

THE CSU, CHICO RESEARCH FOUNDATION

California State University, Chico

Minutes for the Finance & Investment Committee

Monday, August 27, 2018 1:30 – 3:30 pm

Arts 228

Committee Members Present:

David Hassenzahl, Tod Kimmelshue, Bob Kittredge

Members Absent:

None

Other Board Members Present:

Debra Larson

Also Present:

Jessica Bourne, Amanda Bullock, Stacie Corona, Jeni Kitchell, Richard Tafalla, Michele Flowerdew, Jennifer Morgan, Russel Wittmeier, Jody Strong, Jenny Javor

1. **Call to Order** – Hassenzahl called the meeting to order at 1:33 pm and asked for introductions.
2. **Approval of minutes from May 17, 2018 – Action Item**

**Motion to approve the minutes from May 17, 2018
(Kittredge/Hassenzahl)
(3/0/0)**

3. **Public Comments** – None.

4. **Business Items**

- a. **Fiscal year 2017-18 Financial review** – Bourne shared that the 2017-18 financial audit is in progress and a draft of the financial statements will be given to the auditors today. Reviewing the draft, she highlights the increased balance in short-term investments resulting from the accumulation of funds waiting to be transferred to the University Foundation for investment. She notes the balance in interfund (receivables) payables in the RF general fund used to offset working capital for Sponsored Programs. She explained that accounts receivable represents funds due to the Research Foundation that were able to be invoiced before the July 26 fiscal year cut-off and unbilled revenue are funds that were not. Cost-reimbursable grants will have unbilled revenue by nature as soon as expenses are incurred, and contracts are reviewed periodically and invoiced. As of July 26, accounts receivable is current through the end of May. Kittredge asked how the timing can be improved. Bourne explained that her and Tafalla are committed to working on the subject and looking for solutions.

Bourne reviewed the Schedules of Revenue, Expenses, and Changes in Net Position and highlighted the increased balance in the Board Designated Fund because of the new Surplus Policy. Hassenzahl points out that revenue exceeds expenses and Bourne

confirms that the Research Foundation profited this fiscal year and added that the largest contributors are GIC and SAP. Kittredge asked if there are centers and projects that are unprofitable. Larson spoke about the diligent work that needs to be done to examine each center or project to identify inefficiencies.

Kittredge asked how the sale of the College Park houses affected the net income. Bourne offered to provide a schedule of transfers to show how the funds moved. She continued to review the RF general fund financials as of June 30, 2018. She highlights the operating activities net of \$655,466 which is important because this drives the F&A Policy. A significant amount of clean-up has been done in the RF general fund which will make the financials easier to reconcile in the future.

Hassenzahl suggests that the F&A distribution should only happen if the Research Foundation has surplus funds. Kitchell adds that the financials need to be presented to the campus community in a way that conveys a clear message. Kittredge asked who is responsible for making the decisions on the indirect rate of a grant and if there is a minimum dollar amount to be accepted by RESP. Tafalla explains that all grant proposals, including the indirect rates, come through his office and that he plans to present about this topic at the next Board meeting. He adds that Dean approval is required before the proposal is submitted to RESP and that there is currently no minimum.

Kittredge requested clarification on the facility fees portion of the CSU, Chico payments section. Bourne explained that this fee is imbedded in the indirect rate and gets paid to campus for the use of their facilities for research purposes. The payment is based on a calculation that will likely be altered once the new natural sciences building is completed.

Bourne shared that the 25/35 Main buildings will look negative after paying the principle payment and expensing the depreciation. She focuses more attention toward accumulating a separate reserve for future building maintenance and repairs that will need to be completed.

Kitchell commented on the \$1.1M balance in the professional development fund. Tafalla explained that roughly half of that is being distributed to SAP for the purchase of new equipment.

- b. Fringe benefits rate review** – Bourne explains that a fully-burdened fringe rate was made effective 7/1/2017, however, the original rate of 58.4% was overestimated. A request has been submitted to the Department of Health and Human Services to lower the rate to 50.13% effective 10/1/2018. The fringe rate is charged for full-time benefited employees, which is classified as any employee working 30 or more hours a week. This rate will need to be evaluated annually to ensure there isn't an overage or shortage.
- c. Health insurance, January 1 – December 31, 2019** – Wittmeier shared that to avoid any potential conflict of interest, the Board should make decisions about the health insurance for RF employees. As part of the Chancellor's directive, the Research Foundation is required to offer a benefit package comparable to the state. A change of vendor from Lincoln Financial to Principle is being suggested for the upcoming year.

Principle offers a self-funded option and will integrate with the Employee Navigator system that the Research Foundation utilizes for employee enrollment. Last year, the insurance rates were increased 7%; this year a 13.9% increase was offered but was negotiated down to 7%. This increase is split between the employer and employee based on the current premium percentages. The self-funded option allows the employer to utilize the insurance company for dental and vision claims processing, but the claims will be funded internally to avoid paying extra administrative costs. Initially, dental and vision will be fully insured with Principle, and historical evaluations can be completed to determine the cost-effectiveness of the self-funded option. Hassenzahl questioned the possibility of a catastrophic event draining the pool prematurely if the self-funded option was implemented. Wittmeier explained that any event of that magnitude would be covered by medical insurance, not dental or vision.

**Motion to recommend to the Board the Research Foundation 2019 benefits offering to employees with the consideration for alternative dental, vision and ancillary vendor/plan offering, and the employee/employer premiums for a 3-year term (Kimmelshue/Kittredge)
(3/0/0)**

- d. **Gateway Science Museum MOU** – Kittredge explained that there is an existing loan from the Research Foundation to the Gateway Science Museum in the amount of \$86,000. Hassenzahl would like to increase this loan to \$161,000 and extend the payment terms to December 2021. He shared that the new director, Adrienne McGraw, was hired in December, and as a seasoned museum professional, he believes she will be able to make the museum profitable. He plans to monitor the situation closely to avoid museum failure, however, the College of Natural Sciences will fund the loan should it default. He expresses confidence in Adrienne’s business plan and will ask her to present it to the Board at the September 10th meeting.

**Motion to recommend to the Board amending the existing MOU to the Gateway Science Museum to increase the amount to \$161,000 and extend the payment terms to December 2021.
(Hassenzahl/Kimmelshue)
(3/0/0)**

- e. **Local Agency Investment Fund (LAIF) signers** – Bourne explained that the Research Foundation needs to update the authorized signers on the LAIF account to add the interim Treasurer, Stacie Corona, to ensure redundancies in access to the funds.

**Motion to recommend to the Board the update to the Research Foundation LAIF signers.
(Kittredge/Kimmelshue)
(3/0/0)**

5. **Announcements** – None.

6. **Adjournment - 3:02 PM**

Respectfully submitted,



Jessica Bourne