

**SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION
BOARD OF DIRECTORS
MARCH 3, 2017
MINUTES**

President Elliot Hirshman called the meeting to order at 9:05 a.m. in the James W. Cobble Boardroom of the Gateway Center.

Present: Dr. Elliot Hirshman, presiding; Dr. Guadalupe Ayala; Mr. Bill Brack; Ms. Paula Brock; Ms. Vickie Capps; Dr. Karen Emmorey; Dr. Chukuka S. Enwemeka; Dr. Craig Hauser; Dr. Sam Kassegne; Mr. Tom McCarron; Dr. Randolph Philipp; Dr. Jennifer Thomas; Dr. Ming Tsou; Dr. Stephen Welter; Dr. Robert Zeller; and Ms. Michèle Goetz.

Absent: Dr. Kim Barrett and Ms. Jamie Miller.

Guests and staff attending: Dr. Georg Matt and Ms. Agnes Wong-Nickerson from SDSU; and Ms. Debbie Brighton, Mr. Bob Blizinski; Mr. Tim Hushen, Ms. Leslie Levinson, Ms. Rachel Raynoha, and Ms. Renée Daniels from SDSU Research Foundation.

Call to Order

President Hirshman welcomed Dr. Georg Matt, SDSU professor and chair of the psychology department, in attendance to give a presentation on his research.

Consent Agenda

President Hirshman introduced the consent agenda, which contained one item: the minutes from the last board meeting held on December 2, 2016. No discussion was requested. The consent agenda was approved unanimously.

Executive Director Report

Ms. Goetz began her report with a recap of the conditions under which the FY 2017 budget was set in May 2016 – number and dollar amounts of proposals and awards were higher than the previous year, however spending was flat and there was an anticipated decrease in the SDSU-Georgia F&A from the previous year high of \$1.7 million to approximately \$850,000. Management anticipated that the award numbers would continue to grow and spending would begin to accelerate; however the pace of spending, and the success rates of the additional proposals remained unknown. As a result, management took a conservative approach in projecting the anticipated growth of F&A revenue for FY 2017.

Ms. Goetz then reported on a number of positive factors affecting FY 2017 revenues:

- The continued increase in proposal and award numbers for FY 2017 through the end of February, noting that awards were up \$9.7 million over the same time in FY 2016 and F&A was up \$1.7 million. Spending trends also increased and F&A earnings are projected to significantly exceed budget targets.
- Effective July 1, SDSURF's F&A rate will increase one-half percent from 50% to 50.5%. Over time, additional F&A will be generated as new awards incorporate the new rate and research volume grows. This is the final year of the current F&A agreement. Management is working with the consulting firm Maximus, to evaluate whether an extension should be requested to allow time for the Engineering and Interdisciplinary Sciences building to be completed and for BioScience Center faculty to be hired.
- The Capstone ground lease has been finalized; it eliminates the debt associated with the property, provides a future revenue stream of shared rents, and provides additional beds for the on-campus living requirement in student housing for the Sophomore Success initiative.

Ms. Goetz then reported that management is closely monitoring the federal landscape. There are many unknowns regarding the current administration's plans for the budget. Ms. Goetz provided an overview of the potential impacts of some of the anticipated funding cuts across various agencies and discussed the potential impact on spending trends on current awards.

Ms. Goetz noted as research volume grows, staff workloads also grow. The administrative and operations budget has been kept lean, as management has worked towards a balanced budget. There are some areas of vulnerability where single sources of expertise and capacity are becoming an issue. Management will be deliberate in identifying when and how to grow but may need to add resources as growth continues. Some of those needs will be addressed in the May budget.

Management plans to continue service initiatives that reduce costs and increase efficiency. As examples, she mentioned:

- The successful relocation of the research foundation's server room to the university, which eliminated the need to invest in aging HVAC and UPS systems.
- Banking services conversion - took place on March 1 and will reduce banking fees.
- Automation of personnel action forms - scheduled to go live for all researchers on May 1, 2017 and will reduce transaction time, minimize data entry and enhance service.

Ms. Goetz concluded with an invitation to Dr. Chris Mi's PI lecture on March 16 and a reminder that the May meeting will be held in Manchester Hall. Dr. Gale Etschmaier, SDSU dean of Library and Information Access, will provide a short presentation, which will be followed by a tour of the library's Special Collections.

President Hirshman commended the board for making the collective decision to stay the course and turn things around during the budget challenges—a decision that was paying

dividends. President Hirshman disclosed that the CEO of Maximus is a friend so he will recuse himself from any involvement related to the Maximus consultancy.

Audit Committee Report

Audit Committee Chair Brock said the committee met on February 17 and reported that:

- Seven sponsor audits occurred this fiscal year—five of the audits closed with no findings. The remaining two audits have not yet closed but no notification of any issues has been received to date.
- Planning for the FY 2017 audit has begun. The committee will meet with auditors Grant Thornton, in the near future to plan the specifics of the process.
- Ms. Rachel Raynoha, SDSURF’s associate executive director of information systems, led a thorough discussion of IT controls and cyber-security.
- The committee received a report on the recent cyber-security wire transfer fraud Management is actively reviewing all systems related to payments including wires, ACH (Automated Clearing House) and checks to further strengthen controls. Dual authentication is one of the controls that will be implemented.

Discussion ensued regarding the wire fraud/cyber-security issue. Executive Director Goetz will send an email to principal investigators outlining the basics of the incident that will include tips on how to protect themselves. Additionally, Mr. McCarron said his staff would look into whether this needs to be reported to the entire campus under the Clery Reporting requirements.

- Audit Committee Charter: the committee proposed adding one or two committee members from the community who are not board members for these reasons:
 - ◆ The current committee consists of three members. The addition of members of the community—who are not board members—would allow for a broader selection of individuals with the requisite financial expertise and provide additional breadth of experience and knowledge.
 - ◆ Board committees are often a first step in identifying individuals for future board service.

Review and Adopt: Revision to Audit Committee Charter

Ms. Brock reported that following Audit Committee discussion at its February 17 meeting, the committee recommended board approval of the resolution to revise the Audit Committee Charter. Ms. Capps proposed that the Board adopt the following resolution:

**RESOLUTION OF THE BOARD OF DIRECTORS:
APPROVAL OF REVISION TO THE
AUDIT COMMITTEE CHARTER**

**RESOLVED, First, that the Board of Directors of San Diego State
University Research Foundation hereby adopts the revision**

to the Audit Committee Charter to allow up to two additional Audit Committee members to be non-directors; and,

Finally, that this Resolution shall take effect immediately upon its adoption.

Dr. Tsou seconded and the motion was adopted unanimously.

Appointment of Audit Committee Member

Following approval of the revision to the Audit Committee Charter, President Hirshman nominated Ms. Joan Copenrath to serve as a non-director member of the committee. Ms. Copenrath is an SDSU alumna with extensive financial expertise. Her appointment was approved unanimously. She will join current committee members Ms. Brock, Ms. Capps and Dr. Tsou.

Finance and Investment Committee Report

Finance and Investment Committee (FIC) Chair McCarron said the committee met on February 17 and provided an update on these items discussed at the meeting:

- Capstone Ground Lease: The ground lease has been completed and construction has begun. The initial payment of approximately \$2 million has been received. The projected completion date is summer 2018 with occupancy in fall 2018. When the property is operating and producing cash flow, rent payments will be received for the ground lease.
- Sale of Alameda property for KPBS: The property was initially in escrow for \$1.8 million. During due diligence in the Phase 1 environmental review, several gas tanks were discovered under the property. After reviewing the risks and costs of remediation for the environmental cleanup of the tanks, SDSURF in coordination with KPBS decided to accept a reduced price of \$1.4 million for the property. Escrow is underway and expected to close within the next month.
- Sale of San Diego County Estates property for KPBS: the property was being actively marketed. Following the February 17 meeting, negotiations began with a buyer and the property is now in escrow.
- Transition of banking services to First Republic Bank: Research Foundation staff have been working on this conversion, which took place on March 1.
- Management of short-term cash investments: management of Research Foundation short-term cash investments was recently moved to First Republic Investment Management resulting in lower fees for these services with a focus on preservation of capital, liquidity and return.
- Overall investment review as of 12/31/16: Total investments as of 12/31/16 were \$133.1 million including real estate with an estimated value of \$51.2 million. The SDSURF endowment invested in The Campanile Foundation (TCF) endowment pool totaled at \$15.7 million—the return for the first six months of the year was 5.3%. The

committee also reviewed the investment reports, which summarize the returns by major asset class.

Review and Adopt: FY 2016-17 Midyear Budget

Mr. McCarron reported that following its review and discussion on February 17, the Finance and Investment Committee recommends Board adoption of the resolution approving the FY 2016-17 Mid-Year General Fund Budget. He then turned the discussion to Ms. Levinson for an overview of the midyear budget. Ms. Levinson's overview included highlights of each major change from the original budget to the proposed mid-year budget. Ms. Levinson concluded her report with good news: the use of reserves was reduced from \$1.2 million to \$40,000.

President Hirshman emphasized the importance of maintaining a steady hiring stream of faculty and retaining high-level researchers. Strategies are needed to address these challenges so that these researchers are recruited, remain at SDSU and become leaders in their fields. Dr. Emmorey proposed that the Board adopt the following resolution:

RESOLUTION OF THE BOARD OF DIRECTORS: APPROVAL OF SDSU RESEARCH FOUNDATION'S FY 2016-17 MID-YEAR GENERAL FUND BUDGET

RESOLVED, That the mid-year General Fund Budget, as submitted to the Board of Directors at its meeting on March 3, 2017, at a level of \$28,990,000, be adopted as SDSU Research Foundation's budget for the remainder of the fiscal year, and forwarded to the President for his approval.

The motion was seconded by Dr. Kassegne and adopted unanimously.

Vice President for Research Report

Dr. Welter reported that things are looking up—as contrasted with two years ago—and added that growing research takes much planning and long-term commitment. He reported that:

- Award dollars and F&A dollars are higher than the same time last year.
- The number of NSF proposals submitted has been increasing and the rate of success for SDSU proposals to NSF is higher than the national average.
- While SDSU proposals to NIH are slightly down, success rates meet or exceed the national average.
- GREW: Of the 61 participants; 53 have submitted 291 proposals. Of the 178 proposals evaluated, 75 have been awarded totaling \$13.7 million and \$2.7 in F&A. Twenty-one faculty have participated in trips to DC.
- The Student Research Symposium is taking place with over 500 students presenting.
- Summer Undergraduate Research Program: the call for proposals is out. Last year over 50 faculty, (including 22 assistant professors) participated, including IVC.
- Recruitment for a new associate dean of undergraduate research is underway.

PI Presentation

President Hirshman introduced Dr. Georg Matt, SDSU professor and chair of the psychology department whose presentation was entitled “Thirdhand Smoke: The Lasting, Toxic, and Costly Legacy of Tobacco Smoke.” He began by acknowledging the support provided by funding agencies and his colleagues, collaborators and students at SDSU and other institutions. Additionally, he acknowledged SDSURF staff members and all the research participants involved in his study. His presentation included an overview of four areas: 1) What is thirdhand smoke, 2) the three lives of tobacco smoke (firsthand, secondhand and thirdhand), 3) SDSU’s contribution to thirdhand smoke research and 4) current field research results on thirdhand smoke pollution in low-income multi-unit housing.

New Business

President Hirshman called for any items of new business. Hearing none, he adjourned the meeting at 10:31 a.m.

Respectfully submitted,

Michèle G. Goetz
Associate Secretary-Treasurer