

**GENERAL FUND BUDGET**  
**FY 2023 - 24**

**SDSU**

Research  
Foundation

On cover: Santa Margarita River. Photo courtesy of Bill Roberts.

The Santa Margarita Ecological Reserve provides protected sites for research of Southern California ecosystems. The reserve is managed by SDSU and comprises land owned by SDSU, the SDSU Research Foundation, the U.S. Bureau of Land Management, the California Department of Fish and Wildlife, and the Nature Conservancy. Located between Temecula and Fallbrook, the 4,344-acre reserve encompasses a 5-mile reach of the Santa Margarita River, the longest protected coastal river in Southern California, and a variety of upland habitats. The reserve and its facilities protect critical wildlife habitat and support active scientific research programs.

*This proposed FY 2023-24 budget was approved by the SDSU Research Foundation Board of Directors on May 9, 2023 without any changes.*

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## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

It is with much pleasure that we are presenting a healthy FY 2023-24 budget after a year of continued growth in revenues. After a record-breaking year in FY 2022-23, SDSU faculty continue to be highly active in pursuing grant funding. SDSU Research Foundation has continued to see an increase in proposals and awards, and as a result has been able to increase the amount of funds provided in support of the university and its research objectives this year.

The following are *positive indicators* that we can expect continued growth in the coming year:

- The number of proposals submitted so far in FY 2022-23 is higher than last year's at the same time, and the dollar amount proposed is 11.9% higher.
- The number of awards received to date is 6.8% higher and the dollar amount of awards received shows an increase of 4.7%.
- The increase in work-in-process indicates we can expect to see more spending in the coming year.
- University investments in research continue to target increased proposal submissions and have been successful in generating awards, including a new NIH K award and six new NSF CAREER awards.
- Our Washington representation team has already successfully advocated for a \$500,000 community service award and is working with the Division of Research and Innovation staff (DRI) on additional opportunities for the coming year.
- President Biden's budget includes significant proposed investments in science and research.
- The budgets for NIH and NSF are expected to receive 3.8% and 18.6% budget increases, respectively, increasing opportunities for SDSU faculty to compete for resources.

### **Budget**

Our fiscal year 2023-24 proposed budget of \$43,031,000 reflects our continued commitment to the following priorities:

- Ongoing service to SDSU and support for SDSU researchers as our top priority
- Strategic investments in staff and systems to enhance service and support the research infrastructure
- Investment in and support of research priorities
- Streamlining processes and creating efficiencies
- Continuing to fund reserves to support future needs

### **Resources**

For FY 2023-24 we are projecting to provide almost \$9.1 million to SDSU to support various research initiatives and infrastructure, including \$4.42 million in Research Support Funds, a \$644,000 or 17% increase above \$3.77 million provided in FY 2022-23. Allocations in FY 2023-24 also include \$1 million for project facilities and equipment support, \$1.52 million for Research Advancement and Technology Transfer staff, and a set-aside of \$750,000 for staffing support in the Division of Research and Innovation for FY 2024-25, the second year of a two-year commitment requested by the university. We are proud to be able to provide this level of funding and continue to look for opportunities to grow our revenues to support future initiatives.

## **Staffing**

With most of the vacancies from the pandemic-era filled during the last fiscal year, our recruitment and compensation efforts have provided much-needed stability. We are now focused on the retention and professional development of our talented staff and on proactively adding new positions as needed to support the increased volume of awards. Award volume has increased 37% since FY 2017-18. As part of our five-year staffing plan, we added seven positions in FY 2022-23 and have budgeted to add nine more in FY 2023-24 to support increases in both the volume of proposals submitted and the number of projects administered. Even with these new positions, we will only have increased staff by 12.5% to manage the 37% growth in awards to date and the anticipated growth in the coming year. The identification of institutional benchmarks to validate our own metrics as part of the Maximus Research Infrastructure study will help ensure we are planning strategically and proactively for future staffing needs.

## **Space**

While the university expands with new facilities at its Imperial Valley Brawley campus and the future Innovation District in Mission Valley, spaces for research and other uses on and near the main campus continue to be needed but in short supply. With more than 700,000 square feet of facilities and rental space and a vacancy rate near 2%, SDSURF is actively evaluating spaces for efficient usage and increased availability for research projects and other university needs. As part of our attempts to use space efficiently, we plan to maximize the benefits of hybrid work and automated processes to downsize the SDSURF central staff footprint at the Gateway Center. We have already reassigned spaces previously occupied by SDSURF staff in our Alvarado and Sky Park facilities for project use, and we now plan to reduce occupancy of Gateway from two floors to one, freeing approximately 20,000 square feet of space to support research and other university space needs.

While FY 2023-24 will continue to bring geopolitical and economic uncertainty, SDSURF is positioned well, with the staff and systems necessary to support university research, scholarship, and creative endeavors. We are inspired by SDSU's researchers and their teams whose projects and programs contribute so much to our community, nation, and the world.

SDSU's researchers, students, postdocs, and laboratories are advancing the university's goal of R1 classification, and we are proud to help support the Division of Research and Innovation with these important endeavors.

Sincerely,



Michèle G. Goetz  
Associate Vice President and CEO

## General Fund Budget FY 23-24

	FY 2022-23 Original	FY 2022-23 Mid-Year	FY 2023-24 Proposed
<b><u>SOURCE OF FUNDS</u></b>			
<i>Unrestricted Revenue:</i>			
Grants & Contracts F&A	26,400,000	28,000,000	30,800,000
Self-Support Programs Fees	3,103,000	3,303,000	3,500,000
Facilities Rents	6,529,000	7,254,000	6,614,000
TTO Revenue	99,000	128,000	117,000
Investments	1,077,000	1,317,000	2,000,000
<i>Total Unrestricted Revenue</i>	37,208,000	40,002,000	43,031,000
<b><u>USE OF FUNDS</u></b>			
<i>Basic Support</i>			
Administration & Operations	17,998,000	18,448,000	21,452,000
Facilities Expenses	11,425,000	12,035,000	12,491,000
Capital & Tenant Improvement - Gateway	-	-	1,500,000
Facilities Capital Reserve	-	-	(1,500,000)
<i>Total Basic Support</i>	29,423,000	30,483,000	33,943,000
<b>Net Remaining after Providing Basic Support</b>	7,785,000	9,519,000	9,088,000
<i>Allocations for Enhanced Program Support:</i>			
<b>Direct Support of Research:</b>			
Research Support Funds	3,521,000	3,776,000	4,420,000
SEED Grants Program	92,000	92,000	92,000
National Academy of Sciences Hire	150,000	150,000	-
NIH FUERTE Support	1,000,000	608,000	-
DRI/Graduate Student Support	-	100,000	-
Uncollectible Sponsored Program Recievables	-	75,000	-
COVID Contingency	(229,000)	(229,000)	-
	4,534,000	4,572,000	4,512,000
<b>Support of Research Infrastructure:</b>			
Project Facilities and Equipment Support	1,135,000	1,340,000	1,000,000
F&A - Library Study and Rate Negotiation	-	-	100,000
Research Support - Library	50,000	50,000	50,000
Research Advancement & TTO	1,509,000	1,597,000	1,528,000
DRI Staffing Support for FY25	-	750,000	750,000
Research Endowment Distribution	600,000	600,000	600,000
University Research Space	77,000	90,000	100,000
	3,371,000	4,427,000	4,128,000
<b>Investment in Enhanced Service Initiatives:</b>			
Systems Infrastructure	200,000	300,000	200,000
Washington D. C. Representation	162,000	162,000	179,000
	362,000	462,000	379,000
<b>Total Allocations for Enhanced Program Support</b>	8,267,000	9,461,000	9,019,000
<b>Total Basic Support and Allocations</b>	37,690,000	39,944,000	42,962,000
<b>TOTAL SOURCE OF FUNDS</b>	37,208,000	40,002,000	43,031,000
<b>TOTAL USE OF FUNDS</b>	37,690,000	39,944,000	42,962,000
<b>Net Funds to (from) Reserves</b>	(482,000)	58,000	69,000

## EXECUTIVE BUDGET SUMMARY

Incorporated in 1943, SDSU Research Foundation (SDSURF) is an auxiliary organization of San Diego State University, authorized by California's Education Code and governed by a board of directors composed of SDSU leaders/faculty, the student body president, and community members. The organization exists to serve SDSU. SDSURF's management team works closely with SDSU's vice presidents for research and innovation and business and financial affairs to manage resources, set policies, and guide the efforts of a dedicated staff who seek to facilitate the work of SDSU researchers.

We are presenting an increase in Source of Funds compared to FY 2022-23 mid-year budget of \$3,029,000 or 7.6% and from the original budget of \$5,823,000 or 15.6%. Changes in the proposed budget for FY 2023-24 compared to the FY 2022-23 original and mid-year budgets are summarized here:

- Increase in F&A compared to mid-year budget of \$2,800,000 or 10.0% and compared to original of \$4,400,000 or 16.7%.
- Increase in Self-Support Programs Fees compared to mid-year budget of \$197,000 or 6.0% and compared to original of \$397,000 or 12.8%.
- Decrease in Facilities Rents compared to mid-year budget of \$640,000 or 8.8% and compared to an increase from original of \$85,000 or 1.3%.
- Decrease in Tech Transfer (TTO) revenue of \$11,000 or 8.6% from mid-year budget and an increase from original of \$18,000 or 18.2%.
- Increase in Investment Income of \$683,000 or 51.9% compared to mid-year budget and \$923,000 or 85.7% from original.

We are presenting an increase in Use of Funds compared to FY 2022-23 mid-year budget of \$3,018,000 or 7.6% from original of \$5,272,000 or 14.0% in the following:

- Basic Support
  - Increase in Administration & Operations of \$3,004,000 or 16.3% from mid-year budget and \$3,454,000 or 19.2% from original.
  - Increase in Facilities Expenses of \$456,000 or 3.8% from mid-year budget and from original of \$1,066,000 or 9.3%.
  - Expense of \$1,500,000 and offsetting use of facilities reserve of \$1,500,000 to support one-time costs to refurbish one floor of the Gateway Center.
- Allocations for Enhanced Program Support
  - Direct Support of Research:*
    - Increase in Research Support Funds of \$644,000 or 17.1% from mid-year budget and \$899,000 or 25.5% from original.
    - No Change in the SEED Grant Program of \$92,000.
    - The following five allocations were one-time allocations in FY 2022/23 and are not required again in the new FY:
      - National Academy of Sciences Hire: \$150,000.
      - NIH FUERTE Support: \$608,000.
      - DRI/Graduate Student Support: \$100,000.
      - Uncollectible Sponsored Program Receivables: \$75,000.
      - COVID Contingency: \$229,000 (credit from reserve).
  - Support of Research Infrastructure:*
    - Decrease in Project Facilities & Equipment Support of \$340,000 or 25.4%



from mid-year budget and \$135,000 or 11.9% from original.

- F&A Consulting is a new category for a total of \$100,000 during FY 2023-24; SDSURF will negotiate the new F&A rate agreement during FY 2023-24.
- Research Support-Library amount remains the same at \$50,000.
- Decrease in Research Advancement & TTO of \$69,000 or 4.3% from mid-year budget and an increase of \$19,000 or 1.3% from original.
- DRI Staffing Support remains the same at \$750,000 to prefund FY 25 – the second year of a two-year request for support from SDSU.
- Research Endowment Distributions remains the same at \$600,000.
- Increase in University Research Space of \$10,000 or 11.1% from mid-year or \$23,000 or 29.9% from original.

*Investment in Enhanced Service Initiatives:*

- Decrease in Systems Infrastructure of \$100,000 or 100% from mid-year and no change from original.
- Increase in Washington D.C. Representation of \$17,000 or 10.5% from mid-year and original budget.

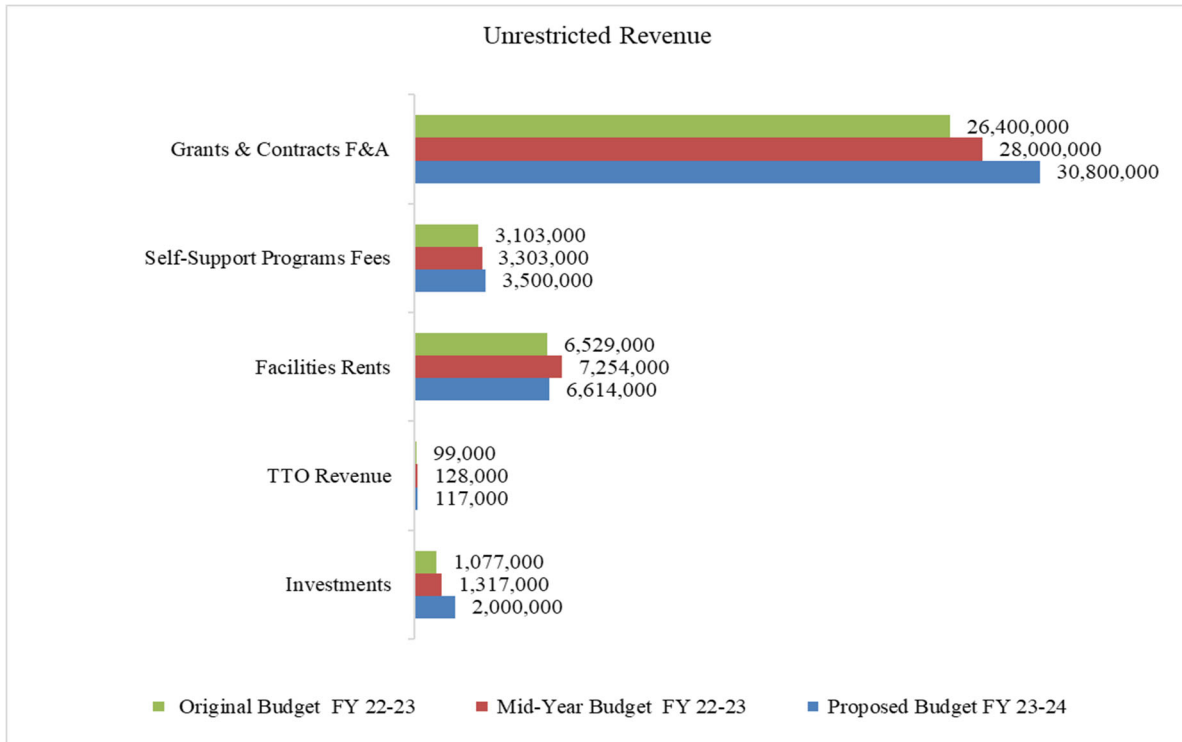
- Reserves

- Source of Funds is projected to be \$43,031,000, while Use of Funds is projected to be \$42,962,000, adding \$69,000 to Reserves.

## BUDGET DETAIL

### Source of Funds

#### Unrestricted Revenue

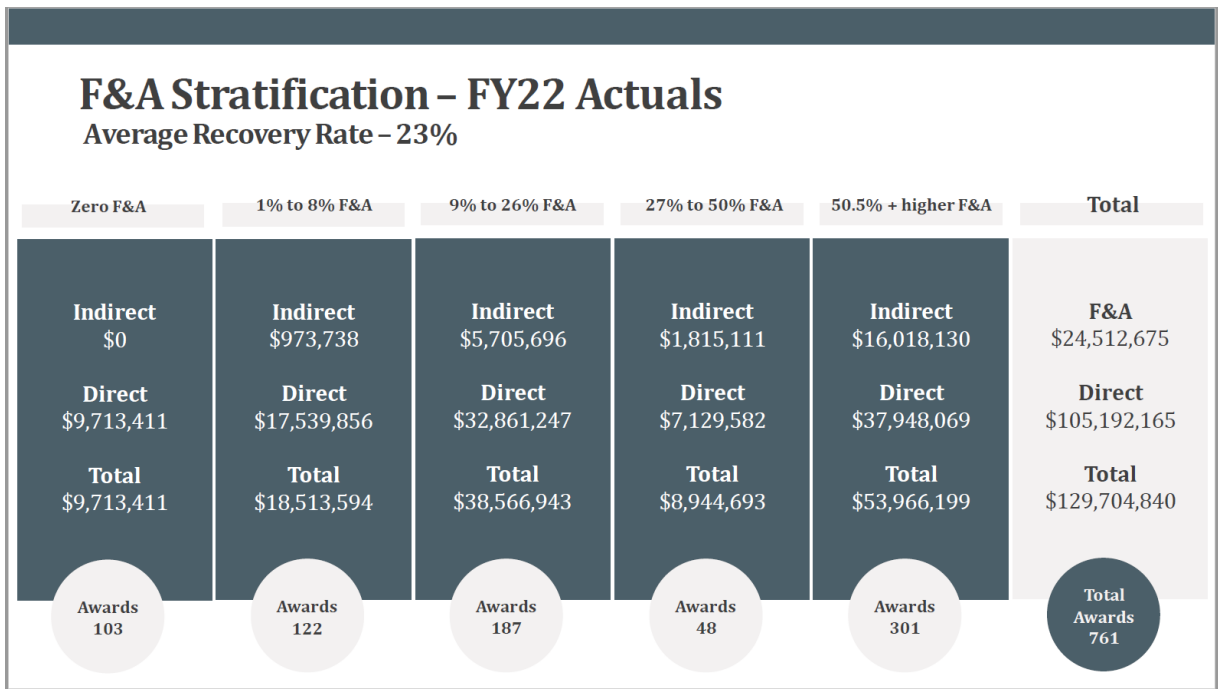


Unrestricted Revenue is projected to be \$43,031,000, generated by SDSURF activities including the following revenue categories:

- **Grants and Contracts (\$30,800,000)** revenue represents reimbursement for university and research foundation facilities and administrative (F&A) costs related to research. F&A is expected to increase by \$2,800,000 or 10.0% from FY 2022-23 mid-year budget and \$4,400,000 or 16.7% from original budget.

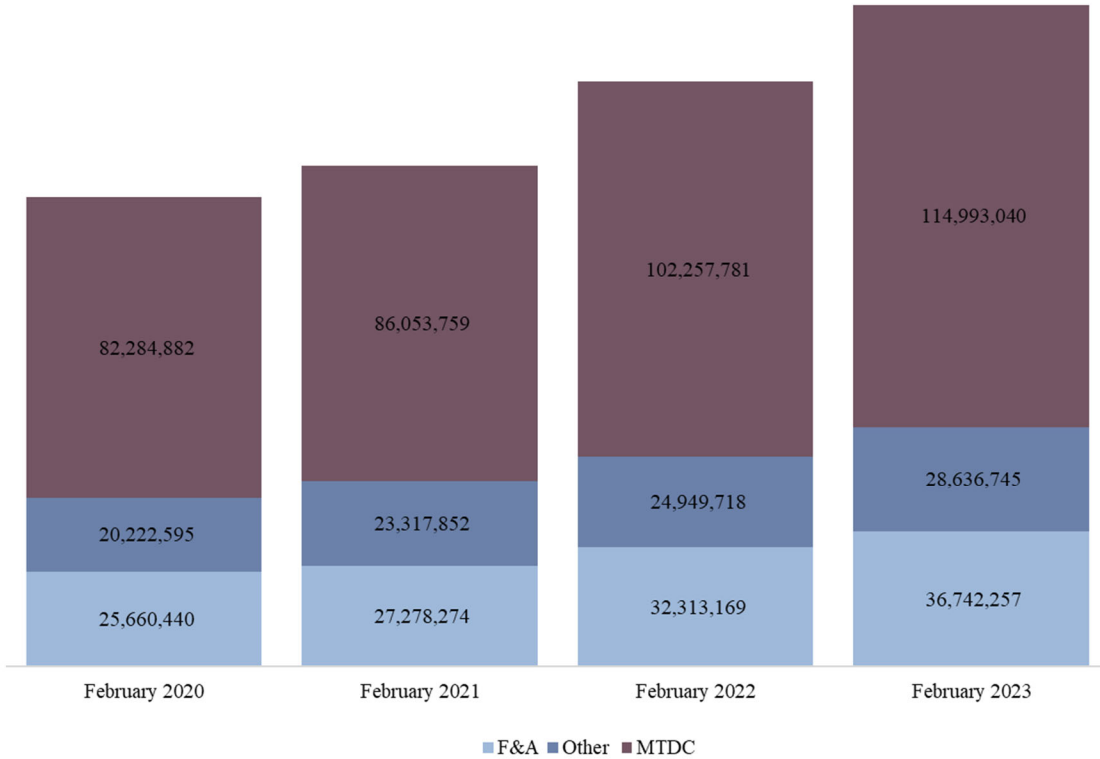
Projected F&A cost recovery represents approximately 72.0% of total unrestricted monies available. Although the federal negotiated F&A rate for research is 50.5% of modified total direct costs, many awards receive a lower rate, and certain categories of expense may be excluded when calculating the rate in accordance with federal rules. The actual recovery rate for FY 2022-23 is projected to be approximately 23% of all direct grant expenditures.

SDSURF accepts all awards on behalf of the university that have been approved by the SDSU administration. The following chart reflects actual grant and contract earned F&A for FY 2021-22 by rate ranges.



Estimating F&A cost recovery for the future involves projecting the volume of proposals that will be submitted and awarded, the dollar amount of awards that will actually be expended during the budget period, and the F&A cost recovery percentage to be earned. The amount in Work in Process (WIP) looks positive with almost 15% more F&A awarded but not yet earned over the same time last year. WIP represents the amount of direct costs and F&A awarded but not yet spent. The following chart reflects WIP as of February 2020, 2021, 2022, and 2023:

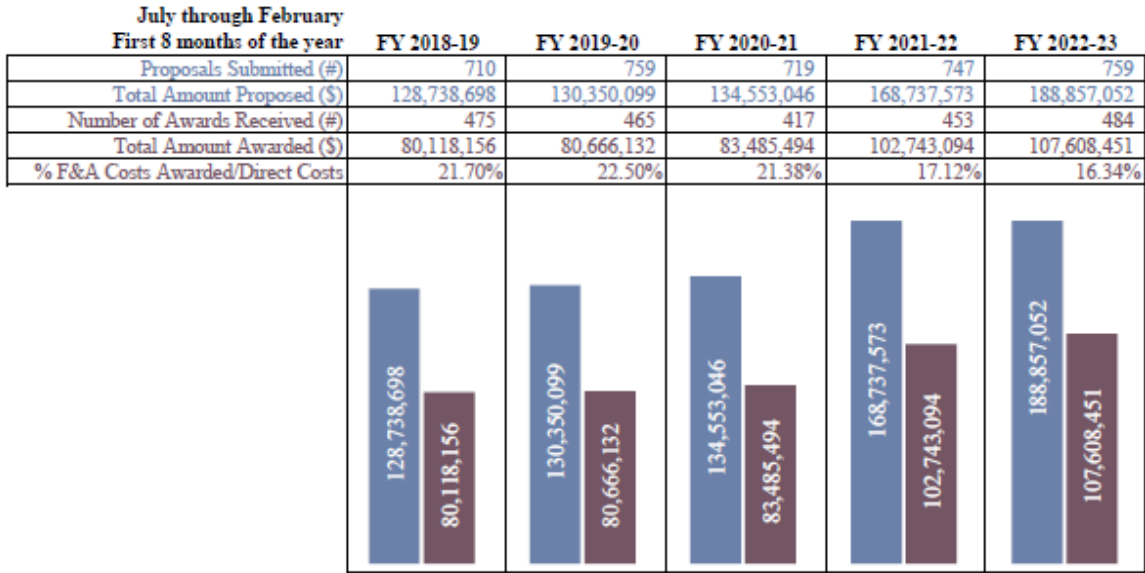
## Work in Process



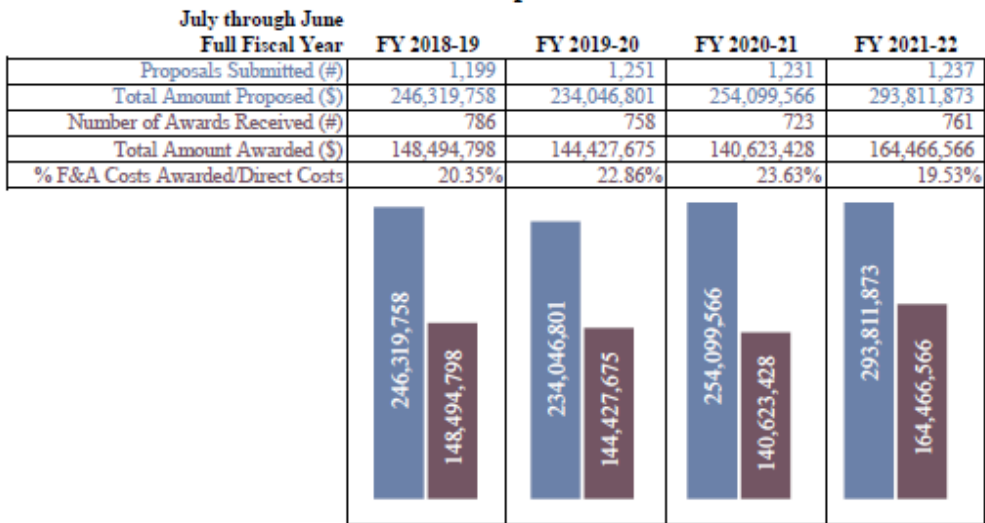
The following chart analyzes proposals and awards for the first eight months of the year comparing the current year to the prior four fiscal years. The number of proposals in the fiscal year to date as of February 28, 2023, is ahead of last fiscal year by 11 proposals or 1.5%. The dollar amount of proposals increased for the first 8 months of FY 2022-23 compared to the same timeframe for last fiscal year by \$21,227,056 or 25.6%. As a reminder, *F&A is not earned until the awards are spent.*

## Proposals and Awards

■ Total Amount Proposed (\$)   ■ Total Amount Awarded (\$)



## Total Annual Proposals and Awards



- **Self-support Programs (\$3,500,000)** include the research foundation's administrative fee for services to self-support units including KPBS, The Campanile Foundation, SDSU Global Campus, and other miscellaneous campus programs. Self-support fees are expected to increase by \$197,000 or 6.0% from FY 2022-23 mid-year and \$397,000 or 12.8% from original budget, based on increases in the set agreements with KPBS and The Campanile Foundation, as well as increased activity in SDSU Global Campus noncredit courses.
  
- **Rents (\$6,614,000)** from properties owned by SDSURF are projected based upon current leases in place. Rents are expected to decrease by \$640,000 or 8.8% from the FY 2022-23 mid-year budget and increase by \$85,000 or 1.3% from original. The decrease from mid-year budget is due to reduction in rent/reimbursement from KPBS for Gateway debt service as the debt was paid off in FY 2022-23. When KPBS reimbursed SDSURF for their portion of debt service, it was accounted for

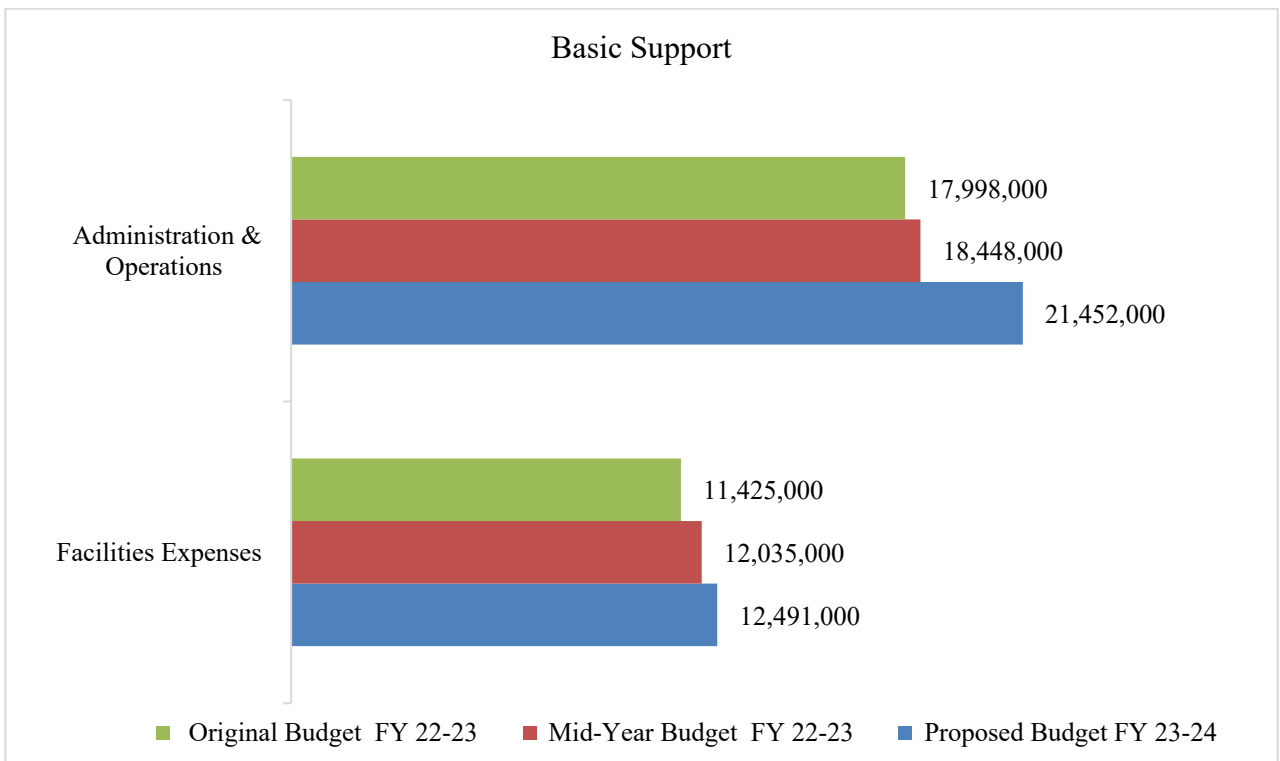
as revenue to SDSURF which was offset by the full amount of debt service shown in facilities expenses. Additionally, with the growth of the volume of research, we are moving more full F&A projects into our space which do not pay rent; the reimbursement of facilities costs is provided through the F&A recovered.

- **Technology Transfer Office (TTO) (\$117,000)** revenue includes royalties and legal reimbursements and is a decrease of \$11,000 or 8.6% from the FY 2022-23 mid-year budget and an increase of \$18,000 or 18.2% from original. The research foundation earns royalty income from the sale of each product or service licensed under specific copyright or patent agreements. Net royalties are allocated to the inventors, the university, and the research foundation. The decrease is attributed in part to a change in the royalty distribution policy which redirected a portion of royalty distributions from SDSURF to help sustain the Pilot Innovation fund to help faculty transition research-based innovations toward commercial readiness
- **Investment Income (\$2,000,000)** reflects an increase from mid-year FY 2022-23 budget of \$683,000 or 51.9% and original budget of \$923,000 or 85.7% due to aggressive increases in interest rates by the federal reserve over the last 12 months. As our short-term investments mature, we are able to reinvest in higher yielding investments.

**Use of Funds**

Overall use of funds is expected to increase by \$3,018,000 or 7.6% from FY 2022-23 mid-year budget and \$5,272,000 or 14.0% from original.

**Basic Support (\$33,943,000)**, which includes Administration & Operations and Facilities Expenses, is projected to increase by \$3,460,000 or 11.4% from the FY 2022-23 mid-year budget and \$4,520,000 or 15.4%, from original.



- **Administration and Operations (\$21,542,000)** comprises the support functions necessary to provide an appropriate level of service to research foundation clients and to accomplish various compliance requirements imposed by regulatory agencies. The increase of \$3,004,000 or 16.3% over FY 2022-23 mid-year budget and \$3,454,000 or 19.2% over the original budget is due to the following:

### Administration & Operations by Expense Type

	Original	Mid-Year	Proposed	Proposed compared to FY 2022-23 Mid-Year		Proposed compared to FY 2022-23 Original	
	FY 2022-23	FY 2022-23	FY 2023-24	\$ Increase (Decrease)	% Increase (Decrease)	\$ Increase (Decrease)	% Increase (Decrease)
Salaries and Benefits	15,642,000	16,065,000	18,809,000	2,744,000	17.1%	3,167,000	20.2%
Operating Costs:							
Legal	143,000	143,000	143,000	-		-	
Insurance	225,000	179,000	235,000	56,000		10,000	
Equipment & Supplies	53,000	56,000	41,000	(15,000)		(12,000)	
Contracted Services	1,235,000	1,286,000	1,373,000	87,000		138,000	
Audit	327,000	312,000	340,000	28,000		13,000	
Other (Admin & Misc)	373,000	407,000	511,000	104,000		138,000	
	2,356,000	2,383,000	2,643,000	260,000		287,000	
	17,998,000	18,448,000	21,452,000	3,004,000	16.3%	3,454,000	19.2%

- **Salaries and Benefits** increased \$2,744,000 or 17.1% from the mid-year budget and \$3,167,000 or 20.2% from the original due to the following:
  - Given the incredible increase in volume of awards (37% increase in awards since FY 2017-18), we must add staff to support research and other funded projects. Much of our operational support is transactional in nature; with each new award, SDSURF needs to provide operational support across all departments. To support the growth that has occurred and the continued anticipated growth as we move to R1 status, adequate staffing is a top priority so that we can continue to support research and projects overall. With the positions added in FY 2022-23 and FY 2023-24, we will have increased staffing since FY 2017-18 by 12.5%.
  - We have added seven positions during FY 2022-23 and nine positions will be added during FY 2023-24. The positions added were in various departments at SDSURF including:
    - ✓ Sponsored Research Development
    - ✓ Sponsored Research Contract and Compliance
    - ✓ Sponsored Research Administration
    - ✓ Information Systems
    - ✓ Risk Management
    - ✓ Facilities
    - ✓ Finance & Accounting
    - ✓ Purchasing
    - ✓ Human Resources
  - We are hiring outside talent closer to market rates, due to the very tight market for staffing, and adjusting for any resulting equity issues with our current staff.
  - We have set aside funds for potential cost-of-living salary increases to ensure we remain comparable with the CSU.

- **Insurance** expenses increased \$56,000 compared to mid-year budget and \$10,000 from original. The insurance market continues to be challenging. CSURMA/AORMA provides most of our insurance and continues to work to reduce premiums where feasible.
- **Equipment & Supplies** decreased from the mid-year budget by \$15,000 and \$12,000 from the original due to a reduction in the projected need for supplies. As we continue to work towards paperless processes, we are able to reduce the need for supplies.
- **Contracted Services** increased from the mid-year budget by \$87,000 and from the original by \$138,000. Most of the increase is due to regular contract increases for items such as software agreements. Additionally, we are implementing several new initiatives with accompanying software to streamline our processes.
- **Audit fees** increased from the mid-year budget by \$28,000 and \$13,000 from the original to be in line with our agreed upon engagement with our external auditors Grant Thornton as well as an anticipated increase in Chancellor's Office internal audit fees.
- **Other** expenses increased \$104,000 compared to mid-year budget and increased by \$138,000 from the original with the majority of the increase being due to the significant increase in the environmental fee/tax from the State of California.
- **Facilities expenses (\$12,491,000)** reflects an increase of \$456,000 or 3.8% over the FY 2022-23 mid-year budget and \$1,066,000 or 9.3% compared to original. Research foundation staff are involved in various activities related to real property, including managing the space provided to sponsored projects.

Historically, SDSU Research Foundation has acquired, constructed, and managed real property adjacent to the university and at various locations in San Diego County and beyond to support university programs. The research ~~fund~~ continues to own, operate, manage, and lease a large portfolio of research-related property including:

- *Alvarado Research and Professional Center* – Nine office buildings in the vicinity of Alvarado Hospital east of campus have been acquired over the years and provide an excellent space to house both SDSU projects and commercial tenants.
- *Sky Park Court* – This office building in the Kearny Mesa area houses faculty researchers and commercial tenants.
- *City Heights* – Two buildings and a parking structure on El Cajon Boulevard provide an environment for community-oriented projects, non-profit commercial tenants, and SDSU programs. In April 2020, SDSURF sold this property; however, we agreed to master lease back the entire property for five years with a five-year extension that has been executed.
- *Gateway Center* – This building, located on the edge of campus, is occupied by the research foundation's central administrative staff and two

major self-support programs - KPBS and the SDSU Global Campus - as well as other miscellaneous campus uses. Through a ground lease with SDSU, the research foundation has owned and managed this asset for 30 years. Effective July 1, 2023, Gateway Center ownership will revert to SDSU and the research foundation will become a tenant paying rent to the campus in lieu of debt service.

- *Coastal Waters Lab* – Located on land that was previously part of the Naval Training Center in San Diego, this building and adjacent outdoor laboratory house the SDSU Coastal and Marine Institute Laboratory and the U.S. Geological Survey, a major tenant that occupies three-fourths of the building.
- *Bioscience Center* – The university and research foundation partnered to finance and construct this 30,000 square-foot research facility on the SDSU campus.
- *Field Stations* – These include Sky Oaks, a multidisciplinary facility for studying the ecology, geology, soils, and hydrology of chaparral and other Mediterranean-type ecosystems; and the Santa Margarita Ecological Reserve (SMER), an outdoor research and education laboratory and classroom. SMER houses the first five miles of the Santa Margarita River, serves as the linkage between the Santa Ana and Palomar Mountains, and provides the habitat for some unique and endangered species.

The current year budget projections reflect the following changes in overall facilities expenses:

### Facilities Expenses

	Original FY 2022-23	Mid-Year FY 2022-23	Original FY 2023-24	Proposed compared to FY 2022-23 Mid-Year Budget		Proposed compared to FY 2022-23 Original Budget	
				\$ Increase (Decrease)	% Increase (Decrease)	\$ Increase (Decrease)	% Increase (Decrease)
<b>Facilities Operating Expense</b>							
Salaries and Benefits	\$ 2,020,000	\$ 2,154,000	\$ 2,304,000	150,000		284,000	
Operational Expenses	1,388,000	1,396,000	1,457,000	61,000		69,000	
Insurance	1,071,000	1,085,000	1,067,000	(18,000)		(4,000)	
Utilities	1,706,000	1,822,000	1,902,000	80,000		196,000	
Property Taxes	318,000	315,000	324,000	9,000		6,000	
Contracted Services	959,000	1,050,000	1,050,000	-		91,000	
University Services/Parking	971,000	935,000	983,000	48,000		12,000	
	<u>8,433,000</u>	<u>8,757,000</u>	<u>9,087,000</u>	<u>330,000</u>	<u>3.8%</u>	<u>654,000</u>	<u>7.8%</u>
<b>Other Expenses</b>							
Capital & Tenant Improvements	1,081,000	1,367,000	1,310,000	(57,000)		229,000	
Debt Service	1,911,000	1,911,000	2,094,000	183,000		183,000	
	<u>2,992,000</u>	<u>3,278,000</u>	<u>3,404,000</u>	<u>126,000</u>		<u>412,000</u>	
	<u>11,425,000</u>	<u>12,035,000</u>	<u>12,491,000</u>	<u>456,000</u>	<u>3.8%</u>	<u>1,066,000</u>	<u>9.3%</u>

**Facilities Operating Expense:** The original FY 2023-24 budget reflects an increase of \$330,000 or 3.8% from the mid-year FY 2022-23 budget and \$654,000 or 7.8% from original.

- **Salaries and Benefits:** The FY 2023-24 budget has increased \$150,000 from mid-year FY 2022-23 budget and \$284,000 from the original. This category also includes set aside funds for potential salary increases for Facilities-related salaries to remain comparable with the CSU.



- **Operational Expenses:** The FY 2023-24 budget reflects an increase of \$61,000 from the mid-year FY 2022-23 budget and \$69,000 from original. This includes annual rent increases on our off-site leased locations and regular increases in maintenance services, such as janitorial supplies, offset by decreases in administrative expenses, including copier machines and office supplies.
- **Insurance:** The FY 2023-24 budget reflects a decrease of \$18,000 from the mid-year FY 2022-23 budget and \$4,000 from original. After many significant increases over the last several years, we have a slight savings in our property insurance due to a change in the insurance program.
- **Utilities:** The FY 2023-24 budget reflects an increase of \$80,000 from the mid-year FY 2022-23 budget and \$196,000 from original. SDGE continues to notify us of regular increases in electricity costs. The facilities team remains focused on investigating and implementing additional utility savings measures.
- **Property Taxes:** The original FY 2023-24 budget reflects a slight increase of \$9,000 from the mid-year FY 2022-23 budget and \$6,000 from original based upon fluctuations in use of space resulting in exemptions issued by the county.
- **Contracted Services:** The original FY 2023-24 budget reflects no change from the mid-year FY 2022-23 budget and a \$91,000 increase from the original due to annual increases in our ongoing service contracts such as security, janitorial, and landscaping.
- **University Services/Parking:** The original FY 2023-24 budget has increased by \$48,000 from the mid-year FY 2022-23 budget and \$12,000 from the original based on regular annual price increases, as well as a new rent line for the space occupied by SDSURF at Gateway Center now that the facility has transferred back to the university per the terms of the ground lease. SDSURF issues payment to SDSU annually for utilities for the Gateway Center. SDSU will install utility meters at the Gateway building, hopefully effective July 1, 2023, so that actual usage can be monitored and billed; as of now, it is just an estimate that is charged. Thus, we may see a change in the line item during the FY 2023-24 mid-year budget development.

**Capital and Tenant Improvements** decreased by \$57,000 from mid-year budget and increased by \$229,000 from original. These costs are to upgrade the condition of buildings and their mechanical systems and the surrounding land area. Tenant improvements are provided for new leases and would be offset by increases in rental income. Major capital improvements planned for FY 2023-24 include the following:

- Various HVAC replacements across all buildings - The research foundation maintains 310 mechanical units of various types and sizes, and tracks those on an eighteen-year lifecycle. In the last six years we replaced 38 of those units that were beyond their lifecycles, with approximately 112 units scheduled for replacement. Newer units provide a variety of advantages due to the refrigerant type (where applicable – replacing R22 with R410a), as they are more efficient (increase of 10% to 15%, resulting in utility savings), reduce our carbon footprint, improve indoor air quality, decrease maintenance costs, and increase the comfort of building occupants.

- A thorough review of the Alvarado complex was conducted, and we have identified locations for 12 new exterior cameras to improve coverage and enhance security at the site. This camera location plan was submitted to the Campus Camera Committee and approved earlier this year. We are currently in the process of completing the camera installations and data activations for the images to be directed to University Police Dispatch.
- Various ADA improvements - Facilities Planning and Management staff developed an ADA Transition Plan, which identifies the physical accessibility improvements required at our owned properties to comply with building code requirements. These items have been identified through CAS (Certified Accessibility Specialist) surveys and provide a 5-year projection of priorities. Each year we survey a building to keep the list current, and budget capital improvement funds to address the highest priority item(s) during the year. Staff continue their efforts to bring various elements up to code, including restroom fixtures and exterior accessible ramps.
- Alvarado landscaping - We are continuing an additional phase of landscaping work at the Alvarado site, replacing high water-consuming vegetation with drought tolerant plants, now being served by a high-efficiency drip irrigation system throughout the complex.
- Over the past three years staff have replaced five of our largest central building boilers with more efficient units to save on utility costs, and plan to continue this effort by replacing the boiler at 6495 Alvarado Court. These boilers are also identified for replacement in our facilities condition assessment report.
- Roof replacements – Staff are planning a summer project to complete several roof replacements, refurbishments, and exterior water proofing projects throughout Alvarado, located at 6310, 6330, and 6367 Alvarado Court, and 6475 Alvarado Road. The work planned at these locations will address known leaks that have developed during the winter 2023 storms, with many of these areas identified for replacement in our facilities condition assessment report.
- Alvarado lighting upgrades – The exterior lighting around the Alvarado complex is scheduled to be upgraded in summer 2023 to address “dark spots” around buildings as a security enhancement, as well as improve energy efficiency and brightness by switching from T5 to LED lights. This work will occur at the completion of the various existing and planned roofing and fascia projects to ensure better coverage.
- Alvarado parking lot resurfacing - The parking lots at the Alvarado complex are resurfaced in a phased approach to reduce impacts to tenants, with small sections completed annually. In the past five years, over 120,000 square feet of our parking lots have been resurfaced, with additional sections planned in FY 2023-24.
- Elevator modernization at 6363 Alvarado Court – The mechanical operating equipment for this elevator is scheduled to be replaced as part of our elevator modernization cycle, implemented five years ago. In that time, we have modernized the mechanics and/or interior finishes at seven of our building

elevators. In this case, the replacement of the mechanical equipment ensures the cab of the elevator will operate more efficiently and reliably for years to come.

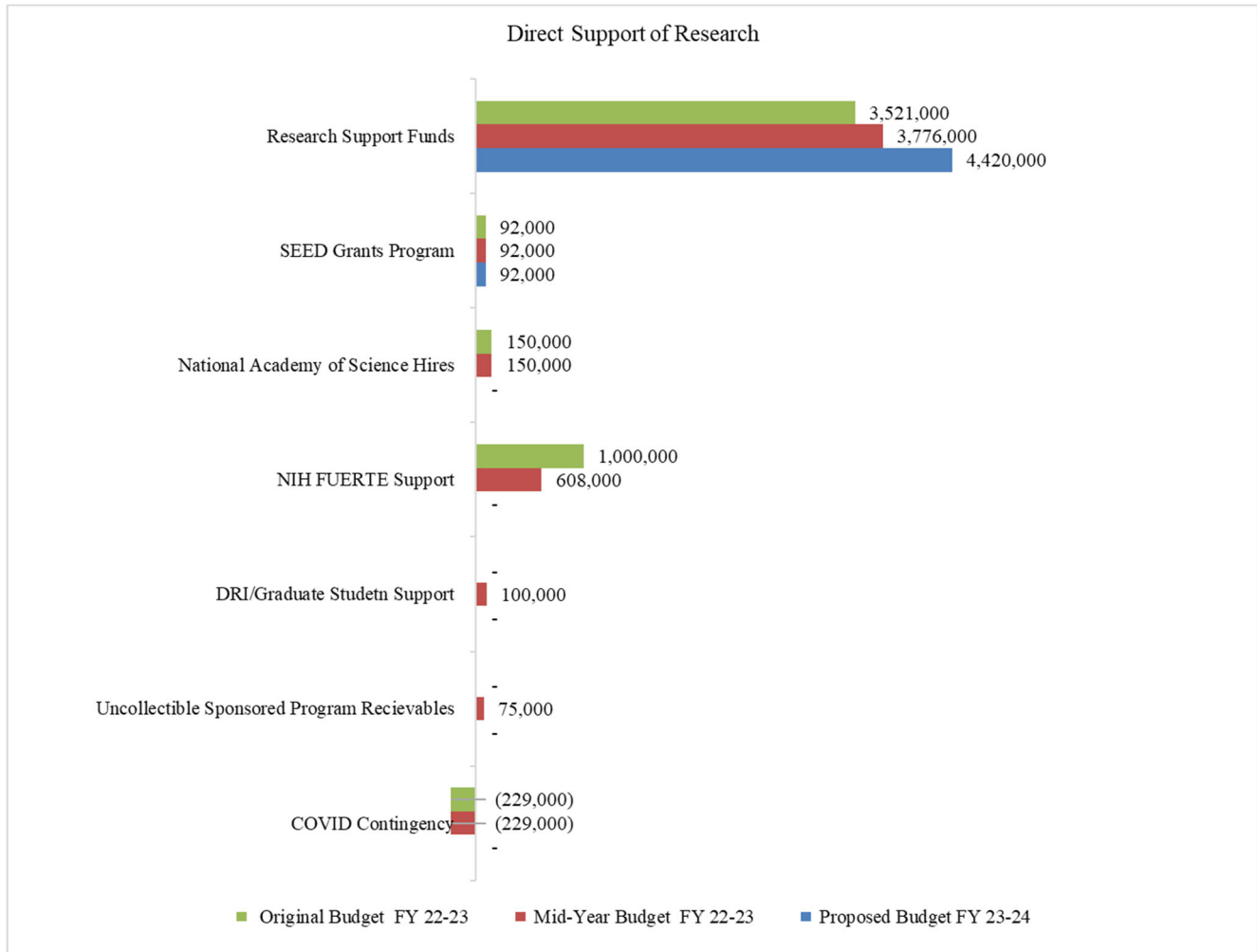
**Debt Service** increased \$183,000 from mid-year and original budgets. In FY 2022-23, the debt related to the Gateway building was paid off as the life of the bonds was equal to the length of the ground lease which terminates on June 30, 2023. The Chancellor's Office (CO) issues debt through its systemwide revenue bonds (SRB). When the bonds were issued through SRB, the CO worked to smooth out the debt service payments; thus, when Gateway Center was paid off, the principal payments on the remaining outstanding bonds (not Gateway-related) were increased.

SDSU Research Foundation's mission is to support and further the research, education, and community service objectives of San Diego State University. As part of our mission, we continually strive to support the university through customer service, and various funding to enhance research. The anticipated funding to be provided to the university for FY 2023-24 is projected to be:

### Payments to SDSU

Expense/Allocation Category	FY 2023-24		
Gateway Utilities	261,979		
Gateway Rent	232,000		
University Police	152,860		
Mailing Services	118,438		
CSU Annual Audit Fee	83,931		
CSU Centrally Paid Indirect Costs	46,396		
University Research Space	100,000		
Phones	230,700		
Postage	51,569		
Parking	55,479	1,333,352	Operations
Microsoft A3 Licensing	90,485		
Microsoft A5 Licensing	74,673		
Adobe Cloud	67,454		
Zoom	18,060		
Patch My PC	3,014		
Patch Manager Plus	13,844		
JAMF per Apple IOS Device	1,348		
JAMF per Apple MacOS Device	6,742		
ServiceNow	1,923		
Google Unlimited Storage	6,890		
Oracle Tech Support	64,779	349,212	Information Technology
Research Support Funds	4,420,000		
Research Advancement & TTO	1,528,000		
University Grants Program	92,000		
Research Support - Library	50,000		
Research Endowment Distribution	600,000		
Systems Infrastructure	200,000		
Washington D.C. Representation	179,000	7,069,000	Other Allocations & Support
CSU Bond Payments	2,035,491	2,035,491	SRB Debt Payment
<b>Total Annual FY 2023-24 payments to SDSU</b>		<b>10,787,056</b>	
<b>Total Annual FY 2022-23 payments to SDSU</b>		<b>9,625,141</b>	
<b>\$ and % Increase from FY 2022-23 to FY 2023-24</b>		<b>1,161,915</b>	<b>12.1%</b>

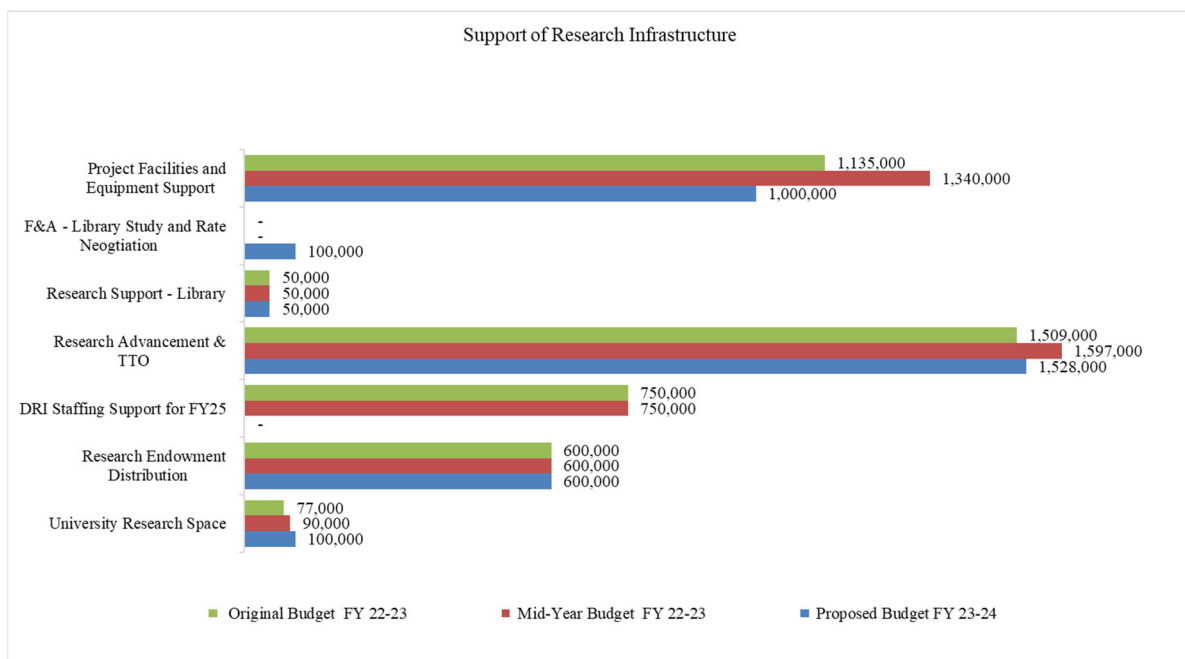
**Allocations for Enhanced Program Support (\$9,019,000)** reflects a decrease of \$442,000 or 4.7% over the FY2022-23 mid-year budget and increase of \$752,000 or 9.1% compared to original.



- **Allocations for Direct Support of Research (\$4,512,000):** This category refers to those resources allocated to principal investigators (PIs) and university units in direct support of proposal development, ongoing research programs, or other research endeavors. Allocations for Direct Support of Research decreased by \$60,000 or 1.3% from the FY 2022-23 mid-year budget and \$22,000 or 0.5% from original. The change is due to the following subcategories:
  - **Research Support Funds (RSF) (\$4,420,000):** These funds are allocated to colleges, principal investigators, and the vice president for research and innovation to support new or existing university research initiatives. This allocation is made by formula and governed by policies approved by the university and research foundation board. RSF funds are provided to projects generating F&A at the full federally negotiated rate for on-campus research.

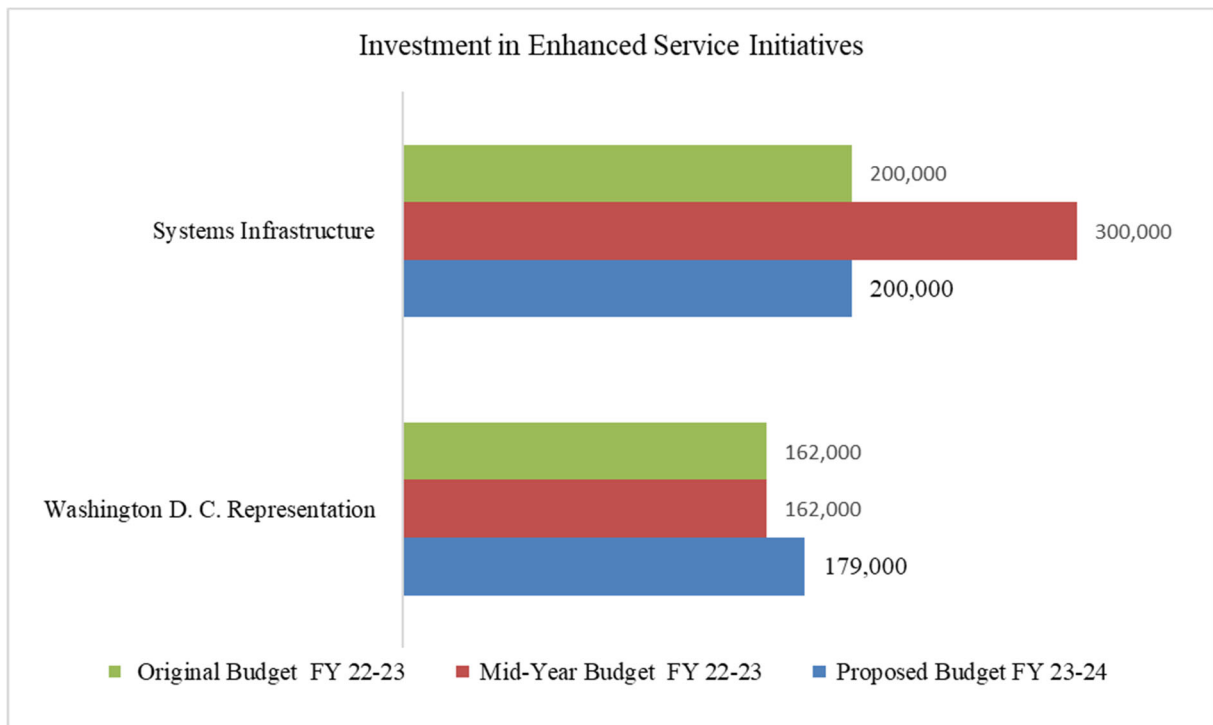
RSF reflects an increase of \$644,000 or 17.1% over the FY 2022-23 mid-year budget and \$899,000 or 25.5% from original. The proposed FY 2023-24 budget funds 100.0% of the formula. This RSF allocation will be updated at mid-year once the final F&A numbers are known for FY 2022-23 since the calculation and the amounts allocated in FY 2023-24 will be based upon actuals for FY 2022-23 according to policy.

- **SEED Grant Program (\$92,000):** Support for the SEED Grant Program for FY 2023-24 is consistent with the FY 2022-23 mid-year and original budgets. These funds are used to support scholarly research, assist faculty to meet qualifications for retention, tenure, and promotion, allow faculty to bring advanced projects to conclusion and, facilitate development of a research program that may be competitive for extramural funding.
- **National Academy of Sciences Hires, NIH FUERTE Support, DRI/Graduate Student Support, Uncollectable Sponsored Program Receivables, and the offset by the remaining Covid Contingency** were all one-time allocations in FY 2022-23 and are not recurring in FY 2023-24.
- **Allocations for Support of Research Infrastructure (\$4,128,000)** reflects a decrease of \$299,000 or 6.8% over the FY 2022-23 mid-year budget and an increase of \$757,000 or 22.5% over original. This category refers to allocations made in support of the infrastructure necessary to support and grow the research enterprise and includes the following subcategories:



- **Project Facilities and Equipment Support (\$1,000,000)** reflects a decrease of \$340,000 or 25.4% from the FY 2022-23 mid-year budget and \$135,000 or 11.9% from original. These monies are used primarily for facilities and equipment support, such as outfitting space assigned to new projects. For example, office furniture, office equipment, and telephone installation are typically required immediately upon notification of a new award. These funds also cover allocations from the university for software and cybersecurity services provided to support SDSURF employees funded on grants and contracts. In FY 2022-23, we had some significant one-time costs including additional security barriers added at the Coastal Waters Lab building, demo and preparation for the Alvarado location for the SDSU Police department to create a substation, and enhancement to the phone and internet at the Bay Boulevard property.
- **F&A – Library Study and Rate Negotiation (\$100,000)** reflects an increase from FY 2022-23 mid-year and original budgets of \$100,000. During FY 2023-24, we will be renegotiating our F&A rate with the federal government; this allocation provides funds for consulting during the negotiation and rate development process.

- **Research Support - Library (\$50,000)** reflects no change from FY 2022-23 mid-year budget and original budgets. This allocation recognizes the role the SDSU Library, and its faculty/staff play in supporting SDSU’s research mission and provides funds to support acquisition of research publications, software, and tools to support the research infrastructure.
- **Research Advancement & TTO (\$1,528,000)** reflects a decrease of \$69,000 or 4.3% over the FY 2022-23 mid-year budget and an increase of \$19,000 or 1.3% from original. In FY 2022-23, Research Advancement & TTO had some one-time costs for consultants and vacation payoff for employees who moved from SDSURF to SDSU staff that are not anticipated to reoccur in FY 2023-24. A set-aside for anticipated cost-of-living increases to remain comparable with CSU is included for these positions.
- **Research Endowment Distribution (\$600,000).** SDSURF will continue to make a \$600,000 annual contribution to the Research Endowment Distribution Fund. The funds will support research by replacing the distribution of the research endowment held at The Campanile Foundation.
- **University Research Space (\$100,000)** reflects an increase of \$10,000 or 11.1% compared to the FY 2022-23 mid-year budget and an increase of \$23,000 or 29.9% from original. The estimated increase is due to enhanced use of space on campus for research projects. This line item is the result of a policy established by the CSU Chancellor's Office to provide a mechanism for the university to recover a portion of space costs incurred in support of sponsored programs. With research volume increasing, we anticipate this allocation to increase as well.
- **Investment in Enhanced Service Initiatives (\$379,000)** reflects a decrease of \$83,000 or 18.0% from the FY 2022-23 mid-year budget and an increase of \$17,000 or 4.7% increase from original. This allocation is intended to support the overall research enterprise through large-scale initiatives to streamline processes, create efficiencies, and develop opportunities for new research endeavors, including the following subcategories:



- **Systems Infrastructure (\$200,000)** reflects a decrease of \$100,000 or 33.3% from the FY 2022-23 mid-year and no change from original. SDSURF strategically invests in systems and infrastructure to streamline operations, enhance services to PIs, and to support increased research activity as SDSU moves towards becoming an R1 institution. Investments in FY 2023-24 will be focused on the following initiatives:
  - Chrome River implementation phases, including travel, reimbursement requests, and invoice processing.
  - Integration of SDSURF systems with SDSUid single sign-on with multi-factor authentication.
  - Digitization and imaging of payroll and executive documents, retiring legacy document management system.
  - Programming to support KPBS union classifications and pay rules.
  - Ongoing development and post-go live support for new InfoEd subaward and subrecipient modules.
  - Ongoing development of MyRF, including build-out of additional reporting areas, system integration, and feed management portals for employee benefits.
  - Going live with online purchase requisitions and journal vouchers in MyRF with smart approval routing and real-time status views.
  - Completing transition of InfoEd (proposal routing, subcontracting modules) to the cloud.
  
- **Washington D.C. Representation (\$179,000)** reflects an increase of \$17,000 or 10.5% from the FY 2022-23 mid-year and original budgets. SDSU Research Foundation engaged a new advocacy firm, Van Scoyoc Associates (VSA), during FY 2020-21, along with a VSA sister company, The Implementation Group (TIG). TIG also provides support for large-scale grant opportunities. The current agreement expires in January 2024; this allocation includes an anticipated increase as the contract is renewed.

***Reserves***

Source of Funds is projected to be \$43,031,000, while Use of Funds is projected to be \$42,962,000, adding \$69,000 to Reserves.

## APPENDIX A RESERVES

*The FY 2023-24 budget reflects adding \$69,000 to Reserves.*

Maintaining adequate reserves is critical to any business organization, especially for non-governmental organizations dependent on generating annual revenues to support their activities. Research foundation revenues are projected prior to the beginning of a fiscal year and are committed mainly for program support (operating) costs, facilities (space) costs, and university support activities (allocations). Operating reserves are necessary to provide working capital to continue daily activities, to guard against a decrease in projected revenue or increase in projected expenditures, to cover potential unallowable costs for grants and contracts, and to cover over-expenditures of project activities. We continue to work toward sustaining a balanced budget with the goal of adding to reserves. The unexpected nature and impact of the pandemic has heightened our focus on the need for adequate reserves.

### Reserves

	Actual Balance 12/31/2022	Goal for Reserve as of FY 2022-23	Additional Funds needed to meet Reserve goal
<b>Discretionary Reserves</b>			
Operating Cash Reserves	7,494,000	15,461,500	7,967,500
Real Estate Deficit	(4,009,000)	-	4,009,000
Total Discretionary Reserves	3,485,000	15,461,500	11,976,500
<b>Designated Reserves</b>			
Operating Contingency	925,000	1,000,000	75,000
Facilities	1,500,000	1,500,000	-
Utilities	500,000	500,000	-
Insurance	300,000	300,000	-
Total Designated Reserves	3,225,000	3,300,000	75,000
	6,710,000		12,051,500

*Operating Cash Reserves* – The goal of the operating cash reserves is six months of operating expenses, represented in the Basic Support section of the budget. In general, maintaining six months of operating reserves is considered best practice in the industry and mirrors the reserve goals established by the Chancellor’s Office of the CSU. The Real Estate Deficit relates to the unfunded obligation (funds spent into deficit position) related to various strategic land acquisitions, the redevelopment project, and the Fraternity Row construction defects lawsuit. Considering this Real Estate deficit, we currently have less than two months of operating reserves funded towards the six-month goal.

#### **Designated Reserves**

Following are the reserves goals as currently defined:

*Operating Contingency* – Historically, the operating contingency reserve pertains mainly to potential disallowances on grants and contracts and to other general operating contingencies. Despite best efforts, audit disallowances are an expected part of administering grants and contracts. The goal for this reserve is \$1,000,000. The size of the allowance requires a judgment decision based on the following:



- Volume of grant and contract activity
- Time between audits
- Continuity of experienced staff and adequacy of internal controls
- Administrative resources devoted to the administration of grants and contracts.

*Facilities* – The facilities reserve was established to help manage major repairs, maintenance, and upgrades on Research Foundation properties. The goal for the reserve was established at \$1,500,000 and is currently fully funded. The proposed budget for FY 2023-24 recommends using the fund for part of the Research Foundation Gateway Center refurbishment.

*Utilities* – The utilities reserve was established to help manage unexpected, significant increases in the cost of utilities. With this reserve, the management team does not have to budget quite so conservatively for utilities as this reserve can be accessed if rates rise quickly or harsh weather causes a spike in utilities. The goal for the reserve was established at \$500,000 and is fully funded.

*Insurance* – Each general liability insurance claim has a deductible of \$100,000. The primary source of funding for this reserve will be funds recovered from insurance relating to claims in prior budget periods. The goal for the reserve was established at \$300,000, which reflects three potential claims with a \$100,000 deductible for each claim and is fully funded.

### **Non-Discretionary Reserves**

These reserves are designated for specific purposes and not accessible for general operations.

	<b>Actual Balance 12/31/2022</b>
<b>Non-discretionary</b>	
Research Endowment	803,000
Retiree Medical VEBA Trust	13,013,000
Employee Fringe Benefits	1,814,000
Workers' Compensation Insurance	3,316,000
Unemployment Insurance	3,225,000
<b>Total Non-discretionary</b>	<u>22,171,000</u>