

# THE CSU, CHICO RESEARCH FOUNDATION

California State University, Chico

## Minutes for the Board of Directors

Monday, September 25, 2017, 1:50 – 4:00 pm

Kendall 207/209

### MEMBERS PRESENT:

President, Gayle Hutchinson; Provost and Vice President for Academic Affairs, Debra Larson; Vice President for Business and Finance, Robbi Stivers; Interim Vice President for Student Affairs, Pedro Douglas; David Hassenzahl, Dean Member; Angela Trethewey, Dean Member; Russell Shapiro, Faculty Member; Eric Bartelink, Faculty Member; Dylan Gray, Student Member

**MEMBERS ABSENT:** Ahmad Boura, Vice President for Advancement

### ALSO PRESENT:

Jessica Bourne, Russell Wittmeier, Richard Tafalla, Dan Ripke, Michael Suplita, John Unruh, Jim Forberg, Sandy Sherman, Jody Strong, Bobby Lacour, Amanda Bullock, Judy Hennessey, Bob Kittredge, Eddie Vela, Kristin Gruneisen, Jason Schwenkler, Pam Hollis, Stephen Cummins, Kevin Hansen, Gloria Quintero, Jennifer Morgan, Jed Wyrick, Betsy Boyd.

1. **CALL TO ORDER** – Larson called the meeting to order at 2:04 PM and asked two individuals who joined the gallery during the annual meeting to introduce themselves.
2. **PUBLIC COMMENTS** – Shapiro asked that business items a. and b. be switched as he needs to step out and would like to review his topic beforehand. Larson recognized that there will be a closed session after the meeting for Board members in which she has four items to address. She then acknowledged some parking lot items; she is interested in having an RF and RESP employee retention analysis done, reviewing the financial reserve policies, and looking at our surplus policy.
3. **MINUTES** – May 15, 2017  
**Motion to approve the minutes of May 15, 2017**  
**(Gray/Trethewey)**  
  
**Motion carried (9/0/0)**
4. **PROVOST'S REPORT** –
  - a. **University and division 17/18 budget update** - Larson spoke about the University Budget Committee meetings and explained that Campus is currently discussing the budget for the next fiscal year. They plan to meet in November, March and April to continue this conversation. She noted how the budget allocation for CSU, Chico compares to other campuses and also to their allocation in fiscal years 2007-08 and 2011-12. She further explained that much of the funds received this year are already designated and how the remainder will be rolled out to the divisions.

5. **PRESIDENT'S REPORT** – Hutchinson would like to highlight that Campus is about mid-term and programs are fully running with fall enrollment at 17,823. She spoke about the historic amount of fundraising done last year totaling about \$14.8 million, which compares to about \$6 million in past years.

The campus is currently preparing for its WASC institutional report which is due in March and will influence our University's Strategic Priorities Process. This will be integrated with our Campus Master Planning Process and an architectural firm will be hired to assist.

A hiring committee is currently searching for a new VP for Student Affairs and Hutchinson hopes to have the new person in office beginning January 1, 2018.

Peter Taylor of the Board of Trustees will be making a campus visit on Monday, October 2<sup>nd</sup> which is significant because this is a rare occurrence. Hutchinson hopes to change this frequency.

6. **BUSINESS -**

- a. **Research and Sponsored Programs –**

- i. **F&A distribution models** - Tafalla explained that in the past, the F&A distributions were fixed amounts approved by the Board totaling \$350,000. At the last Board meeting, it was decided that this process should be revised. A group of individuals worked to make the process simple, data-driven, viable, and tied to actual costs and return to effort. For ease of implementation, the process has been divided into four phases. Tafalla reviewed the formula for calculating the F&A return and Bourne elaborated that the F&A return is limited to prevent the Faculty Incentive Reserve pool from dropping too low. Bourne continued on to show the Board what the F&A Return and Ending Faculty Incentive Reserve would have been in prior years had this new formula been applied. Trethewey asked for clarification on Working Capital and Capital Replacement Reserves. Bourne directed the Board to page 22 in the Board packet and explained that the Board Reserve Policy drives the general reserves breakdown. Working Capital is a percentage of administrative budget and the Capital Replacement is determined by the Board. Larson stated that a recommendation is being made to the Board to accept the revised F&A distribution policy. Hassenzahl commented that the data referenced in the slides makes assumptions from future phases and confirmed that the decisions for these have not been made as of yet. Bourne clarified that possible amendments to the Reserve Policy in the future would alter the numbers and that approaching this revision in phases allows for this discussion while also taking the first step towards implementation. Tafalla further explained that this model is designed to protect the Foundation while also giving back as much as possible to the institution. Trethewey commented that an important part of this model is what the role of the Faculty Incentive Reserve should be. Larson agreed and asked that the Board consider the proposal based on the current Board Reserve Policy while noting that discussion regarding phase two will be welcomed at the next meeting. Bourne clarified that if the Board agrees to the new model of using a formula for distribution that the wording would be adjusted to say "to be limited by the amount as defined for a faculty incentive reserve minimum in phase two." Hassenzahl moved to adopt the F&A revision

with the amendment. Stivers asked for clarification that this revision is being set up in a way that protects the Foundation and the University. Larson answered that this motion does not involve altering the Board Reserve Policy and recognized that further discussion about this, among other distribution questions, will be addressed in the future. Hassenzahl commented that the amount of money being held in the Faculty Incentive Reserve seems larger than necessary and Larson suggests that a more in depth discussion regarding the Board Reserves Policy take place at a later time. Hutchinson asked for more time to consider the proposal and Hassenzahl withdrew his motion. Larson agreed to table the item and address it at a special session before the next Board meeting along with the reserves policy.

**b. FY16-17 Financial Statements and Audit –**

- i. **Audit committee report** – Shapiro and several other individuals met with the auditors who reported no findings this year. There was discussion on prior year comments and current technical issues that can be fixed for future years. Shapiro recommended the approval of the audit.
- ii. **Auditor presentation** – Bobby Lacour from Aldrich Advisors reported that this year’s audit went significantly better than last year. The Research Foundation was given an unmodified opinion, which is the highest level of assurance that can be provided. There were no significant findings, however, there were significant deficiencies in the internal controls. Lacour reviewed the prior year comments and recognized that the RF has either resolved each matter or is making strides in that direction. There are two auditor recommendations this year. The first is related to accounts payable and the timing of the receipt of invoices that were not included in the financial statements for expenses that were incurred in FY16-17. The second is related to cash management in that there is more unearned revenue than cash in investments. Hassenzahl inquired as to the magnitude and recurrence of this comment. Lacour explained that the difference in question was about \$2 million and that it is fairly uncommon among other organizations. He noted that it may have existed in prior years but may have been overshadowed by other issues. Stivers added his acknowledgement of the issue and his assurance that it will be resolved. Lacour continued to explain that the financial statements contain areas where estimates are used; investments and post-employment benefits. Stivers asked about the “high risk auditee” status and Lacour explained that this status was given last year because the prior year reports were not filed timely. The status is effective for 2 fiscal years, 2015-16 and 2016-17, and Lacour sees no reason that it should continue in the future. This determination is made by the Federal Audit Clearing House based on a checklist that the auditor completes.

**Motion to approve the audit report  
(Stivers/Bartelink)**

**Motion carried (9/0/0)**

**c. FY17-18 Financial report –**

- i. **FY17-18 Financials through August 31, 2017 -**  
Bourne reviewed the RF General Fund reserves and noted that the College Park houses were sold to campus in July. The custodial balance decreased due to the funding of accrued vacation at June 30, 2017. It was noted that investment

earnings were estimated to be too high in FY2016-17 and that the estimate has been reduced for FY2017-18. The financials for FY2016-17 and the 2 month financials for FY2017-18 are in-line with budgeted amounts. Payroll changed from FY2016-17 to FY2017-18 due to employee turnover and a reorganization of positions. Budget to actual variances in the payments to CSU, Chico for facilities charges were a result of timing. Larson inquired whether the EO1000 changes may change the facilities fees; Stephen Cummins in the gallery responded that he did not believe there would be a big impact. Bourne clarified that the facility fees result from an MOU between RESP and Business and Finance. The RF is working to fully fund the operations of 25/35 Main Street which had been negative. A future item for the board will be the facility deferred maintenance report which recommends \$7M in repairs and maintenance over the next 10 years. Property was reviewed and the RF is working more closely with campus to align occupancy of 25/35 Main with the priorities of campus. The balance sheet and income statement at August 31, 2017 were reviewed. Bourne highlighted Lacour's comments regarding the cash position of the Foundation. She shared that she and Richard Tafalla are looking at cash and exploring ways to improve the RF's cash position. Hutchinson asked about grant timing and if we arrange any financial obligation with colleges for advanced funding "at risk account" or "guarantee." Bourne shared that those guarantees are not reflected in accounting. Bourne added that the cash challenge is inherent to the work we are doing as the Foundation bills in arrears. The goal is to review any opportunities for improvement and to explore opportunities for improvements in billing. Having excess unbilled amounts or receivables may limit the ability of the Board to make decisions regarding the use of unrestricted funds for other purposes. Larson added that the FIC can review this matter.

- ii. **Loan update-NSPR** - Bourne provided an update to the Board regarding the inter-fund loan that the RF made to NSPR and let them know that paperwork to formalize this is in process and that the NSPR balance seems to be purposefully improving. Going forward, the Foundation is being proactive and checking projects on a semi-monthly basis to monitor for negative balances so any potential issues are detected early.
  
- d. **Fringe rate negotiation, update and impact** – Bourne explained that \$271,286 of past vacation accruals have now been fully funded and future vacation accruals will be funded with each payroll cycle. This change in administration has placed a burden on many grants and contracts projects and Bourne asked the Board to consider alleviating this burden using surplus monies in the post-retirement benefits account. Larson requested that the projects be given a window of time to request supplemental funding so that the Board can make a more informed decision based on the total amount of deficiency before the next Board meeting.
  
- e. **One Solution update** – Forberg explained that the One Solution upgrade project is on schedule and on budget. He is making a strong effort to communicate with Campus individuals to acquire input and to address any questions or concerns.
  
- f. **Human Resources** –
  - i. **2018 Health benefit premiums** – Wittmeier explained that the RF employee

benefits for 2018 will experience a 7% increase which will be split between the employer and employee. Bourne added that the dental benefits were also enhanced by adding an alternate provider.

**Motion to approve the increase in premium rates  
(Hutchinson/Bartelink)**

**Motion carried (6/0/0)**

**g. GIC/CED Merger** – Larson informed the Board that a merger between the Geographical Information Center and the Center for Economic Development is in process and that Jason Schwenkler will be leading the new larger center.

**h. Reserves update -**

**i. Interim Ecological Reserves Manager** – Bourne talked about the search for a new Ecological Reserves Manager and hopes to make an offer to a candidate by the end of October.

**ii. Committee update** – The committee report has been put on hold while the Ecological Reserves Manager vacancy is being filled and is hoped to be presented to the Board at the December 11<sup>th</sup> meeting.

**i. Banking Services Proposal** – Bourne introduced an executive summary comparing the banking services proposals from four banks; JP Morgan Chase, Wells Fargo, Rabobank and US Bank. She noted that a disadvantage to severing the relationship will be losing the insurance that Tri Counties Bank offers on the full balance of the accounts. Unruh voiced his concern as Tri Counties Bank makes donations to the College of Agriculture. Bourne explained that the University Farm account is a separate account and can remain at Tri Counties Bank. Stivers moved to approve moving the RF payroll, operating and credit card accounts from Tri Counties Bank to JP Morgan Chase Bank, with the possibility of moving brokered certificates of deposit from Wells Fargo in the future. Hassenzahl seconds and the Board approves.

**Motion to approve moving the RF  
(Stivers/Bartelink)**

**Motion carried (9/0/0)**

7. **Closed session** – moved into closed session at 4:21.

8. **Adjournment** – 4:45

Respectfully submitted,



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Jessica Bourne, Secretary

