The CSU, Chico Research Foundation
California State University, Chico

Minutes for the Board of Directors Meeting
Monday, March 27, 2017, 1:30 – 3:30 pm
BMU – Room 203

MEMBERS PRESENT:
President, Gayle E. Hutchinson; Former Interim Provost/VP Academic Affairs, Michael Ward; VP Student Affairs, Drew Calandrella; Interim VP Business & Finance, James Hyatt; VP Advancement, Ahmad Boura; David Hassenzahl, Dean Member; Eric Bartelink, Faculty Member; Russell Shapiro, Faculty Member; David McCallen, Community Member.

ALSO PRESENT: Jessica Bourne, Russell Wittmeier, Jamie Visinoni, Kevin Hansen, Kevin Kelley, Michele Flowerdew, Sandra Shereman, Betsy Boyd, Jason Schwenkler, Timothy Sistrunk, Michael Schilling, Kristin Gruneisen, Eddie Vela, John Unruh, Judy Hennessey, Gloria Quintero.

1. Call to Order – At 1:35 p.m. by Mike Ward. Provost Deb Larson was unable to attend; as the former Interim Provost, Ward chaired this meeting. Ward asked everyone at the Board table to introduce themselves to the gallery. Ward asked the Deans seated in the gallery to introduce themselves to the audience to share with others that they are welcome to the RF board meetings.

2. Public Comments – Tim Sistrunk, Academic Senate Secretary, wanted to alert the board that there had been faculty concerns that KCHO’s news coverage and programming seems to have gone quiet. People are unclear and the station seems to be in stress. Shapiro and Ward had not heard those concerns. The matter was discussed at a meeting of Academic Senate. Bourne expressed that there had been recent changes in station leadership and that Stephen Cummins could best to respond to concerns. Boyd added that there was concern over stability of radio station and over the license. She expressed that there was interest to align station programming with curriculum. President Hutchinson suggested that a summary of questions from the Academic Senate meeting be responded to. Boura added that he and Stephen Cummins would be delighted to respond to questions. McCallen asked to clarify the station’s relationship with the RF. Boura explained that the license holder of the station is the RF, with the AVP signing as licensee. The organizational structure of the station lies within the RF, and is funded from all areas of campus – state, philanthropic, and grants and contracts. Boura added that the NSPR financial statements reflect the station’s comprehensive funding and are publicly available. Kelley expressed the need to clarify who holds license. McCallen asked if there was commitment of overhead funds from the RF to NSPR. Kelley responded that the station’s grant activity does not generate incentive funds returned to the station. Boura added that the station has struggled financially, with the RF helping to fund operations; a plan is in place for the station to repay the RF. Ward asked that at the next meeting a summary of the accounting for KCHO be provided to clarify the debt structure. Boura described that the finances and support for the station are a combination of grants and private support. Boura will work with Stephen Cummins and Bourne to bring back information.

Betsey Boyd commended Kevin Kelley for his service as the Interim AVP, as the search for a permanent AVP is concluding.
3. **Approval of the Minutes** – Ward asked for a motion to approve the minutes from the December 12, 2016 Board meeting. No changes were noted. Motion was made and seconded.

   **Move to approve the December 12, 2016 Regular Meeting minutes** (Hutchinson/Boura)

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

4. **Approval of the Minutes** – Ward asked for a motion to approve the minutes from the January 23, 2017 Special Board meeting. No changes were noted. Motion was made and seconded.

   **Move to approve the January 23, 2017 Special Meeting minutes** (Hutchinson/Bartelink)

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

5. **Provost’s Report** – Ward noted that Provost Larson had recently joined the University and was working to become familiar with CSU, Chico. To help understand the relationships between campus, the RF, and RESP, Ward created a chart to illustrate the structure. McCallen asked for the chart to be shared.

6. **President’s Report** – Hutchinson noted that her 100 day listening tour concluded; a report has been issued and is also available online. She added that the University has secured a permanent Vice President for Business and Finance, Robbi Stivers from the University of Tennessee, who will be starting May 1. Stivers will have the opportunity to work with Interim VPBF, Jim Hyatt. The search for the Associate Vice President for Research is also coming to a close. The Provost is currently making an offer. Over the last 10 months, key leadership positions have been secured.

7. **Business**
   a. **OneSolution software update**

      Bourne reviewed the information included in the board packet regarding the history and current status of upgrading to OneSolution. A final draft of the contract is circulating amongst the Implementation Team, which includes representation for all stakeholders who will use the software. Bourne reviewed changes in the costs since the Fall of 2016 and added that efforts to contract for the software upgrade have continued for approximately seven years. Mike Schilling was added to the team as Executive Project Manager in the Fall of 2016 and was key in right-sizing the project for success. Bourne added that there were several items included in the contract as “billed as incurred”. The contract is for five years, one year for initial capital outlay and continued maintenance and hosting. She commented that Sungard has been purchased twice recently. Hutchinson asked for clarification of access fees; Bourne responded that those costs were for cloud hosting. Hutchinson asked if those costs were based on space. Bourne responded that it was the cost to maintain the RF data at Sungard data centers, including servers and hardware. Hutchinson asked why it is on-going and whether these costs will increase. Schilling added that the costs have to do with the life cycle of maintaining the data. Hutchinson expressed our need to be able to plan for projected increases. Schilling added that since we are moving from a premise to a cloud model, we have entered into this five-year contract to include those costs.

      McCallen noted that there are often big learning and transition curves with workflow and that there can be hidden or additional costs from the budget. He asked if there was an alpha version of the budget for the upgrade. Bourne responded that workflow is included as a line item for consulting. McCallen asked if the budget for transition included staff time; Bourne responded no, and McCallen expressed that would be wise to think about. Bourne commented that there has been consideration that this project will significantly impact internal capacity. McCallen noted that last year’s financial review included issues regarding workflow challenges and signature authority. McCallen asked if the
software upgrade and workflow issues will be addressed simultaneously. Bourne responded that
signature approvals built into the system workflow will help. McCallen emphasized to not
underestimate costs. Kelley added that accurate reporting for G&C is critical for RESP staff and PIs.
Kelley expressed concern that inaccurate reporting would be difficult for RESP, and that it is 85% of
the RF. There are unknowns with the conversion that generate concerns. Ward added that this
transition would be significant. McCallen added that Livermore experienced challenges in their
transitions, having difficulty in feeding data between systems. Boura added that it would be naïve
to assume that a new software package will improve work immediately; training will take time and costs
need to be planned, but the damage of not implementing new software is much greater. Schilling
acknowledged Bourne for excellent work in negotiating this software agreement that had previously
failed in contract negotiations. He added that a Project Manager will be approved and will support
the RF in rolling out this project. Schilling described that what he and Bourne inherited was a stand-
alone solution with no connectivity to campus. He noted that costs have been added to create an
opportunity to integrate the RF system fully with the campus data warehouse for improved reporting.
This will be the first time campus will have common reporting between the RF and campus. The sign-
on process was previously planned to be separate, but will now integrate with campus. Shapiro asked
for clarification of how the contingency was developed. Bourne explained that it was based on a
percentage, only to be used if the RF exhausted the planned budget. She added that with the
expertise of campus, the budget had been modified appropriately. Schilling and Bourne started with a
project budget that was a good shell, but it would not necessarily deliver the project successfully.
Bourne will report back regularly to the board, campus, and RESP, and will plan regular meetings to
address potential unknowns. She added that this project is an upgrade rather than full conversion
and the RF does not currently maximize the use of the database.

Boura asked Bourne to clarify how old the software is and why it was not upgraded previously.
Bourne responded that the RF version is from 2006; in 2009 there was a big leap in the software that
would have required some capital outlay. The AS/RF had always paid maintenance which also paid for
the most current version, but in 2009 the decision was made to not pay for the capital outlay needed
to be on the most current version. McCallen asked if project PIs would have access to validate their
numbers. Bourne responded that the goal of the reporting is for the RF to map to campus coding so
that information can be reported together. She added that this will be an exciting change, where
multiple pots of funding will all be reported together. Shapiro asked if this will replace cdd.net and
Bourne responded that it will. Shapiro asked how much of the projected costs are paid to campus for
the participation of campus IT in this project. Schilling clarified that the RF contributes to the
enterprise budget and it is funding work with other recharge mechanisms. Shapiro confirmed that
there will be no additional costs from campus, and Schilling responded that the only increases will be
inflationary costs associated with the enterprise budget.

Bourne noted that the timeline includes a March 2018 completion.

b. FY16-17 Financial reporting
Bourne reviewed the FY16-17 financial reporting. She explained that on the Statement of Net
Position, the board sees the details of the operating and plant and bond fund. Other funds within the
RF have not been presented to the board in detail. She highlighted the cash and investment balances,
and emphasized the area of net position. This area illustrates how the board has reserved net
position for specific purposes. Bourne expressed the importance of discussing reserve balances and
the policy which determines those amounts; the RF’s reserve policy was last updated in 2001.
Included as reserves are faculty incentive funding, capital replacement funding (which is likely insufficient given the state of 25/35 Main Street) and funds reserved as working capital. Kelley noted the balance of the faculty incentive reserves, and expressed that those funds should be put forth to incentivize faculty. Kelley noted that some reserves are okay, but the balance seems high. Ward agreed and would like to see this funding spent. Bourne added that the upcoming May board meeting would be the budget meeting, where allocations have historically been discussed. It appeared to Bourne that the accumulated balance is a product of the crash in 07/08.

Hassenzahl requested that deferred revenue be clarified. Bourne responded that these are typically grant funds received in advance and not yet spent on their designated purpose. Bourne continued that the RF was progressing toward recognizing revenue throughout the year. Some remaining adjustments need to be recorded. Flowerdew clarified that for funds up front and rate card agreements, revenue would be adjusted. Bourne stated that the RF will be closing fiscal year 2017 with its accounting in accordance with GAAP (generally accepted accounting principles). Kelley asked what was included in service agreement sales for RESP, to which Bourne deferred to Flowerdew. Flowerdew was unclear on what was included. Kelley added that sales is an interesting term for the grants and contracts managed. Bourne noted that the current loss reflected in the financials will be adjusted with RESP revenue corrections. She highlighted interfund transfers, which include funds for incentives, board designations, and indirect costs. McCallen asked who has authority over those transfers, to which Bourne responded that it depends on the account. The board ultimately has oversight and approves annual funding for incentives and surplus transfers that are governed by board policy. Other transfers do not come to the board.

Bourne reviewed the operating and plant and bond fund detail. Some activities previously included in the operating fund seemed unusual or inconsistent. Projects management which included leasing Nettleton stadium to the Chico Heat had been shown as general operating funds, but since the funds have a specific purpose, the activity was moved to campus programs. Included in transfers are net asset transfers to fund prior years’ spending. Bourne expressed that this topic is confusing and that it has been confusing how the information has been historically captured and reported. To correct net assets, the RF transferred $2.8M from general reserves to sponsored programs faculty incentive reserves and to fund prior spending for 25/35 Main. Spending for 25/35 Main, including debt service and operating expenses resulted in a negative cash balance for property of $1.8M. Moving forward, cost allocations will be prepared to fund the building costs. Completing these transfers creates a clearer picture of the true general reserves of the RF.

Boura asked for clarification on the transfer to 25/35 Main. Bourne clarified that the transfer covered past expenses. Kelley asked how far back these transactions occurred. Bourne commented that the building was purchased around 2001, and the negative balance was cumulative. In the past ARD funds had helped pay debt service for the buildings, but stopped in recent years. Kelley asked if the board had expected occupants to pay rent or cover their costs. Bourne responded yes, that in prior minutes, it was recorded that the intent was to recover costs from occupants. Bourne commented that the current cash held for 25/35 Main is approximately $11,000 for needed improvements. Cash accounts for the College Park houses are currently negative, but the RF is selling the properties to campus by end of FY17 and the cash will be recovered. Boura asked how the $1.8M transfer to property had been calculated and what it covers. Bourne described that the transfer was based on the negative cash balance at the beginning of FY17. Historical transactions included not only expenses
for operating the buildings, but payments out for debt service as well as payments in from previous ARD funding.

Bourne noted that the RF Admin office activity is currently negative but is expected to be cost reimbursable. RESP’s activity consistently reports as positive since all indirect cost recovery is recorded to RESP. Flowerdew noted that indirect cost recovery is $30,000 short of what was projected for this time of year but anticipates being on budget for year end. McCallen asked what cost accounting standards the Foundation is held to and how do we know our cost allocations are acceptable. Bourne responded that the largest driver is omni-circular guidance. Grants and contracts standards apply to entire foundation. The RF is a 501(c)(3), but prepared governmental financial statements; the RF is subject to the CA Education code in addition to the internal revenue code. Bourne asked if there were areas of specific concern, and McCallen responded that specific agencies like the DOE have flow-down requirements of cost allocations. Bourne clarified that areas of the RF scrutinized by funders are not subject to many allocations. For grants and contracts, medical costs are allocated and in the future the RF will negotiate a fringe rate with the Department of Health and Human Services.

c. RESP update
Kelley provided an overview of grant and contract activity at the end of quarter three. 290 proposals had been submitted at the end of the quarter as compared to 279 for the same time last year. The total of this year’s proposals of $39.7M is lower than last year due to a $16M agreement last year for restoration of the Sacramento River. There has been a slight uptick in activity, but activity is similar to last year. The average F&A on proposals of 15.9%, also comparable to last year. Hassenzahl asked for clarification on how a grant funded by multiple colleges is categorized. Kelley responded that a multiple college agreement is tracked in the college of the lead PI. Kelley is seeing increased collaboration between colleges. Kelley noted that the College of Natural Sciences has 10 more agreements than last year and that ECC has seen increased activity due to Ricardo Jaquez encouraging research. Kelley highlighted NSF totals of 13 applications totaling $9M with average F&A of 35.1%, which is less than our approved rate of 41.5%. He explained the difference, with F&A being limited by funders and that subcontracts are limited to F&A on the first $25,000.

Kelley reviewed the annual faculty incentive calculation. Recent year’s board allocations of $300,000 includes $220,000 which is distributed as incentives and is calculated based on indirect generated. Most universities calculate based on a straight percentage, so our approach is not a common way to distribute funds. Hassenzahl clarified that if the College of Natural Sciences increased its total number of grants, it would actually reduce the amount of incentive returned because the pool of funding is limited. Ward asked if the numbers presented had already been allocated. Kelley responded yes to both. Kelley added that the portfolio of CSU, Chico does not generate full F&A. McCallen expressed that he was confused by how the numbers were generated. Kelley described that the incentive amount is based on the F&A generated for that year relative to all other activity. Ward expressed that he would like to see a board recommendation that the faculty incentive reserve be used to augment the $220,000. McCallen asked if incentive funds are under the Deans’ discretion. Kelley responded yes, that colleges have internal grant programs. Hyatt requested the detailed calculation. Boura clarified that how the calculation works is the higher the F&A earned, the larger the incentive returned. Kelley responded yes, but the pool of $220,000 limits the total. McCallen noted that F&A earned is dependent on funding agency. Kelley added that at Long Beach, if 45% F&A is charged, the incentive return is 45% proportional to activity. McCallen asked why our calculation is not a straight
percentage and Kelley would like to see that happen. It is a good time to review this topic. Hutchinson asked for Kelley to provide the calculation to the board. Hyatt added that subcontractors receive F&A at their full negotiated rates. Hassenzahl asked for clarification – if an agreement includes subbing out 2/3 of a large contract, and F&A is applied to the 1st $25,000, is that enough funding to manage sub-awards? Kelley stated that some agreements can be challenging when there are many subcontracts. Hyatt added that usually direct costs are included in a grant to administer a program. Kelley stated that we are more conservative in our approach in following uniform guidance related to administrative fees. McCallen stated that there is an opportunity to have a simple, principle based approach in our incentive calculation. Hassenzahl offered that he, Kelley, and Bourne could review and bring something to the next meeting. Ward agreed that a subcommittee on this topic should be formed for the next meeting.

Kelley discussed research infrastructure and there is no CSU funding for instrumentation. Hyatt commented that, in the past, the UC received state support for instrumentation, but currently instrumentation is funded with donations. State funding for CSU instrumentation would need to be requested, but the CSU is not a big player in the research arena. Kelley sees that changing. Hyatt expressed that there is opportunity for a system-wide initiative and noted to Boura that this could also be funded by donors. Hyatt added that the Board of Trustees and Chancellor would request these funds; Hutchinson noted that the current focus is the graduation initiative. Hyatt added that this could be future funding. Hassenzahl has found that in the College of Natural Sciences, a process for making sure there is space for instrumentation is important; currently the college doesn't have a lot of the spaces needed. Kelley commented that the faculty incentive reserve could potentially be used to provide start-up funds. Hutchinson said these are important dreams, and that moving forward, this is exactly how we need to be thinking and planning.

Kelley discussed the RSCA funds from the Chancellor’s office of $101,000 to Chico from a total CO budget of $2.5M. Provost Larson and Interim Provost Ward wanted to see these funds go to grants. By adding some foundation funds, total RSCA funding increased to $176,000, allowing for approximately 30 awards of $6,000. These awards will enable faculty to buy out about 25% of their time. Opportunity for these awards has been announced across campus with a due date of April 15th. Submittals will be reviewed by the Internal Research Grants Committee to spend the money.

Kelley noted collaboration between Patrick Newell with the library and RESP. They are hosting Inspire 2017 at the library on April 20th, where work will be exhibited and there will be a celebration of research accomplishments of faculty.

d. 403(b) proposals
Wittmeier reviewed the proposals for the RF’s 403(b) plan. The goal is to provide an appropriate plan for employees both in terms of cost and performance. He provided background that the RF has been working with Cetera/Asset Management for investment selection and review, Mass Mutual for recordkeeping and investments, and Bidwell Consulting for plan changes and required filings. The administrators of the plan are the RF Executive Director and HR Director. The plan has 160 participants with approximately $11M in assets. The RF went out to bid due to the use of proprietary funds seeming to create a conflict of interest, where Mass Mutual was earning fees on fees. Also, the total cost of the plan seemed high. Proposals were received from Asset Management, Nick Spangler - a local broker, the LBL Group (who also administers the RF health benefits), and Guerdon Ely with Prudent Portfolios. Bourne noted that costs savings are mostly from employee funds. The RF directly
pays $8,000 to Bidwell Consulting annually. The proposal review was not only a question of cost, but considered the customer service provided by advisors, whether a proposal offered different investment types, and what the investments returned. She emphasized that the board is the fiduciary for the plan. As trustees/administrators, Bourne and Wittmeier review the plan two times per year, but ultimately decisions are made by the board. Ward clarified that this topic is a board action item. McCallen stated that the additional dimension of past performance had not been included in the board material, and that a higher fee may be okay if there is a higher rate of return. Bourne responded that those details are available. Boura would like to see the previous performance of 3, 7, and 10 years to make a decision and that as a board member, he needs to see that performance. Bourne can email that information to the board. Ward asked if the matter could be tabled until May, and Bourne responded that the goal would be to change at fiscal year so a decision would be needed soon. Boura clarified that the information is available, and that if it could be emailed, the board can respond via email. McCallen agreed that he would like to understand more details.

i. Vote for 403(b) plan via email – Ward asked for a motion to vote on the 403(b) plan via email. No changes were noted. Motion was made and seconded.

Move to approve an email vote of the 403(b) plan (Hassenzahl/Hutchinson)

Motion carried (9-0-0)

e. Alternative work week
Wittmeier mentioned the RF was exploring establishing an alternative work week schedule. Previously the schedule had not been formally established, so required paid overtime.

f. Reserves report
Hassenzahl commented that the report had been delayed due to time required to move the new science building forward. Progress has been made with continued fact finding. Costs of conducting existing activities have been evaluated. The hunt is a net cost, but should be self-funded. There may be changes in the future to the hunt program to allow it to break even. The academic programming receives continued funding from campus. Site management costs may be covered by fundraising in the future. Bourne and Visinoni are working to complete a responsibilities matrix, to clarify roles and responsibilities moving forward. The leader of TAC has been engaged to work on rules and procedures. The Reserves are seeing more activity now than ever before, but the activity comes ahead of its recognition. This highlights the need to work on public outreach and communication. The committee hopes to have a financial sustainability plan by the end of semester.

Visinoni informed the board of a match campaign inspired by a donation from Wes Dempsey for $35,000. A newsletter has been started and will continue. The match campaign ends at the end of April. Visinoni also informed the board that over 200 watershed restoration devices/check dams were installed on the BCCER. As the work was not properly permitted, it has been halted and the permitting process has started. There will be no required retroactive permits for state agencies, but the RF is working with the US Army Corps of Engineers to determine the needed outcome. If retroactive permits are required, the costs could be close to $75,000, including fines. Fines are not expected, but retroactive permitting will be a challenging effort. Ward asked if the limit of $75,000 would cover all 200 devices. Visinoni responded yes, and that as the RF has self-notified, the agencies have been receptive and positive. Roads have been closed on the reserves due to saturation. Drought stress also resulted in fallen trees. Usage for the properties continues to climb. Hassenzahl added that hunters driving into saturated areas last year compromised the roads.
8. **Other Business**
   
   a. **Mechoopda MOU**
   Ward noted that there had been leadership changes in the Fall and that the MOU has been delayed. He expects this topic will be brought back to at least the next board meeting, and perhaps the following meeting.

   b. **Open floor**
   McCallen requested that financial information be summarized at a higher level for future board meetings. Bourne agreed and will provide summaries in addition to detailed financial reporting.

9. **Adjournment** — The meeting adjourned at 3:28 pm.

10. **Vote for 403(b) plan via email**

    The board voted via email for the selection of the 403(b) advisor, documented under section 7d of these minutes. On March 27th, Bourne and Wittmeier provided support for prior investment performance. In requesting clarification regarding investment performance from LBL Group, they offered to lower their fees by 0.03%. Additionally, Bourne and Wittmeier requested clarification from all advisors regarding their inclusion of fiduciary responsibility in their proposals. Following this clarification, Cetera Advisor Network, LLC/Asset Management group and Nick Spangler increased their fees.

    Bourne and Wittmeier recommended LBL Group. Board responses approved this recommendation with six votes yes, one abstention, and five non-responses. The sixth vote was provided on April 7th, approving the recommendation.

Respectfully submitted,

[Signature]

Jessica Bourne, Secretary