1. CALL TO ORDER – Larson called the meeting to order at 3:36 PM. She then called attention to Bob Kittredge and Tom Lando in the gallery who will be appointed to the Board prior to the December meeting. She followed by asking for introductions from the rest of the room. She explained that this special meeting is a follow-up on the F&A discussion from the September board meeting, and the intent of this meeting is to share information about the different funds and policies involved in order to make more informed decisions.

2. PUBLIC COMMENTS – None

3. MINUTES –
   a. September 25, 2017 annual meeting –
      Motion to approve the annual meeting minutes of September 25, 2017
      (Hutchinson/Gray)
      Motion carried (8/0/0)
   b. September 25, 2017 regular meeting –
      Motion to approve the regular meeting minutes of September 25, 2017
      (Stivers/ Bartelink)
      Motion carried (8/0/0)

4. PROVOST’S REPORT – Larson shared that the search for the Vice Provost for Academic Affairs is almost complete and an offer will be made soon.

Following the Board’s decision to change banks, Larson met with Tri Counties, VP Stivers, and RF Admin management to inform Tri Counties.

Larson distributed to board members, Bourne, and Tafalla a white paper she described as a draft
of her understanding of the structure of the Research Foundation. She asked that they review it before the December meeting and that it not be shared prior to the board’s discussion.

The search for a permanent Executive Director of the Research Foundation needs to take place and a draft of the job description was distributed. She asked that the board review and provide feedback before the next meeting so the search can be launched. The search will be led by Charles Zartman and is hoped to be completed by June 1, 2018.

5. **PRESIDENT’S REPORT** – Hutchinson announced that Dr. Milton Lang will be filling the open VP for Student Affairs position starting January 16, 2018.

A firm has been secured to help with the Campus Physical Master Plan which will be running concurrently with Strategic Planning.

The campus is moving closer towards acquiring the remaining houses in College Park neighborhood, directly across the street from Chico High School. Stivers elaborated that negotiations are under way with 9 property owners.

6. **BUSINESS**
   a. **Clarifying Board membership** –
      i. **Corporate Resolution 2017-05** – Larson explained that a Bylaw change is being proposed to change Article V, Section 3 to read, “a minimum of two (2) Community members.” Trethewey asked if there would be a maximum and Larson explained that the Board cannot have more than 15 members. Hassenzahl asked about the term of a community member and Bourne explained that the Bylaws state in a different section that each community member will serve 3-year term with a maximum of 2 consecutive terms before a year-long break is required. Hassenzahl suggested staggering the new Board members to avoid having all 3 members start at the same time and Larson declined. Grey asked if the minimum applies to any other member group and Larson stated it only applies to the community members. Hassenzahl expressed concerns regarding the Board majority and Bourne explained that at the maximum capacity, community members will only make up 5 of the 15 potential seats. Larson called for a vote.
      
      **Motion to approve the bylaws amendment**
      (Stivers/Hutchinson)

      **Motion carried (8/0/0)**

7. **Background Information** – Bourne described the relationship between the Surplus Policy, the Reserve Policies and F&A distribution. Hassenzahl clarified that the Faculty Incentive Reserve not only funds projects and centers but also colleges and campus departments and Bourne agreed. Trethewey asked about the Professional Development fund and if it funds RSCA. Tafalla answered that RSCA comes primarily from the Chancellor’s Office but the Professional Development monies could fund part of it. Flowerdew added that it also pays for release time and travel for faculty, and equipment and classroom supplies.
a. **Surplus Policy** – Larson explained that the Surplus Policy, last approved by the Board in June 2013, affects grants and contracts projects that create surplus. There has been confusion regarding the third bullet point in the policy, related to the calculation. It is the job of the Board to ensure that its policies are being followed correctly as the governing body of the Research Foundation.

Hassenzahl asked for clarification and Larson referred to an example on page 10 of the meeting packet. Trehewey asked how often monies are left on the table and Tafalla and Flowerdew both replied that it happens quite often, especially with contracts. Hassenzahl questioned the history of why the Surplus Policy was interpreted this way in the past and Tafalla theorized that it is because surplus funds have more flexibility than F&A. Hassenzahl asked if the Surplus Policy has been followed and Flowerdew replied that it has not because indirect charges have not been calculated in accordance with the policy. She continued to explain the current allocation process. Larson asked about the most recent distribution and Flowerdew confirmed that it has been put on hold until it can be recalculated. Tafalla asked about previous distributions and Larson replied that it would be inefficient to retroactively recalculate anything prior. Larson elaborated that further research into these accounts will be taking place in the near future.

Larson summarized that current objectives are to reaffirm the interpretation of the policy, apply the policy correctly to distributions, and bring back to the Board information obtained from analyzing the Professional Development fund and the Center Residual Reserve.

b. **Reserve Policies** – Larson explained that the Reserve Policies were last updated February 2001 and that they apply to the General Fund and the Enterprise Fund. Bourne continued to explain that the Research Foundation’s primary funding sources are indirect cost recovery (F&A), admin fees collected, and interest income. These funds are used for administrative operating costs, 25/35 Main building costs and Campus facility fees. The remaining funds accumulate in the RF General Fund. Bourne explained which funds are governed by the Reserve Policies and added that not all funds fall under this purview. She then described how these funds calculate out to supply the Faculty Incentive Reserve. Larson asked about the amount that was deposited last year and Bourne answered that it was about $300,000. Bourne continued to describe the remaining funds that fall under the Reserve Policies as well as the ones that don’t. She explained that the balance in the Auxiliary Enterprises Fund is negative because the majority of the value is tied up in fixed assets rather than cash. Hutchinson asked how this negative balance should be resolved. Bourne explained that more cash is needed and that a portion of it is occupied in the MOU with NSPR. Larson asked if the negative balance results primarily from NSPR and Bourne confirmed and added that a part also comes from the Farm as it has a lot of it’s value in fixed assets. Tafalla asked if the Board has enough information to decide regarding the F&A distribution. Trehewey stated that there is still a disconnect between the information being provided and how it relates to the goal that the Board is trying to accomplish. Bourne explained that the F&A distribution is correlated to funds that are governed by the Surplus and Reserve Policies. Hassenzahl added that the change to the distribution process would make it more logical rather than a fixed amount. Larson confirmed and elaborated that there should be a link between the individuals generating the F&A and those receiving the F&A distribution and that link is currently missing. Larson expressed hope that steps be taken
at the December meeting towards implementing Phase 1 of the new F&A distribution plan.

c. **Facilities and Administration (F&A, also referred to as Indirect Cost Recovery)** – Bourne explained that F&A, or indirect costs, are governed by the Office of Management and Budget (OMB) as they are federal funds, and as such, are audited consistently. Our current F&A rate was negotiated in 2015 and expires in 2020. Indirect costs consist of costs that cannot be readily identified, otherwise known as shared costs; whereas direct costs can be directly assigned to activities relatively easily. Hassenzahl questioned the difference between indirect costs and modified indirect costs. Bourne explained that the modified indirect costs are the total indirect costs minus all the things that are required to be excluded by federal regulations. The Research Foundation rate was calculated based on the CSU, Chico costs and the Research Foundation costs. Bourne added that not all projects pay the same rate depending on the funding agency and that the Research Foundation sometimes loses potential funding based on the 41.5% F&A rate because funders prefer to see their dollars spent on program work rather than indirect costs. She explained that the OMB allows institutions flexibility in the use of the indirect cost recovery and she then referenced F&A models from the University of Connecticut and Oregon State University. Larson added that the 41.5% rate compares well to other research-based universities that may charge upwards of 50%. Hassenzahl asked if the current F&A return effectively covers the facilities and administration costs as designed and Tafalla answered that it does not. Bourne explained that the policies are designed to protect the Research Foundation and ensure its continued operation and that the new formula would inherently limit the F&A distribution in agreement with these policies.

8. **Adjournment – 4:53 PM**

Respectfully submitted,

Jessica Bourne, Secretary