executive Director position.

Katie Milo discussed the Office of Research and Sponsored Programs budget (page 20). By comparison, the total revenues for 2011 are not looking as good as what occurred in 2010. Expenditures have been kept down, but revenue experienced a decrease largely as a result of the big influx of ARRA funding that occurred in 2010. There were increases in federal funding, but State revenues dropped and are anticipated to drop again. Due to these drops the office has tried to lower personnel costs by not replacing some positions that are vacant. This will lower their personnel costs for the 11/12 year. The revenue estimates are very conservative for 2011 and flat for 2012 with 2.3% to 2.4% in increased revenue but more likely the 2.3%. With shared expenses, the bottom line is projected to be \$633,351 for 2012, slightly less than 2011. The grant and contract indirect recovered is projected to be flat and administrative fees from campus program accounts have shown a reduction of about \$50,000 and that is partly due to the transitions of some of these accounts to the State.

Both of these budgets feed the overall General Fund budget and the General Fund assets (referring to the chart on page 14). Woodmansee explained the chart's format that starts with the \$7.7 million from the audited 2008-09 financial statements and then adds in net income from operations and subtracts out the board discretionary items that have been approved. That provides the net assets at the end of the particular fiscal year and provides the starting number for the next fiscal year. This provides a running picture of what has been happening for the last couple years and looking forward. One thing to note is the drop of \$3 million relating to the Gateway Science Museum in 09/10 as that asset was transferred to the State.

e. PROPERTY BUDGET

Finley reviewed the property budgets (page 24) which are comprised of, 25/35 Main, Cal Water property (Railroad property), College Park (12 houses), Rio Chico Way, and Eagle Lake Field Station and their revenue. This also shows the increasing support the Foundation is going to be required to take on in order to support 25 & 35 Main St. buildings as a result of changes in the way they were handled in the past. She referred to the <\$387,487> that transfers over to the asset page (page 14). The schedule reflects some rental income in the 25/35 Main Buildings, generated by the Foundation Administration office, the RESP office, and from the CLIC office (Associated Students). There is also \$66,000 as a place holder which reflects dollars that were previously spent for Passages rent at the Carmichael property. Since they have moved into 25 Main, it is now being supported here to help offset the 25/35 main costs.

Rick Ellison asked where it shows cost recovery in the budget from the rentals. Woodmansee stated it is the \$117,004 in the revenue section of the budget and this is a fund transfer not cash. These transfers are allocated costs from the different areas in the building.

Dan Hunt asked if the two buildings are 100% utilized by Foundation projects and are they creating any revenue. Finley answered that they are 100% occupied and are not creating any revenue.

Finley explained that the buildings are currently in a holding pattern for this year. A task force will be implemented with the Provost to deal with the rent issues. Due to the fact that some of the projects in the building pay an indirect cost, they are unable to pay a rent charge for their space. In the meantime the dividend in the amount of \$732,000 will help the Foundation cover costs while the task force is determining how to approach the future of the buildings. Topics addressed will be how to handle projects which receive federal grant money but can't pay rent and other aspects of the funding of the projects; how to assess a rent structure that is fair and equitable. Another question that will need to be answered is whether the 25 and 35 Main buildings are kept. Do these buildings meet the mission of the University in a way that is most beneficial, or, do we need to come up with an alternative plan? The question of indirect and how it is used for the buildings and /or returned back to the departments will be discussed in addition to dealing with projects that come with little or no indirect, but are deemed necessary for the mission of the University.

Provost Flake stated it will not be easy to determine what the right approach is to promote expanded operations for faculty and students and also get the indirect needed to help with the cost of running operations. To stimulate research there has to be a return on the investment for those who are involved in the research that can be planned for and be consistent. But, we are not in that kind of model right now. Currently we have \$400,000 that is reinvested in incentives and capacity building funding, but that is not the same as saying if you generate a particular amount that a certain percentage of that funding will be returned. That indirect will stimulate more research or better projects at the department or college level. These need to be looked at to grow a healthy research enterprise for the university as we have a higher research value than most Universities with our size and our mission. We are currently bringing in 10.8% in incentives.

Finley discussed the College Park houses. Shortly after the beginning of the fiscal year the Foundation is anticipating moving 4 houses over to University Housing. The campus is in discussions with the Chancellor's Office about that process. The MOU states that the Foundation will be paid the same amount as was originally paid. The transfers will help the Foundation's cash position. We are anticipating a program timeline to be set up to move the rest of the houses over to University Housing on a regular basis. The houses that are being transferred are not currently rented.

Conversation followed questioning if the sale of 839 Rio Chico and the other College Park houses could help with debt reduction on the 25/35 Main buildings.

f. BOARD DESIGNATED PROGRAMS/FUNDING

This budget is for the Nettleton Stadium and the Soccer Stadium (page 30). The Outlaws are once again leasing Nettleton stadium for the 2011 season. Profits from the stadium are used for repairs and maintenance.

Dan Hunt inquired about the revenue generated from the advertising signs in the stadium outfield. Woodmansee stated he is not sure but thinks it goes to the Outlaws. The question centered on the signage and whether it is changed for the Outlaws as opposed for Chico State Athletics. Finley stated that she would find out the answer to that question. [Note: The following information was provided to the Board via 6/10 email. Advertising for support of the Wildcats is generated by Athletics, in part, by the sale of the signage surrounding the outfield. The period that is covered is for the Wildcat season. During the period of time the Outlaws are using the stadium (roughly June through mid- September) they sell similar types of advertising, but their signage/sales are only for the period of time they occupy the stadium. It is true that there may be some overlap of advertisers---businesses that support both entities, but the sales generated by either group are retained by that group.]

g. APPROVAL OF GENERAL FUND BUDGET PACKAGE

Prior to hearing a motion to approve the general fund budget package, Provost Flake presented the appointment of Karen Finley as Interim Director from 7/1/11 to 6/30/12 with a recommendation of a salary increase of 10% during that duration for the increased duties and responsibilities. This was a discussion the Treasurer of the Research Foundation and the Provost as President of the Board had and decided this was a way to take the time to make a decision about the way the Foundation is managed and the responsibilities of the Foundation.

Dan hunt posed a question of what the \$275,000 listed under "other fund transfers" consists of. Finley stated she would email the specific make up of that figure. [Note: The following information was provided to the Board via 6/10 email. This number represents an estimate of dollars that are transferred into the general fund from non-general fund accounts that offset obligations from the general fund. For instance, dollars are transferred in from the campus program fund to cover the soccer stadium principal payment. Funds are also transferred from other funds for repayment of loans. The number is an estimate of what will be transferred in.]

Action Taken: Motion to approve the General Fund Budget as presented. (Hunt/Zingg) Motion carries. (6-0-0)

H. ACTION ITEM

1. Bylaws Amendment (Introduced at March 11, 2011 meeting)

These changes clarify that all members of the Board vote; there are no non-voting members. It fixes some housekeeping errors including punctuation and word omissions. It renames the Administrative Director as the Executive Director and provides the option for the Secretary of the Board to be the Executive Director or designee.

Action Taken: Move to approve the Bylaws amendment as presented. (Coletti/Day) Motion carries. (6-0-0)

2. Unemployment Insurance Trust Resolution

Finley explained the decision had been made to dissolve the long-standing Auxiliary Organization Unemployment Insurance Trust (AOUIT). It would be replaced by a new UI program offered through AORMA/CSURMA at much less cost. The AOUIT trust will end 6/30 with a reserve of about \$732,000 being returned to the Research Foundation during 2012. This will also provide a savings of \$30-40,000 less a year to the Foundation for UI costs. As a requirement to participate in the new Trust, there is a resolution and participation agreement that has to be on file at AORMA. The Board is asked to approve this resolution and participation agreement for signature along with any additional actions that may be necessary to effect participation.

Action Taken: Move to approve the AORMA/CSURMA UI participation agreement and resolution. (Coletti/Hunt) Motion carries. (6-0-0)

I. INFORMATION ITEMS

a. 401(k) & 403 (b) Audits

Finley explained two audits, one for the terminated 401(k) plan and one for the current 403(b) retirement program were conducted. In 2009 the Board decided to close the 401(k) and replace it with the 403(b) program. These programs are mirror images of each other for the set up, but the regulations for the 403(b) had advantages for the Foundation including the exclusion of student hours toward retirement. The audits were completed and there were no findings. This was a limited scope audit.

b. Eagle Lake Field Station Updates

Finley explained the situation of the Eagle Lake Field Station and the extension of the lease to the current caretakers. This extension allows educational programs to continue at the Field Station this summer and allows time to pursue the options of keeping the property or returning it to the Bureau of Land Management (BLM). Currently there is discussion of swapping some BLM land that is adjacent to the Big Chico Creek Ecological Reserve with the Eagle Lake Field Station property and two other Eagle Lake parcels. It is an option that is being looked into and we will have more information in the fall.

c. College Park Houses Update

This update was given during the budget discussion.

d. Special Set-ups

Milo explained that \$108,000 was fronted by the Research Foundation to different projects pending funding. Most of those dollars are made up of Agricultural Research Initiative (ARI) funding that has just not been received yet by the Foundation. The funds are expected and so this is a not-to-worry-about information piece.

J. ADJOURNMENT

Before adjournment, a question was asked about the additional board member that needs to be added to the board. Flake explained that any nominations should be sent to her for review. Also a question was asked regarding the appointment of a new student member. Flake responded that there are new regulations set down by the CSU that state student members to auxiliary boards need to be recommended and submitted by the Associated Students to the President for appointment. At least two names must be submitted and then the President has the opportunity to select the student member. The new student member should be selected by the September meeting. Also it was noted that Jonathan Day has 1 more year on his term.

The meeting adjourned at 5:05 pm.

Respectfully submitted,

Karen Finley