

# The CSU, Chico Research Foundation

## California State University, Chico

**Minutes for the Board of Directors Meeting**  
Monday, December 12, 2016, 1:30 – 3:30 pm  
BMU – Room 203

### MEMBERS PRESENT:

President, Gayle E. Hutchinson; 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; Russell Shapiro, Faculty Member; David McCallen, Community Member; Dan Hunt, Community Member; Michael Pratt, Student Member.

ALSO PRESENT: Jessica Bourne, Amanda Bullock, Russell Wittmeier, Jamie Visinoni, Jerry Fieldsted, Dan Hicks, Kevin Hansen, Kevin Kelley, Michele Flowerdew, John Miner, Matt Bently, Sandra Shereman, Betsy Boyd, Dan Ripke, Jason Schwenkler, Timothy Sistrunk, Nick Repanich, Jason Coates, Michael Schilling, Gabriel Sandoval

1. Call to Order – At 1:42 p.m. by Ward. Ward asked everyone at the Board table to introduce themselves to the gallery.
2. Public Comments – None.
3. Approval of the Minutes – Ward asked for a motion to approve both the Annual and Regular minutes from the September 26, 2016 Board meeting. No changes were noted. Motion was made and seconded.  
Move to approve the September 26, 2016 Annual and Regular Meeting minutes (Shapiro/McCallen)  
Motion carried (10-0-0)
4. Provost's Report – Ward shifted the Provost's report due to Hutchinson's absence. Ward brought up the new additions to the Board (McCallen, Hassenzahl and Trethewey), noting that discussions with Bourne led to an Orientation for this meeting to help all members get on the same page. With many challenges ahead – some coming up later on today – Ward is looking forward to working with the Board towards making the RF a better institution, and thanked the Board for their volunteerism.

Bourne began the Orientation but stopped when Hutchinson entered. Ward and Bourne first welcomed Hutchinson's report.

5. President's Report – Hutchinson spoke of the three finalists for the pending Provost position, inviting the Board to listen to the candidates during their Open Sessions. She feels they are a strong set of candidates, and thanked the Campus Search Committee for their diligence and hard work. Next, Hutchinson mentioned her 100 Day Listening Tour had ended on December 2<sup>nd</sup>. However, she is still listening and accepting information and feedback. In January, she will spend her time reviewing the comments and produce a comprehensive report. She last remarked how she couldn't believe her first semester was over.
6. Board Orientation – Bourne restated that this Orientation is intended as an overview of the RF. She stated that the RF is a 501(c)(3) auxiliary organization of CSU, Chico, along with the University Foundation (UF) and

Associated Students (AS). This distinction allows the RF flexibility in terms of how operates. The RF performs these activities for the university:

- RESP Administration – Grants and contracts management and administration, related to instruction, research, and community services;
- Campus Programs – Special activities of Foundation-affiliated programs;
- Auxiliary Activities – Enterprise activities, including the University Farm and KCHO/NSPR;
- Board Designated Activities – Incentive funds used primarily for the development of grant and contract proposals;
- Business Services – RF Admin is contracted to provide business services to the UF. The RF also holds property.

Next Bourne shared slides disclosing the annual activity, revenue and net assets of the RF. McCallen wanted clarification on one slide that these were all revenues; Bourne affirmed.

Bourne explained the properties owned by the RF. Hutchinson asked for elaboration on the depreciation on the book values shown. Bourne noted that the book values were not the current appraised values, but represented what net assets the RF has invested right now in these properties; or the cash initially invested into each property. Hutchinson used 25 Main as an example, asking if the RF paid \$2.9 million to originally buy it, how has that value depreciated? Bourne observed the aging of the building is the primary factor in depreciation. The fact that 25 Main is over 30 years old – no matter the repairs and maintenance – will give it a greater depreciation by default. McCallen added that it's essentially a tax number, to which Bourne concurred. McCallen asked if there was an operational cost associated with those values; Bourne concurred. Bourne continued, noting that the RF holds property that will eventually be university-owned in time, citing the College Park houses as an example. The RF also has equipment, furniture, fixtures and other similar forms of property on the books totaling around \$8.6 million.

Kelley provided an overview of Research and Sponsored Programs. Kelley began with the difference between the RF and RESP – both are under Academic Affairs, and the PIs typically come from campus. Both offices handle everything within the research realm: grant and contracts, financial management, research compliance, institutional clearance and developing proposals. RESP helps campus get proposals finished and processed, while money for the activities is held by the RF. The structure is separated this way – by having two entities (RF and RESP) involved with the research process – to protect the university from liability.

Trethewey asked if the relationship between the UF and RF is in terms of business services. Bourne and Kelley agreed. Bourne said that the UF contracts such services from the RF. Trethewey inquired if that was the only way the two foundations were connected. Bourne concurred. McCallen asked about the types of risk the RF protects the university from. Kelley noted that research is by its very nature a risky business, and always presents some degree of risk. Despite that, research is good for the university and worth the potential risk.

Kelley continued, noting how RESP assists PIs with their proposals: assisting with the writing, interactions with sponsors, compliance issues, and the subsequent execution of grants/contracts and post-award management. In short, RESP is involved from the beginning to the end of an individual proposal. Regulatory compliance underlies everything in RESP. Next Kelley shared the distribution of project sponsors for their office. Ward asked what caused the reduction between 2013 and 2014. Kelley observed that this was the end of the period in which federal "ARRA funds" were available, which in turn affected the entire country. He added CSU, Chico sustained itself better than many other CSUs – some schools have yet to recover. He next shared RESP's org chart, explaining positions and relationships of their staff.

Bourne emphasized RESP and RF collaboration. The RF performs accounting and financial services, human resources/payroll, and risk management. She feels that the RF is an “umbrella” of functions. She next displayed the org chart for the Admin office, noting there are around 35 employees. For the courtesy of newer board members, she noted how dynamic the admin office changes have been, showing a comparison to how the RF looked when she started three years ago. Hutchinson asked how many student employees RF Admin has. Bourne answered 9. McCallen observed that the revenues haven’t changed significantly over the years, so he wondered how the RF was able to grow its staff. Bourne explained the RF brought its business services and accounting in-house – it was previously performed by the AS – and the increase in staff has primarily been to accommodate that. Kelley added that RESP has not grown to the same degree, but Ward has been helpful in filling some crucial spots within their organization. McCallen asked Bourne if the RF Admin office was right-sized at this point. Bourne said the RF is close; there have been huge transitions – including her position as interim Executive Director. Trethewey asked what ratio of RF Admin staff is funded through the General Fund versus Foundation-supported positions. Bourne answered that RF Admin is funded differently than other departments. It is funded through a UF contract, as well as a portion of the indirect that goes towards facilitating the duties RF Admin performs. The intent is to be cost-reimbursable – this involves meticulous accounting so any fees are evenly distributed among the entire RF, for example. The RF is also held accountable to the UF board, who look for cost savings and efficiencies. Ward observed that in RESP’s case there are some state employees in their office while others are Foundation employees. Kelley added that there are 3 full-time state employees: Shereman, Bently and Kelley. Another employee is technically state but gets reimbursed due to the historical nature of that position.

Ward announced a fire drill will occur in about 10 minutes. Bourne ended the orientation and introduced Repanich and Coates to discuss their RF project.

7. Research Presentation – Repanich and Coates shared the recent accomplishments and developments of the California Mechatronics Center with the Board. In the middle of the presentation, a campus-wide fire drill paused the meeting. Calandrella left before the meeting resumed.

8. Business

a. RESP – Kelley

Kelley began noting how the research presentation was a fine demonstration of the projects RESP and RF enable for CSU, Chico, and how important research is to the university. Kelley transitioned to RESP’s day-to-day operations. He talked about the challenges and improvisations his department has had to work through since he has been in office. McCallen inquired about how RESP determines which projects to handle, especially in regards to risk and the scale of grading projects. Kelley explained that RESP evaluates projects up front, and determines factors that increase the risk (for example, animals). He felt the process has been quick and satisfactory to the PIs, although there are potential regulations that can slow clearance. He next discussed how CSU, Chico compares to other CSU campuses in terms of research expenditures. He then shared proposal numbers and awards for RESP thus far in contrast to the past five years. During this discussion Shapiro left.

Kelley discussed F&A rates and how CSU, Chico compares to other CSUs. RESP’s goal is to keep the overall F&A rate as strong as possible, and the best way is to go after Federal grants and contracts because the full federal rates are typically used. He also explained the arrangement between the UCs and CSUs on a locked F&A rate agreement for all State contracts with the universities. McCallen asked about indirect institutional rates; Kelley spoke on a recent review of those and how they were lower than in past years. McCallen inquired what department decides the rates and how they are determined. Kelley stated it was

the Department of Health and Human Services, and campus collaborates to negotiate with the federal government. Campus data are evaluated, ranging from campus building to administrative assets. Once this ends, the government makes the final rate determination. Trethewey asked about the local rate. Kelley shared those values and that they were put into place before his arrival but could be renegotiated.

Kelley shared a breakdown of grants and contracts per college. McCallen asked to clarify that as a non-profit, RESP establishes the indirect rate case with the federal government for the campus. Kelley and Hutchinson concurred. Kelley added that the RF – as an auxiliary non-profit – or CSU, Chico as a stateside non-profit – both have to do this as an institution. McCallen brought up a hypothetical scenario where the campus would contend its rate and ask for a 10% increase to give back more funds to the revenue generating unit (RGU) on campus, but Kelley felt it would not be allowed. Kelley asked Bourne for her input; she would be curious to explore that option. McCallen explained that UC campuses get a higher indirect rate and give a significant portion of that back to their respective RGU, which in turn produces more proactivity in regards to proposals. It would make the university look better to faculty if more was returned to the RGU; less the appearance of an administrative organization and more like a partner. An extended discussion on this topic continued.

Once concluded, Kelley talked about research equipment acquisitions, some project updates and NSF funding data. A lengthy discussion ensued on these topics until Ward indicated the time.

- i. Special Set-ups – Miner  
Skipped due to time concerns.

- b. Sungard One Solution Upgrade

Bourne explained that the RF is currently utilizing software from 2002 (last updated in 2007). She noted an audit finding that specified the software as a major problem. She gave a history of the RF's attempts to update the software and the hurdles the RF has faced. She noted that senior leadership is now a part of the project team, including Bourne, Ward, and Hyatt, along with Schilling (serving as project manager), Bourne, Kelley and the UF's Dwight Seuser. She introduced Schilling to discuss ADA compliance. Schilling explained that he and Calandrella maintain ADA compliance on campus. He has been helping the RF direct Sungard towards making their entire software package ADA compliant; this process has allowed RF access to the latest software package versus a legacy solution that was previously on the table. The new software is mostly ADA compliant, except on the administrative end (RF and RESP).

Bourne sought to bring an action item to the Board in regards to this compliance. Bourne asked for a Board resolution stating that the RF is in great need of new management software, OneSolution is the software package the RF will institute, and that the Board has read and accepted Sungard's attached letter (via slide) as evidence for a mitigation plan for current non-compliance with ADA.

Understanding both the time concern and the difficulty of reading the letter, Bourne asked if a vote could be conducted by alternative means after the Board had an opportunity to review. Trethewey asked what Sungard's commitment is to insuring these changes, considering the significant investment the RF is making in their software. McCallen added what's the risk of not being compliant in the interim? Schilling said that this is not unusual to have some risk acceptance on the part of the university in these situations. He further stated that they are working towards compliance, utilizing both our contract as well as CSU, Fresno's as a means to develop and implement these changes in their database systems. By having both universities unite, it will give CSU, Chico more weight to

address such questions if they arise. He added that the risk is now much reduced than it was a week ago.

Bourne asked if the Board wants the documentation to be sent out via email. Hutchinson proposed a closed session for a vote.

Bourne continued by discussing the draft budget of the software upgrade, as well as highlighting some of the features, planning and a tentative timeline. Schilling said the plan includes implementing the entire package. Bourne noted that the Board will receive updates on this project every quarterly meeting. McCallen asked if this new software will address all material weaknesses on the last AKT audit. Bourne said it covers the outdated software finding. Hyatt suggested exploring other university's experiences transitioning in the middle of a fiscal year, expressing that it may add difficulties if this is done in March 2018 as proposed. McCallen concurred, observing that the UC Laboratories avoid doing such changeovers so close to the end-of-year period.

c. Authorized signers: 2017-4

Due to time, this agenda item was pushed up from its later placement because it was an action item. Bourne introduced Corporate Resolution 2017-4, which revised 2017-2 to include the new Assistant Financial Director Bullock as part of the authorized signers for the RF. Hutchinson asked for a motion on Ward's behalf.

**Move to approve the Corporate Resolution 2017-4** (Hunt/Bartelink)

**Motion carried** (9-0-0)

d. CO Audit Update

Bourne noted that our recent Fall 2015 CO audit was terrible. The RF has undergone a lot of change, and she felt explaining the history of the last couple years would enlighten the Board. She observed that these mostly related to internal controls. She shared the findings with the Board, and how the RF is moving forward, adding that many findings have been corrected and several have been cleared with the CO. Wittmeier stated the new software will help in resolving these findings as well. Bartelink left during this section.

e. 2015-16 Audited Financial Statements

Bourne transitioned to the RF Audited Financial Statements for 2015-2016. This was not ready for the September meeting, but the RF now has an unqualified opinion with a correction of an error. Bourne was pleased to share this as before it could have been a qualified opinion, which would have been bad for the RF and CSU, Chico. She observed that there are some major corrections that are being made, which were then listed. McCallen asked when the CO would revisit CSU, Chico; Bourne answered Fall of 2018. Bourne noted that audits help improve an organization, and felt the RF will be in a better position once all the findings are fixed. She added this was the first year revenue recognition was properly detailed.

At this point, Hassenzahl noted that there were many topics to cover with very limited time. Ward inquired if the Board should meet in January to finish all remaining open items on the agenda instead of March's meeting. The Board preferred this option due to the importance of the remaining items. Bourne and Fieldsted were asked to coordinate.

To conclude, Bourne shared the RF balance sheet and income statement with the Board.

9. Closed Session – Ward stated it was now the posted closed session and only Board members would remain.

Report on closed session – Pursuant to the California Education Code Section 89923.

10. Adjournment – The meeting adjourned at 4:00 pm.

Respectfully submitted,



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Jessica Bourne, Secretary