MEMBERS PRESENT:
President, Paul Zingg; Interim Provost, Susan Elrod; VP Student Affairs, Drew Calandrella; VP Business & Finance, Lorraine Hoffman; VP University Advancement, Ahmad Boura; Faculty Member, Erik Bartelink; Faculty Member, Russell Shapiro; Community Member, Dan Hunt; Community Member, Mike Wiltermood; Student Representative, Crystal Vasquez

ALSO PRESENT: Research Foundation staff Catherine Thoma, Jessica Bourne, Tyler Donnelley, Michele Flowerdew, Kevin Kelley, John Miner, Russell Wittmeier, and Kathy Kinsey

1. Call to Order – At 1:35 p.m. by Elrod. This is Elrod’s last meeting as the chair of the board of directors and vice president of academic affairs. Starting April 15, she will be the provost and executive vice chancellor at the University of Wisconsin, Whitewater.

2. Public Comments – No public comments.

3. Approval of the Minutes – Elrod asked for a motion to approve minutes from the December 14, 2015 board meeting. Motion was made and seconded.
Move to approve the December 14, 2015 meeting minutes (Shapiro/Calandrella)
Motion carried (10-0-0)

4. President’s Report
Zingg: Gayle Hutchinson was announced as the new president of Chico State. She is returning to the campus from her provost position at Cal State Channel Islands. Hutchinson was previously involved at Chico State for 20 years in various positions including the dean of the College of Behavioral and Social Sciences. There are two things someone who has never been president needs to learn quickly: they are now the champion for the university, and everybody looks to the president to be their champion and their spokesperson; you are automatically the voice and face for the campus for every external constituency imaginable, whether that’s local or beyond.

There is about a $100 million gap – including the 5 percent general salary increase and the 2.65 percent step for about 40 percent of faculty - between what trustees have requested and what the governor is prepared to commit following the release of the governor’s preliminary budget. This happened last year, and the gap had closed by the time the final budget was released. Trustees, presidents, faculty, students, and alumni convinced the legislature and the governor to provide the CSU with its full funding request, and can hopefully positively influence this year’s budget as well. A big part of the budget is the salary gap between what the CSU/trustees have offered the faculty collective bargaining unit, and there is some spill over because a couple other collective bargaining units have within their contracts a me-too clause. This basically means that if the faculty unit gets more then “me too” for the other units. They’re guaranteed they will get exactly what is
offered to the faculty and the total of both unit 3 as well as these other units who have the me-too clauses also roughly about $100 million. The fact finders – one chosen by the CFA, one chosen by the CSU, and a neutral person – agreed that faculty are underpaid by a number of measures, and the 5 percent increase the CFA is seeking is reasonable. They also agreed with the CSU that there is no undedicated funding sitting around right now to close the gap. The CSU is not prepared to take the recommendation of the fact-finding panel to close the gap with money put aside for other uses. For one, money used for student success, maintenance, and technology would need to be found elsewhere if you remove it to close the gap. In addition, the CSU/board of trustees argue it is irresponsible to commit to something unless the funding is already identified. The CSU is likely heading toward a system-wide strike mid-April, although there are still ways to reconcile the gap.

The physical sciences building is now number one on the priority list identified by the CSU for major capital projects. Chico State has a reputation for bringing major projects in on time or on budget. The school also has the will and flexibility to devote some of our reserve funds coming out of all divisions to front load some of the costs to expedite the project. In addition to the Academic Affairs funds, about $2.5 million was identified for the reserves in both business and finance and in student affairs.

5. Provost’s Report
   Elrod: Mike Ward has been named the new interim provost. He has previously held multiple administrative positions on the Chico State campus. He will start Monday, April 4.

6. Business
   a. Financial Report
      1. Financials
      Bourne presented the first interim mid-year comprehensive balance sheet income statement. Flowerdew and Bourne are working on pulling this information directly from the financial system. They’re also working toward comparative financial statements.

      Hoffman pointed out the “Outstanding Professor’s Awards” line item. She is unsure why this funding is coming from the RF board, and it has not been an adequate funding amount so the president’s office has been back filling. Hoffman would like to work with Ward to identify the funds in the provost’s account to pay for these academic faculty awards. Elrod said there are funds available and she is confident they will be able to identify an appropriate source of funding within the office of the provost.

      The cash and investments to the RF are over $15 million held at Tri-Counties bank. Some investments are in the common fund, and some are quasi-endowments, which is unusual. $742,000 stood out in net accounts and other receivables in the general fund. This mostly represents transactions between the RF and UF as we provide payroll for the UF and they pay the RF back. The UF holds all philanthropic dollars, so departments and groups transfer money into the RF to cover operating expenses and then there is significant intercompany activity.

      There is $23 million in the unbilled grants and contracts line for the Research and Sponsored Programs balance sheet. There’s an offsetting liability in unearned grants and contracts, so those accounts are really used by RESP to manage what is open and active. At year-end those amounts get netted out, so on the official financial statements audited and published, those are going to
net to a very small amount. RESP’s revenue couldn’t be seen before because in that fund, no revenue has ever been booked. Expenses and revenues do not close to equity every year. And expenses within the RF database are double booked to the tune of $27-30 million each year. To run these numbers, a huge box of data has to be avoided that includes $27-30 million in expense.

There are two large liabilities in the general fund: grant caustus allowance of $445,000, which has historically been high and overstated; accrued expenses that relate to RF’s post-retirement health benefit reserve, which us a sort of bridge to Medicare and has also been overstated. Currently our goal for overstated liabilities is to move it into other liability. Also, the RF has over $300,000 in unfunded vacation benefits. Most organizations would hold the money off to the side for their employees with hours stored for vacation so it would be accrued for them to take. Employees on RESP project ranges do not have that. They have to plan sick, vacation, or anytime off around what grant they’re able to charge at that time. The foundation should be prepared for the federal government to make it required that we fund that vacation as they have tried with their last change with the OMB Omni circular that came out Dec. 27, 2015.

Last year’s grants and contracts revenue was $27 million, and the year’s not quite at halfway in this number for the fiscal year. It usually picks up toward the end of the year.

The administrative office doesn’t technically manage all of the budgets for the operating account in the general fund aside from verifying here are no negative projects, and it’s showing a negative $200,000 as of December 31. $7.2 million of that $10 million on the top line of the fund balance is held in net property less notes payable the bond on 25 and 35 Main. When the board considers liquid available fund balance, it’s more like $3 mill. The administrative office doesn’t really have discretion over the ability to provide comparative financial statements for the board designated funds, auxiliary activities, University Farm, UPE, campus programs, and all sponsored activities by campus.

There are a lot of timing differences for the budget for the RF administrative office. There are a lot of cost allocations in the RF office and in the RESP cost center. There is a negative $200,000, but it’s important to see where that will end up at June 30 because that’s really what needs to be looked at, and it could be estimated between negative $40-60,000. The budget had been approved at zero but it had been discussed that there was a great likelihood that it would not meet zero. The largest contributors to not making zero would be the cost of 25/35 Main and the cost allocations for the building. When the College Park houses get transferred back to campus, there will be a significant depreciation recapture. That’s what’s going to create a gain that’s sufficient enough to cover what the incentive and capacity allocations had been for the fiscal year.

45 percent is realized for indirect recovery of the RESP budget. December typically does not get to 50 percent because June is such a big month for billing and to recover those costs.

Payroll taxes and benefits are at 37 percent because benefits projections can change depending on the length of service. Salaries will be much higher and benefits will be much lower when we see how the numbers compare to the last six months, and as a whole potentially still under budget because right now we’re only at 40. This could be because of staffing changes.
25 Main, 35 Main, and Eagle Lake Field Station continue to be a negative for the foundation. On the balance sheet Eagle Lake owes and it’s actually within the same fund. One project owes another project, so that negative takes into consideration the property purchase and the loan’s not currently being paid back to buy the property. And with College Park, we’re looking to transfer those properties back to campus and realize that depreciation.

2. Software update
Thoma said she will have a contract by Friday. Software that tracks time and attendance is also needed, so they’re entering an agreement with ExecuTime and SunGard that will come as one contract. The time and attendance portion will be sped up as paper timesheets are still being used.

3. Request For Proposal – Auditor – Audit Committee
Shapiro explained that an RFP went out for a new audit service to take over from K-Coe Isom. Of six firms, only AKT responded with a three-year audit and tax proposal that seemed feasible. The separate audits were broken up in the RFP, and NSPR’s was still quite high even after Thoma asked if the cost could be reduced. Calandrella suggested that while they can’t do a whole new RFP, there is still potential for AKT to do a subcontract with a local firm at a much lower cost for just NSPR. However, if NSPR can’t cover the costs, the foundation does. Hoffman suggested Steven Cummins and Beth Lamberson be invited to the next board meeting, and Thoma agreed it would be good timing as that will be a budget meeting. Hoffman made a motion to accept the recommendation from the audit committee with an addendum to the recommendation that allowed the director of the RF to negotiate on behalf of NSPR with AKT for a lower rate.

Move to accept the recommendation from the audit committee (Hoffman/Shapiro)
Motion carried (10-0-0)

4. Chancellor’s Office Audit update
The audit is still in draft form, and the next draft with verbiage updates needed to be received and approved. There were 15 RF findings — two belonging to the farm and two for NSPR with only one repeated from the previous audit, but there were no surprises. The findings are things that were already known, and most of it has to do with internal controls. There is a plan in place to systematically take care of the findings. There’s been some headway in changing that and procedures in the foundation’s policy. Once the final version is received, there is six months to correct and implement.

b. Human Resources
Wittmeier gave out a written report on the third quarter highlights and items in progress. He explained the foundation is taking the recommendation of the chancellor’s audit for new hires. The foundation will also be mirroring the stateside’s system and will be working through the same company.

c. Reserve update
1. BCCER
Thoma explained that Visinoni has done a really good job of reporting usage, which is something that wasn’t done accurately in the past. The number of research activities, university classes, and local community use is up. Elrod said it would be nice if grants and contract specifically used at the reserve could be tracked as well as a money amount. The number of faculty and students working on the projects would be good too. In the end, it’s about grants and contracts and fostering that
level of research productivity and engagement with faculty and students and how the reserve is helping to do that.

Hoffman thanked Enloe Hospital for their new FlightCare with the BCCER. Thoma explained that before, FlightCare would have to fly over three times before they could land to pick someone up. Visinoni worked with FlightCare to identify three landing zones and a common map. Thoma explained that Butte County's Sheriff's Office also flies over to make sure everybody knows where they're going.

The water tanks on the reserve are full after two storms.

In regard to turkey hunting season, Thoma explained that Visinoni is checking with the deans and chairs of departments to see if there was any pushback about not being allowed on the reserve during hunt days. Visinoni has not heard back. She recently sent out hunt dates for the fall and asked if they impede with plans.

The bats are still sleeping at the Henning House.

2. Eagle Lake Field Station:
   Thoma reached out to a construction company about how much it's going to cost to go to Eagle Lake and do an assessment. She's still waiting on the estimate, but it's probably going to cost at least $1,000 just for them to go up, look, and do a report. No more money is going to be spent on Eagle Lake until they know what it's going to take.

   Elrod suggested the board make a timeline for Dave Hassenzahl, the dean of natural sciences, and other deans to develop a plan. It may be a more detailed conversation for a future meeting with a presentation of what's happening with the facility, what the conditions are, the research opportunities, programming, existing debt, and a preliminary plan. Hassenzahl said there have been conversations with faculty at Chico State, the University of Utah and Davis, and a few other places about using the property and putting together a budget. Programs can be run up there, but there aren't really any sources for doing major renovations, and it would be too much to charge students. Hoffman expressed concern for the risk and liability given the progression of disrepair. She explained it may be a possibility to transfer the property back to BLM so a certain number of days could be retained for students and a faculty to conduct research, but the funding for repair would not be a problem.

   Elrod said it would be good to track the grants and contract affiliated with Eagle Lake as well as a report on the bat monitoring as bats are one of the problems up there. She suggested that one or more of the buildings be turned over to the bats.

   Elrod said that whatever plan is developed, it should be widely shopped around campus so everyone is aware of what is happening and the financial commitment, especially if state funds end up being contributed.

d. Research and Sponsored Programs
   1. Research update
Kelley said there is a new assistant of vice chancellor for research, Dr. Ganesh Raman, so the CSU system will be changing. There is a new webpage developed, and it’s now the internal research grant portal. This year Chico is being funded about 22 slots for RISCA awards in the RISCA grant system.

The system’s reporting function is not easy to use, and a different kind of software format is needed to be looked into. Kuali is one to consider.

Last year, there were 348 proposals as this time, while this year there are 280 plus. The amount proposed is close to last year in the third quarter. The average F&A rate proposed has gone up this year. The three colleges with the largest amount of proposals are the College of Natural Sciences, CME, and BSS. There’s a change in some of these programs that generate full F&A. Last year there were 11 at the end of the year and that proposed $2.25 million at 43 percent with 10 from NSC and one from HFA. This year at the third quarter there are 10 at $3.8 million, so that’s increased at full F&A, and there is a spread of different colleges. The National Institutes of Health is a sub straight that Chico State has not fully taken advantage of. There are great programs we have to get our eligibility for. We’re up in the requested amount for USDA, and there is average F&A there because of variations between programs. For RESP, a healthy portfolio is most important. A university doesn’t have to just go after the high F&A proposal. RESP’s portfolio right now is 17.2 percent, which is higher than last year’s.

The California Department of Social Services has finally taken away its 0 percent F&A rate to at least offer 10 percent. There’s been negotiations between the UC and the CSU, and the Department of General Services and the two university systems have agreed to hold the line on F&A to 25 percent and that will grow over the next three years to a 40 percent cap.

The total revenue last year was $3,112,000. That represents about 75-80 percent of the total revenue to the RF as a whole, so that’s a projected net indirect income of $2,750,000. Then there are services income and administrative fees and other sources of income. The state provides $66,000 for the lease. Hoffman said there should be an additional $60,000. The $66,965 is the state and contribution of all the RESP staff whether they’re state or non-state funded. It was to acknowledge the good work that RESP does for the campus. The $60,000 is to support some of the other programs that are in 25/35 Main St. Kelley said he would add it.

RESP total expenses if you look at the financials is $2,644,229 so that leaves a balance of $105,000 and services income brings another $363,000, so there’s about $468,000 minus $400,000 goes to capacity and incentive programs. So in essence $68,000 is remaining. The salaries and wages – payroll – is the largest portion of the budget for RESP. That coupled with other expenses, from RESP’s perspective, it’s at lower than half of the income to the program. Hoffman said that campus facilities fees are not paid to business and finance. It is transferred into an RF account called “art funding.” This year because of the SAP funding that went from 30 percent to 44 percent based on the federal indirect cost recovery rate, it went from essentially $240,000 last year to this $367,000. Campus administration along with the deans and UBC have seen this money, and it is available to everybody on campus.

Kelley said it’s important to understand what RESP wants to do as a campus. They are very constrained right now and there’s not enough money in the budget to hire someone. He would
like to have a discussion about this. Elrod said Kelley raised important points and talking discussion issues, and now those conversations need to be had.

2. Facilities & Administration rate proposal update
Kelley said at this point, they are at a rate of 42.47 percent, and an on campus rate of 19.38 percent. Hopefully the 42 percent will be honored by the people who review these applications at the feds. They may end up with something at 42 percent, and the off-campus rate will be lower. We’re currently at 22 percent.

7. **Other Business**
   There was no other business to address.

8. Closed Session – Elrod stated they would now be moving to the posted closed session and that only board members would remain.

   Report on closed session – The result of the executive session was to discuss pending litigation and personnel matters per the California Education Code Section 89923.

9. Adjournment – The meeting adjourned at 3:30 p.m.

   Respectfully submitted,

   [Signature]

   Catherine Thoma, Secretary