

THE CSU, CHICO RESEARCH FOUNDATION

California State University, Chico

Minutes for the Board of Directors

Monday, May 15, 2017, 1:30 – 3:30 pm

BMU 203

MEMBERS PRESENT:

President, Gayle Hutchinson; Provost and Vice President for Academic Affairs, Debra Larson; Vice President for Business and Finance, Robbi Stivers; Vice President for Student Affairs, Drew Calandrella; Dan Hunt, Community Member; David McCallen, Community Member; David Hassenzahl, Dean Member; Angela Trethewey, Dean Member; Russell Shapiro, Faculty Member; Erik Bartelink, Faculty Member

MEMBERS ABSENT: Ahmad Boura, Vice President for Advancement; Michael Pratt, Student Member

ALSO PRESENT:

Jessica Bourne, Russell Wittmeier, Kevin Kelley, Michele Flowerdew, Ricardo Jacquez, Judith Hennessey, John Unruh, Eddie Vela, Kristina Gruneisen, Dan Hicks, Amanda Bullock, Jason Schwenkler, Dan Efsseff, and Dan Ripke.

1. **CALL TO ORDER** – Larson called the meeting to order at 1:35 p.m. Larson asked for introductions of those present and encouraged the audience to share with others that they are welcome to the RF board meetings.

2. **MINUTES** – March 27, 2017

**Motion to approve the minutes of March 27, 2017
(Calandrella/Shapiro)**

Discussion: McCallen noted that the minutes included questions from Mike Ward regarding the finances of KCHO/NSPR and asked whether this would be discussed today. Larson said it would be discussed.

Motion carried (10/0/0)

3. **PROVOST'S REPORT** – Larson acknowledged the retirement of Kevin Kelley and expressed gratitude for the service he provided to Chico State. She added that Dr. Richard Tafalla has been recruited to replace Kelley and will be joining RESP on July 1, 2017.

Larson highlighted the Inspired 2017 event. Kelley partnered with Library Dean Patrick Newell to host the event to recognize and celebrate the research and creative activities of faculty and staff. Over two hundred guests attended. The work of faculty was show cased and awards were presented. One award recipient was Board member Eric Bartelink, who did not attend the event. Bartelink was presented his award for professional achievement and Kelley highlighted some of his achievements and background.

Larson shared that the Provost's Office funds undergraduate and graduate students to conduct research in the summer. She shared that three undergraduate students and seven graduate

students received awards for the summer. Awards totaled \$34,000.

4. **PRESIDENT'S REPORT** – President Hutchinson apologized for joining the meeting late. She was returning from meeting with Presidents of our feeder school Community Colleges; some commented that it was their first meeting with a Chico State President. President Hutchinson expressed her happiness to have that conversation with them and ways to enhance their already solid partnerships.

President Hutchinson welcomed and introduced the new Vice President of Business and Finance Robbi Stivers. Stivers joined the campus May 1.

Hutchinson shared that in a recent meeting of Academic Senate, a shared governance statement was signed that she believed was the first of its kind, not only in the CSU, but other places as well. This required the signatures of the President of the Associated Students, the Chair of Staff Council, and the Chair of the Academic Senate. This statement is highly symbolic as shared governance for this institution moving into the future.

The Department of Finance recently visited CSU, Chico. Members of the campus community presented on the graduation initiative, enrollment, the budget model, deferred maintenance, and gave a tour of campus. The importance of undergraduate research was discussed, as well as our learning environment. Members from the California State University Chancellor's Office also participated, and they stated it was the best campus visit presentation that they ever had.

Hutchinson shared that graduation is beginning shortly. Thursday, the graduate students begin our now expanded graduation ceremonies. We have expanded from three to five graduations and have 3,800 or more graduating.

Hutchinson congratulated Vice President of Student Affairs, Drew Calandrella on his retirement and thanked him for years of outstanding service and stellar performance in a career in high education.

5. **BUSINESS**

- a. **Board member term summary** – Three members are completing their terms. Larson thanked Dan Hunt, Michael Pratt, and Drew Calandrella for their service, and small tokens of appreciation were presented to Hunt and Calandrella (Pratt was not in attendance). Hutchinson and Larson will be recruiting new board members. Audit committee membership was also discussed. Calandrella has led the audit committee and with his retirement, the audit committee needs an additional member. McCallen volunteered to serve on the committee and Shapiro agreed to continue as a committee member. Larson clarified that committees are required to be comprised of at least two board members, and that additional members are allowed, including non-board members. Community members as well as faculty or staff may participate on a committee. Larson asked that any board members or guests in the gallery provide recommendations for additional audit committee members to Bourne.

Larson discussed the bylaws and the role of the ex-officio members. Ex-officio Directors are the President and the Vice Presidents of CSU, Chico. It was unclear if the ex-officios

should be voting members and be counted as meeting a minimum of ten members per the bylaws. Larson's thought is to recruit more board members and not have the ex-officios as voting members. Larson would like to bring a proposal to the board's September meeting for discussion and action. The board agreed. Hassenzahl suggested that Joe Crofts, a parliamentarian expert on campus, be asked to review the bylaws. Calandrella added that legal counsel should review proposed changes to the bylaws

- b. **Research Foundation overview** – Larson requested that Bourne and Kelley prepare a presentation for the University Community about the way the Research Foundation works, and the different roles between RESP and Research Foundation. Bourne and Kelley presented recently to the University budget committee, and Larson believed the presentation would be appropriate for the board.

Kelley described that research and sponsored program activities on campus range from HSI stem to outreach programs to fundamental research. This externally funded work is initiated through Academic Affairs. The office of RESP handles different levels of research administration – proposal development, clearance of proposals, risk management, contracts, and post-award analysts help PIs (Principal Investigators) manage funds. Pre-award and post-award have deep connections with faculty and campus. The RF as a separate 501(c)(3) shields the university from liability related to research activities. F&A funds RESP staff members and also funds grant programs for incentives. RESP is a state side office with RF employees.

Bourne gave an overview of the funds held in the foundation and their purposes. This includes the Sponsored Programs Fund, grant and contract funds managed by RESP, which represents approximately 75% of the RF's funding. Campus programs is the next largest area of funding. Auxiliary enterprises includes the Farm, the radio station and ecological reserves. RF Admin also provides business and financial services to the University Foundation.

Bourne explained internal fees that are charged and where those funds are transferred within the Foundation. Some F&A is returned to campus for facilities charges. The flow of dollars for a grant include direct dollars being received and spent through the Sponsored Programs fund and indirect expenses being transferred to the General/Operating fund. For contract activity that may generate surplus, the surplus is transferred to the Board Designated fund. Hutchinson asked how centers may use their contract surplus funds to invest in needed technology or equipment. She asked if the use of those funds would be a proposal to the board. Kelley clarified that surplus funds are split 50/50 between the PI and the RF's professional development fund, and that centers receive their 50% automatically. Kelley added that there is a group of center director and PIs are talking about as something to be considered in the future to reconsider split and infrastructure needs. Bourne added that the surplus policy is a board approved policy. McCallen raised discussion regarding the determination of the 41.5% approved indirect cost rate, and how it is decided to charge rates other than 41.5%. Kelley elaborated on the development of the federally negotiated rate and shared that he does make some decisions for rates other than that approved rate. The overall indirect cost recovery is approximately 12%. Kelley would like to see the overall rate be closer to 14%.

Bourne discussed the net assets of the Foundation. Shapiro asked to clarify who are state employees vs Foundation employees in RESP. Kelley responded that RESP is a state side office so the leadership is state run through Academic Affairs. Shapiro shared that this is important for PIs to understand. Flowerdew clarified that post-award is on the RF side.

- c. **Research and Sponsored Programs report** – Kelley reviewed proposal activity into the 4th quarter. The number of agreements and total dollars proposed are as robust as this time last year and are a little better. Average F&A proposed is higher than we expect to get, and efforts are made to maximize F&A return. The activity of the College of Business and the College of Engineering has increased. There is future opportunity for further NIH grants through HSI which can provide higher indirect cost recovery. McCallen noted that the 17.5% average and asked if the allowable rate is maxed out on every project. Kelley shared that exceptions are made for lower rates and that if large dollar amounts are involved, those decisions are made in consultation with the Provost. Hassenzahl inquired about multi-college activity. Kelley guessed 5-10% of activity is collaboration between colleges.

Internal grants have been funded by the Chancellor's office transfer of \$102,000 based on FTEs and by Provost capacity money of \$25,000, and RF scholars funding, added from professional development board designated funding related to the surplus split. A total of 31 awards of \$6,000 each have been funded with a 70.5% overall funding rate. These grants will support faculty over the next year.

Kelley discussed methodology to return F&A to campus. The existing methodology returns \$350,000 with \$50,000 funding Provost capacity and \$300,000 earmarked for colleges. Of the \$300,000, \$220,000 goes to units and the remainder goes to project directors. The problem is setting the amount returned, since as we increase our scholarly activity, shares of return get to be smaller and smaller pieces. Potential models were shared and Kelley is working with Bourne and Hassenzahl. Kelley illustrated percentage based systems. Shapiro asked about the impact to the bottom line of the Foundation. Kelley discussed faculty incentive reserves have been built over time in current model. Bourne shared that the change in model will put pressure on administrative budgets and the Foundation is aware and can potentially find efficiencies. Kelley share that the percentage based models are more reflective of what other universities do and that he is advocating to move away from current methodology,

Larson clarified that a proposal will be brought to the board in September.

d. Financial report

i. FY16-17 3rd quarter financials and FY17-18 proposed budget

Bourne reviewed the 3rd quarter financials and proposed fiscal year 2017-18 budget. As background, of 22 current RF Admin employees, only 1 has been with the organization since prior to March 2013. The office and the financials have been very dynamic over the recent fiscal years, but they are beginning to stabilize. The office has made positive changes and is able to partner better

with RESP, which has also seen much change in recent years. The organization is positioned to have more conversations about what to do with funds, having improved financial reporting. The budget presented includes funds over which the board has direct oversight – the operating and property funds. This includes the administrative budgets of RF Admin and RESP, and the board designations made annually. The board reserves policy guides funding to be set aside for specific purpose: Faculty incentive, capital replacement, available for general purpose. Bourne asked the Provost to fund the upcoming software upgrade from the Foundation reserves. The RF has been charging its stakeholders for maintenance which included the cost of current versions of software. However, the RF did not take necessary steps to upgrade earlier, so the cost will not exceed \$600,000. Bourne expressed that it would be inappropriate to double-charge all stakeholders and that there are enough reserves to fund the software upgrade. Trethewey, inquired about future costs. Bourne clarified the initial capital outlay versus the on-going maintenance costs. On-going costs will be included in annual operating budgets; this initial capital outlay will draw down the Foundation reserve. McCallen, noted variances in the budgeted to actual costs, and asked about Bourne’s confidence with identifying all costs. Bourne believes the budget is sufficient.

The budget includes an increased faculty incentive distribution of \$500,000 to draw down reserve and allow for time to change methodology. Hassenzahl asked about the purpose of the faculty incentive reserve. Larson commented that we are dealing with some history and that the coming fiscal year allows for a modest draw down.

McCallen asked if there is comfort with the amount of the working capital reserve and that comfort with that area may allow more comfort in spending down other areas of the budget. Bourne noted that some historical evaluation may be needed; minutes from around 2011 include concerns about the Foundation’s financial viability. The topic of reserves can be brought to another meeting. McCallen asked about the impact of the sale of the College Park houses back to campus – Bourne clarified where those amounts are included in the financials and that the sale will result in a gain.

**Motion to accept and approve the fiscal year 2017-18 budget
(Hutchinson/McCallen)**

Discussion: none

Motion carried (10/0/0)

ii. FY17-18 NSPR budget

Stephen Cummins shared the mission and structure of the station. Two licenses, KCHO in Chico and KFPR in Redding, are held by The CSU, Chico Research Foundation. Leadership for the station is through state employees with University Advancement and University Public Engagement. All staff are RF employees other than Cummins and there is currently a vacancy in the General

Manager position. The station receives \$268,000 in state funding from the general fund, and the largest source of revenue is member revenue estimated at \$465,000. Revenue also comes from grants from the Corporation for Public Broadcasting and from underwriting. The station has a large service area, covering Yuba City to Weed and Hayfork to Burney.

In the 2014 fiscal year, the station slid into debt which is planned to be repaid over the next three fiscal years. Current debt is approximately \$270,000, financed through the RF allowing negative spending. Hunt did not recall this matter coming to the board. Cummins identified the issue and began working toward resolution in 2015. Larson asked if there was there an MOU. Nothing was formally written and this was an overrun of spending on salaries and wages. Hassenzahl asked about the historical consistency of the station's budget. Cummins shared that in 2014, station employees became Foundation rather than state employees through attrition. There was a shift in underwriting staff and significant drop in revenue in 14/15. The State MOU allows funds to be used for operational expenses. Cummins believes the station can afford its current operational budget.

Bourne shared that historically, other areas of the RF have been allowed to overspend. When faced with not paying salaries, the RF has supported sponsored activities and worked toward resolution.

Stivers requested more clarification, meeting with Cummins and Bourne to discuss. A brief update will be brought to the board.

iii. Fringe rate negotiation

Bourne shared that the RF submitted its first fringe rate negotiation. This allows the RF to accrue vacation of about \$300,000. The non-accrual of vacation resulted in an audit finding last year. The rate also allows all payroll expenses to be included in a fringe rate. Kelley and Bourne submitted the proposal to the Department of Health and Human Services last week. The change will be effective July 1. Bourne and Kelley have been working with centers and some PIs to anticipate the impact to budgets. The custodial area of the operating fund will fund the approximately \$300,000 in unaccrued vacation and the RF has been working toward solving this issue that we have been aware of for some time. The RF and RESP will continue to work through the changes with PIs and center. The proposed rate is 58.4% for fully benefitted employees.

iv. RF FY15-16 Tax return, IRS form 990

The tax return was submitted on May 12. Stivers only recently joined the RF as the Treasurer, and prior to signing the return asked the CPA firm to provide a statement that the information included in the return is appropriate and acceptable.

- a. Banking services proposal** – Bourne updated the board that proposals for banking services had been received. Bourne and Wittmeier met with the RF's current bank, Tri-Counties, and is evaluating the proposals of other banks. McCallen asked if there is

confidence TCB can meet the RF's needs. Bourne expressed that there are inherent challenges in Tri-Counties' available technology. Bourne asked for board guidance as to whether the banking relationship should be a board action item or if it should be a management decision to report to the board. Shapiro expressed that this is an appropriate board decision, and would be a burden on management. Stivers agreed. Hunt asked if there was preference on the proposals. Bourne shared that Chase and Wells Fargo were appealing and that pricing is similar. Wittmeier added that a primary goal is technology to help with efficiencies. Will bring for September meeting and will continue to evaluate TCB services. Hunt shared concerns about Tri-Counties' safeguards. While we may want to stay local, we need a bank that meets our needs. Further discussion in September.

- b. **Human Resources report** – Wittmeier shared that with prior board approval, the RF is transitioning its 403(b) plan, with the change effective July 1. The RF will be passing along \$80,000 in returns to employees due to reduced fees and will see improved technology.
- c. **One Solution update** – Bourne shared that the RF recently hired a Project Manager with very relevant expertise. Jim Forberg is a Chico State graduate, a former AS employee, and for years worked directly with Bitech/Sungard. He has implemented One Solution for other clients. He starts full time mid-June with a 15-month term position. A more detailed update on software will be brought to the next meeting.
- d. **Reserves update** – Jamie Visinoni recently left Reserves to accept a position with PG&E. Dan Efseaff has been appointed Interim Reserves Manager. He was formerly with the City of Chico and Bourne worked with Efseaff at River Partners. The RF is currently recruiting the permanent position and is making great effort to include stakeholders in the process. This recruitment is an important piece of restoring relationships around reserves.

Hassenzahl committee update, will start back up when new manager starts.

6. **Closed session** – moved into closed session at 3:20

7. **Adjournment** – 3:40

Respectfully submitted,



Jessica Bourne, Secretary

