MEMBERS PRESENT:
Debra Larson, Robbi Stivers, Ahmad Boura, David Hassenzahl, Angela Trethewey, Eric Bartelink, Russell Shapiro, Tod Kimmelshue, Tom Lando, Bob Kittredge

MEMBERS ABSENT:
Gayle Hutchinson, Pedro Douglas, Dylan Gray

ALSO PRESENT:

1. CALL TO ORDER – Larson called the meeting to order at 1:33 PM and asked for introductions from the Board and gallery.

2. PUBLIC COMMENTS – None

3. MINUTES
   a. November 13, 2017 meeting
      Motion to approve the meeting minutes of November 13, 2017
      (Hassenzahl/Lando)

      Motion carried (10/0/0)

4. PROVOST’S REPORT – Larson shared that Campus is currently in finals week and winter break starts December 16th through January 21st. There is a winter session during that time hosted by RCE from January 2nd through January 19th and the spring semester starts up on January 22nd. Spring break is March 18th through the 25th. Spring semester finals weeks is May 14th through the 18th.

      Larson shared that search for the Vice Provost for Academic Affairs position was successful and the individual will be announced on December 15th.

      Larson explained that the University is in the last semester of preparation for the accreditation review by WASC.

      Larson announced that California passed a transportation funding bill for $3 million for CSU campuses to conduct research on transportation in the State of California. Chico State has joined the team that will choose how the funds are allocated to research projects.
5. **PRESIDENT’S REPORT** – Stivers explained that the 2018-19 budget $102k less than last year but is hopeful because the economy is not currently in a recessionary period, state revenue collections are ahead, and the economy is strong. He is also hopeful that ear-funding will improve the funding next fiscal year. He plans to review prior years budgets that were of similar funding for comparison. He explained that despite the budgetary restrictions, enrollment numbers are strong for fall 2018 at many CSU campuses which is a good sign.

Stivers shared that John Reid was hired as the Chief of the University Police Department. He comes to Chico State with many years of experience and a graduate of the Institute of the FBI Academy. Reid is nearing retirement but Stivers expressed confidence that he can build a strong foundation within UPD during his time there. Safety is of the utmost importance and Reid will be enacting active shooter drills and other situations to educate and prepare the campus.

6. **BUSINESS**

   a. **Finance and Investment Committee Report** – Larson announced that the inaugural FIC meeting took place on December 8th and shared that other interested Board members are welcome to join. Hassenzahl explained that the purpose of the first meeting was to review the charter, elect a Chair and establish the committee. He explained that the committee has an advisory capacity and will monitor investments, budgets, and will dive deeper into each financial piece of the Research Foundation. He reiterated that other members are welcome to join. Bourne added that FIC members do not have to be Board members and the meetings are open to the public.

   i. **FY 17-18 Financials through October 31, 2017** – Hassenzahl reviewed the cash and investment balances and the schedule of net position of the Research Foundation. Bourne explained that because of the FIC meeting, there is not the usual volume of financial information in the Board packet. Bourne asked if there was anything specific that the Board would like to review. Kittredge requested clarification on the college park sales. Bourne explained that the properties were purchased with the intention of selling back to Campus eventually. The sales were finalized in July and liquidated about $1.8 million. Kittredge asked for explanation on the Faculty Incentive distribution. Bourne distributed the FIC meeting packet and reviewed the schedule of net position, the changes in net position, the plant & bond fund summary and the operating activities. She explained that the $500k distribution from the Faculty Incentive Reserve is a Board-approved annual distribution. Lando asked if the Research Foundation is responsible for purchasing the remaining college park properties. Stivers answered that Campus is currently set up with approvals from the Chancellor’s Office to move forward with the purchase separate from the Research Foundation, however, utilizing the RF on an as needed basis is an option as well. Kittredge asked how many parcels are still under private ownership. Stivers answered that there are 8 left. Bourne added that the Research Foundation is acting as the fiscal agent for the rental activity for the properties. Stivers noted that most of the residences are being occupied by students and those leases will be honored. Lando asked about the university’s involvement in the demolition of the homes and Stivers confirmed that the properties were purchased for the land.

   Kimmelshue asked about the flexibility of the investments managed by the
Research Foundation under the direction of the FIC. Bourne explained that there is room for review and that the Investment Policy is due for an update. She stated that the Research Foundation’s investments of $16 million are conservative and diverse. Kimmelstue asked what the return on the investments have been. Bourne explained that the bulk of the funds were historically invested in LAIF, which in 2014 was returning 0.22%. The funds at Tri Counties do not earn interest. The performance of Common fund is reasonable. A significant amount of money was transferred from LAIF to laddered CDs with Wells Fargo where the interest rate ranges from 1.5% - 2.5%. Boura asked what amount of cash is needed from the $16 million on an annual or quarterly basis. Bourne deferred to a later agenda item, the Reserve Policies. She also pointed out that there is $6.4 million listed is cash and investments on the schedule of net position is unrestricted. Lando asked if there are statutory limits on what can the funds can be invested in. Bourne replied that she has not found specific restrictions. Hassenzahl clarified that the Research Foundation is currently invested conservatively in compliance with the policy and Bourne confirmed. He continued to explain that the FIC asked that examples of other similar policies accompany the revision for reference and comparison.

ii. Banking transition update – Bourne shared that the banking transition from Tri-Counties Bank to Chase Bank is targeted for completion in March 2018. The services offered by Chase will enhance internal controls.

iii. 403(b) investment review – Bourne explained that RF management meets quarterly with the investment managers to ensure that investments are in line.

iv. FY16-17 Tax return, IRS form 990 – Bourne shared that the tax returns will be prepared in early 2018. Tax returns are due October 15th and RF management is working towards moving the filing date closer to the due date in the future. The return is targeted to be complete before May and will be presented to the Board for review before filing. Lando asked if the 990 is posted to the website and Bourne confirmed.

b. One Solution implementation update

Phases I and II progress – Phase I is the financial phase, including post-award, human resources, payroll and online time-keeping and will be complete June 2018.

Phase II involves integrating the Research Foundation data with Campus. Although reporting information will be available to Campus staff after Phase I, Phase II will allow for enhanced reporting and workflow improvements.

Bourne shared that June 2018 is the target date for Phase I. The system has been installed and the first data migration has been completed. Access for the back-office staff will be completed by December 31. Research Foundation Admin has been working with RESP and consultants to redesign the system coding which is about 90% completed. The information will be shared, and feedback will be welcomed. Lando asked if the system belongs to the Research Foundation or the university and Bourne clarified that it is the Research
Foundation's system. Lando asked if we are amortizing the cost of the system and Bourne replied that we have opted to expense. The initial cost of implementation is being paid from the general fund and maintenance costs will be allocated to the users. Kimmelshue asked about the Associated Students and Bourne explained that they have their own system.

i. Phase III – This phase involves integrating the pre-award functionality with the post-award financial systems. Tafalla explained that RESP needs to match its processes into the new reporting structure. He also noted that pre-award grant development software will improve process efficiency. Mike Schilling is working with RESP to secure consultants to map out RESP's processes and provide a report in January 2018. The consultants will also make a recommendation for pre-award software which will be presented at the March Board meeting. The cost of this engagement is $18K.

Larson asked if the Board will have the opportunity to approve this $18K expenditure. Tafalla explained that Schilling has already contracted with the consultants and their software recommendation will be brought to the Board for approval. Bourne explained that potential savings from phases I & II could be allocated towards the cost of phase III, but those phases are not yet complete. The Board will need to approve this $18K expenditure as it is too early in the process to commit to sufficient savings from phases I & II. Larson asked if the Board was comfortable approving for the $18k expenditure for the consultants, that was not included in the FY17-18 operating budget.

Shapiro inquired about Koa Hills and whether other bids were acquired; Larson replied that the answers are unknown in Schilling's absence. Lando asked when the funds are needed and Tafalla explained that the work is scheduled to be performed in December. Lando asked about the consultants being hired and Bourne explained the history of the relationship Koa Hills has with the Research Foundation in addition to other CSU campuses. Hassenzahl asked for clarification as to whether the Board needs to approve this expenditure instead of the Executive Director having the authority and others agreed. Shapiro explained that he wants the Executive Director protected from any possible future difficulties by way of Board approval. Stivers shared that as the treasurer, he has confidence in the Executive Director and procurement to maneuver the project in the correct manner and that he is always willing to work with the Executive Director when challenges arise. Lando asked if the software is new and Bourne clarified that it is an upgrade of the existing software.

Motion to provide the Executive Director with budgetary authority up to $20,000 for Phase III consultant
(Kimmelshue/ Lando)

Motion carried (10/0/0)

c. Fringe benefits – Bourne explained that after an audit finding, vacation benefits have now been fully accrued and have been added to employees' hourly rate, so they accrue continuously. Project budgets and communication were both challenging aspects of this
i. Update on impact to projects – Bourne shared that projects did not budget for this methodology change and many are now negative. Flowerdew explained that a PD advisory was sent out welcoming projects that wanted to discuss this change. Flowerdew met with 15 Principle Investigators and estimate a deficit of $300,000 due to the fringe rate change. Lando asked why the funds are pooled. Bourne replied that it stems from OMB guidance as well as an effort to minimize the effect on project hiring practices. Bourne and Flowerdew explained that it is difficult to know the full effect this change will have on projects.

Bourne asked that the Board allocate excess custodial funds for offsetting negative projects as they close and that the Board allow Bourne and Tafalla the discretion to utilize the funds. Excess funds have been accumulated beyond the requirements for the liability of post-retirement health benefits. The impacts of the change in fringe rates may take 5 years and exceed the $210,000 set aside and the Board will continue to be informed of the impact.

Villegas shared that his project has a $140,000 deficit. Shapiro asked if the number of projects affected is known. Flowerdew responded that it is not known right now as there may be proposals already submitted with the old rate that have not yet been awarded but expects a 5-year impact. Larson added that it is not unusual to see a 1-2-year gap between proposal and award. Lando asked the certainty of not needing the funds for post-retirement health benefits in the future and Bourne explained that an actuarial evaluation was performed in the current fiscal year. Trethewey asked if the fund for post-retirement health benefits is only for Research Foundation employees and Wittmeier confirmed and added that only 6 employees are currently drawing from this benefit fund. Kittredge asked where the excess funds from surplus projects go. Flowerdew explained that the rate and reserve funds are scheduled to be evaluated in January and then on an annual basis with the goal of being at a break even. Bourne added that projects with a surplus cannot necessarily help fund deficit projects. Shapiro shared that from his experience, some funders will give more money upon seeing that the institutional rates have changed, and Flowerdew added that it depends on the funder. Stivers questioned how deficit projects have been handled in the past. Flowerdew explained that either incentive or general funds cover it. Bourne explained that this situation is being handled differently because it is the result of a significant administrative change. Trethewey asked if this fund falls in the purview of the Reserve Policies and Bourne clarified that it is a surplus, not a reserve.

Stivers volunteered to work with Tafalla and Bourne in making these financial decisions. Jacquez shared with the Board his concerns surrounding the fringe rate change and the impact it has on projects, and his thoughts on how surplus budget funds should be handled. Larson explained that the Board is working to resolve the deficit projects and Lando agreed. Hassenzahl clarified that the Board is only assisting projects whose deficit was created by the new fringe rate.

Kittredge asked about the Board’s responsibility to oversee project conduct. Larson replied that this is a topic she would like to visit in discussions to refine
and rebuild the Research Foundation. Shapiro clarified that the Board's primary functions are oversight of the Executive Director and guiding the Research Foundation in accordance with its mission. Bourne added that while the programmatic work is managed as an academic function, the business functions fall under the Research Foundation and she appreciates the Board's support in this area. Lando asked about accountability and Stivers responded that his role as CFO is accountable. Larson shared that this topic will be addressed in future discussions.

Villegas asked for clarification on the timing of resolving a deficit project with a 5-year life. Larson replied that discussions will be ongoing, and it is unnecessary to wait until the project closes.

**Motion to allow use of excess post-retirement benefit funds to help fund projects in a deficit because of the fringe rate change**

(Lando/Kimmelshue)

Motion carried (10/0/0)

d. **F&A distribution methodology** – Bourne explained that work is being done to implement a revised F&A distribution method. Phase I has been outlined to create a formula-based approach for the annual distribution. Phase II is to revise and simplify the incentive plan formulas for distribution to academic areas. Phase III is to evaluate spending of accumulated reserve balances.

Bourne referenced the Faculty Incentive Reserve section on page 3 of the Reserve Policies and explained that it isn't really a reserve account if the funds are being distributed the following year. Shapiro asked for interpretation on “academic areas” and Larson clarified it as college, department, or PI. She added that updating this language will be part of Phase II. Bourne explained that the policy has not been being followed correctly due to past confusion. This could possibly be due to the way the policy was written, it being outdated, employee and management turnover, the recession or unclear Research Foundation accounting. Lando asked where the money was being recognized in the financial statements prior to 2014 and Bourne replied that it was in the general fund. Lando asked about the funds left after the distribution. Bourne explained that it is moved to unreserved fund balances. Bourne referenced the Faculty Incentive Reserve summary and explained that in prior years the F&A distribution was not being tied to the F&A recovered as per the policy. Larson noted that in some years the flat distribution amount and the policy distribution amount were not very different.

Bourne stated that she and Tafalla recommend the affirmation of the Reserve policy formula to complete Phase I, which clarifies the available funds to be distributed each fiscal year. In Phase II the funds will be distributed to Academic Affairs where it will be further distributed to the academic areas as determined by the Provost.

Lando asked if there is a defined process for the Phase II distribution and Larson replied that she would like to revise it through an extensive shared governance process. Kittredge how the distribution appears on the financial statement. Bourne shared that it
is a transfer to Academic Affairs and it gets expensed once it is spent by the recipients. Lando asked for clarification on the remaining balance in the Faculty Incentive Reserve. Bourne explained that it will move into the general fund. Larson added that there is opportunity for future revision and clarification of the Reserve Policies. Boura asked Larson about the intention of the monies being distributed and Larson explained that the funds are intended to support departments and colleges in order to facilitate further research opportunities. Boura shared that the University Foundation chooses to reinvest these funds rather than distribute in order to gain more capital. Larson replied that the Research Foundation is not currently in a position to do the same. Kittredge inquired about the $600,000 remaining in the Faculty Incentive Reserve and Larson explained that it will be distributed as part of Phase III and will brought back to the Board at a later time for guidance.

Kimmelshue requested that a distribution plan be brought to the Board for review and Larson agreed. Stivers asked if the indirect costs have been paid to the Research Foundation before the distributions are made. Bourne and Flowerdew explained that these funds are the accumulation of the indirect costs. Bourne showed the Board a chart from the November 13th meeting that illustrates the funds source for the F&A distribution. Bourne confirmed that the distribution is made after the operating costs of both the RF Admin and RESP offices have been paid. Larson added that the intention of the Surplus Policy was reaffirmed at the last Board meeting. Shapiro offered to be a part of the shared governance process and Larson obliged.

Motion to reaffirm the current policy

(Lando/Kittredge)

Motion carried (10/0/0)

Motion to allow Academic Affairs, through a shared governance process, the power to allocate the funds distributed from Phase II

(Larson/Kimmelshue)

Motion carried (10/0/0)

e. Reserve Policies

i. Discussion regarding renewing/updating — Bourne explained that within the Reserve Policies exists the working capital/current operations category and suggested that these be broken into two separate categories. She stated that this change would allow for better planning in the future. Currently, the fund is being used to fund Sponsored Programs. The Capital Replacement Reserve needs more discussion from the Board to define correctly. The Reserve for Planned Future Operations is also open for Board discussion and could be used to benefit Campus. Bourne suggests renaming the Faculty Incentive Reserve and clarifying it as an allocation policy rather than a reserve policy. She explained that the Inventory Reserve, Fixed Assets Reserve and Unreserved Fund Balance exist for the sake of the financial statements and don’t need much review.
Lando asked if there is a replacement fund. Bourne explained that there is $150,000 in a Capital Replacement Fund to replace fixed assets and offered it up for Board discussion during budget review. Lando expressed hope that there would exist a fund to replace capital in case of emergency. Bourne explained that the 25 and 35 Main buildings are currently self-funded.

Kittredge asked about the plan for review. Larson suggested either an ad hoc committee to review or that Jessica and Richard do a fund by fund review on their own. Kimmelshue asked if there is a requirement to have a Reserve Policies. Bourne replied that it is a requirement of the education code through the Chancellor’s Office, though every fund is not necessary. Kimmelshue suggested consolidation and simplification of the policy. Hassenzahl asked for clarification on the changes being suggested. Bourne explained that it was discovered post-audit that the funds were not being adequately described which generated the discussion to purposefully define these reserve funds.

f. **White Paper: Refining the Research Foundation — V 2.0** — Larson opted to address this item at a later meeting due to time constraints.

g. **Ecological Reserves update** — Bourne shared that the Research Foundation owns the Big Chico Creek Ecological Reserve, Butte Creek Ecological Preserve and Eagle Lake Field Station. Eli Goodsell was hired as the Ecological Reserves Manager. The ad hoc committee that was formed at a prior meeting will be sharing their findings in the coming months. Kittredge asked about the liability involved with the properties and Bourne explained that it falls under the Research Foundation’s insurance.

h. **Gateway Science Museum update**
   i. **Executive Director** — Hassenzahl shared that Adrienne McGraw is the new Executive Director of the Gateway Science Museum and expressed his confidence in her ability to better the museum. Larson added that the GSM Evening to Treasure is April 28th, 2018.

i. **NSPR special session** — Larson explained that there will be a special session surrounding NSPR, its relationship with the Research Foundation and to lay the ground work for understanding each role.

7. **Closed Session** — 3:55 PM

8. **Adjournment** — 4:53 PM

   Respectfully submitted,

   [Signature]

Jessica Bourne, Secretary