

GENERAL FUND BUDGET

FY 2022-23



SDSU

Research
Foundation

SDSU scientist Dr. Megan Jennings is working with the U.S. Forest Service, the Climate Science Alliance, and the U.S. Geological Survey's Southwest Climate Adaptation Science Center to develop a climate-informed conservation strategy to protect southern California's montane forests.

The California spotted owl is one of the at-risk species that inhabits these forests that will benefit from the development of a comprehensive landscape scale conservation strategy.

Support for this project comes from the Southwest Climate Adaptation Science Center and the USDA Forest Service.

<https://www.climatesciencealliance.org/southern-forests>

Photo by Megan Jennings

This proposed FY 2022-23 budget was approved by the SDSU Research Foundation Board of Directors on May 6, 2022 without any changes.

CONTENTS

Message from the Chief Executive Officer	1
Proposed General Fund Budget FY 2022-23	3
General Fund Budget – Overview	4
Budget Summary	6
Budget Detail	9
Appendix A – Reserves	21

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

It is with much pleasure that we are presenting the FY 2022-23 budget from a positive position of financial growth and a return to a somewhat “normal” work environment. Thanks to our staff for their hard work and flexibility and to our board and university leaders for their guidance and support.

Return to Work

When the university returned to in-person work in the fall of 2021, SDSU Research Foundation elected to pilot a hybrid work model. Research foundation central staff were authorized to work remotely up to three days a week and in the office two days a week as long as all offices were open during regular work hours, with every department having sufficient staff on site to provide in-person services. Our hybrid work model incorporated lessons learned from seventeen months of remote work and was constructed to allow for the flexibility desired by our employees while maintaining our focus on service and organizational values.

A poll conducted of our researchers in November 2021 indicated that service levels remained high under the hybrid work model, with only a few adjustments needed to enhance connectivity and communications. The hybrid model has been very successful; we plan to continue a combination of remote and in-person service as our revised mode of operations for the foreseeable future. We have invested significantly in our staff this past year and the ability to provide a work environment that allows for greater flexibility and work/life balance has been an important element in helping with staff retention and overall talent recruitment. We are in the process of developing a five-year staffing plan as we plan for continued growth in research and will continue to assess how to maximize the benefits of this new work model to downsize our physical footprint in an effort to reduce costs and free up space for other university needs.

Budget

Our fiscal year 2022-23 proposed budget of \$37,208,000 reflects our continued commitment to the following priorities:

- Ongoing service to SDSU and support SDSU researchers
- Investment in and support of research priorities
- Streamlining processes and creating efficiencies
- Strategic investments in staff and systems to enhance service and protect the research infrastructure
- Prudent use of reserves.

In FY 2021-22, the research foundation provided \$6.3 million in allocations to SDSU to support various research initiatives and infrastructure. For FY 2022-23, we are projecting to provide \$7.8 million to SDSU, a \$1.5 million increase including an anticipated 10.0% increase or \$320,000 of additional Research Support Funds, \$1 million for startup packages for new faculty hires on the NIH FUERTE grant, \$150,000 to support the transition of a new National Academy of Sciences member hire to SDSU, and a 13.6% increase in project facilities and equipment support. Overall, SDSURF will provide \$9.6 million back to SDSU with the inclusion of reimbursements for SDSU-provided services and debt service payments. We are proud to be able to implement this increase in support and continue to look for opportunities to grow our revenues to support future initiatives.

The following *positive indicators* offer optimism for continued growth in the coming year:

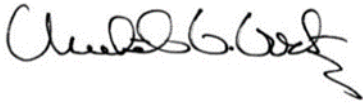
- The number of proposals submitted in the first eight months of FY 2021-22 is higher than last year’s at the same time, and the dollar amount proposed is significantly higher.
- The number of awards received is 8.6% higher and the dollar amount of awards received shows an increase of 23.1%.
- The increase 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 awards and have been successful. Examples include 7 new NSF CAREER Awards, 6 new NIH K Awards, and 4 new NEH awards.
- Our Washington representation team is working with SDSU faculty to identify and submit proposals to potential funding programs.

- President Biden’s budget includes significant investments in science and research.
- The budgets for NIH and NSF are expected to receive 5% and 4% budget increases respectively, increasing opportunities for SDSU faculty to compete for resources.

While FY 2022-23 will continue to bring uncertainty with inflation and interest rates in flux, possible new COVID-19 variants, and the potential effects of the war in Ukraine, we remain positioned to provide the staff and systems necessary to support SDSU research. Kudos to our prolific researchers and their teams who find ways to sustain their programs and produce important work that is bettering our community, nation, and the world.

Support of researchers, students, postdocs, and laboratories is paving SDSU’s road to R1 status. We are proud to help support Dr. Madanat and the DRI team with these important endeavors.

Sincerely,

A handwritten signature in black ink, appearing to read "Michele G. Goetz", with a stylized flourish at the end.

Michèle G. Goetz
Associate Vice President and CEO

PROPOSED GENERAL FUND BUDGET FY 2022-23

	FY 2021-22 Original	FY 2021-22 Mid-Year	FY 2022-23 Proposed
<u>SOURCE OF FUNDS</u>			
<i>Unrestricted Revenue:</i>			
Grants & Contracts F&A	23,235,000	24,000,000	26,400,000
Self-Support Programs Fees	2,732,000	2,950,000	3,103,000
Facilities Rents	6,092,000	6,396,000	6,529,000
TTO Revenue	99,000	99,000	99,000
Investments	945,000	883,000	1,077,000
<i>Total Unrestricted Revenue</i>	33,103,000	34,328,000	37,208,000
<u>USE OF FUNDS</u>			
<i>Basic Support</i>			
Administration & Operations	16,179,000	16,912,000	17,998,000
Facilities Expenses	11,131,000	11,308,000	11,860,000
<i>Total Basic Support</i>	27,310,000	28,220,000	29,858,000
Net Remaining after Providing Basic Support	5,793,000	6,108,000	7,350,000
<i>Allocations for Enhanced Program Support:</i>			
Direct Support of Research:			
Research Support Funds	2,975,000	3,201,000	3,521,000
Allocation for Research Initiatives	158,000	158,000	168,000
SEED Grant Program	92,000	92,000	92,000
National Academy of Sciences Hire	-	-	150,000
NIH FUERTE Support	-	-	1,000,000
COVID Contingency	-	-	(229,000)
	3,225,000	3,451,000	4,702,000
Support of Research Infrastructure:			
Project Facilities and Equipment Support	637,000	616,000	700,000
Research Support - Library	50,000	50,000	50,000
Research Advancement & TTO	1,311,000	1,303,000	1,341,000
Research Endowment Distribution	600,000	600,000	600,000
University Research Space	70,000	70,000	77,000
	2,668,000	2,639,000	2,768,000
Investment in Enhanced Service Initiatives:			
Systems Infrastructure	100,000	100,000	200,000
Washington D. C. Representation	162,000	150,000	162,000
	262,000	250,000	362,000
<i>Total Allocations for Enhanced Program Support</i>	6,155,000	6,340,000	7,832,000
<i>Total Basic Support and Allocations</i>	33,465,000	34,560,000	37,690,000
TOTAL SOURCE OF FUNDS	33,103,000	34,328,000	37,208,000
TOTAL USE OF FUNDS	33,465,000	34,560,000	37,690,000
<i>Net Funds from Reserves</i>	(362,000)	(232,000)	(482,000)

GENERAL FUND BUDGET OVERVIEW

About SDSU Research Foundation

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.

Another Pandemic Budget

While preparing the FY 2022-23 budget we experienced a sense of normalcy and identified many positive indicators. However, the uncertainties that remain regarding the timing and long-term impacts of the pandemic as well as current world events, require us to continue to budget conservatively. This conservative approach has served us well, enabling us to remain financially stable and to provide our researchers and SDSU a high level of support.

We are presenting an increase in Source of Funds compared to FY 2021-22 mid-year budget of \$2,880,000 and from the original FY 2021-22 budget of \$4,105,000. Changes in the proposed budget for FY 2022-23 compared to the original and mid-year budgets for FY 2021-22 are summarized here:

- Increase in F&A compared to mid-year budget of \$2,400,000 or 10.0% and compared to original of \$3,165,000 or 13.6%.
- Increase in Self-Support Programs Fees compared to mid-year budget of \$153,000 or 5.2% and compared to original of \$371,000 or 13.6%.
- Increase in Facilities Rents compared to mid-year budget of \$133,000 or 2.1% and compared to original of \$437,000 or 7.2%.
- No change in TTO Revenue compared to the mid-year and original budgets.
- Increase in Investment Income of \$194,000 or 22.0% compared to mid-year budget and \$132,000 or 14.0% compared to original.

We are presenting an increase in Use of Funds compared to FY 2021-22 mid-year budget of \$3,130,000 or 9.1% from original of \$4,225,000 or 12.6% in the following:

- Basic Support
 - Increase in Administration & Operations of \$1,086,000 or 6.4% from mid-year budget and \$1,819,000 or 11.2% from original.
 - Increase in Facilities Expenses of \$552,000 or 4.9% from mid-year budget and from original of \$729,000 or 6.5%.
- Allocations for Enhanced Program Support
 - Increase in Research Support Funds of \$320,000 or 10.0% from mid-year budget and \$546,000 or 18.4% from original.
 - Increase in Allocation for Research Initiatives of \$10,000 or 6.3% from mid-year and original budget.
 - Two new allocations of \$150,000 for the National Academy of Sciences hire and \$1,000,000 for the NIH FUERTE Support, with an offset of \$229,000 from the COVID Contingency funds.
 - Increase in Project Support of \$84,000 or 13.6% from mid-year budget and \$63,000 or 9.9% from original.
 - Increase in Research Advancement & TTO of \$38,000 or 2.9% from mid-year budget and \$30,000 or 2.3% from original.
 - Increase in University Research Space of \$7,000 or 10.0% from mid-year and original budgets.
 - Increase in Systems Infrastructure of \$100,000 or 100% from mid-year and original budgets.
 - Increase in Washington D.C. Representation of \$12,000 or 8.0% from mid-year budget and no change from original.

Research Infrastructure Support

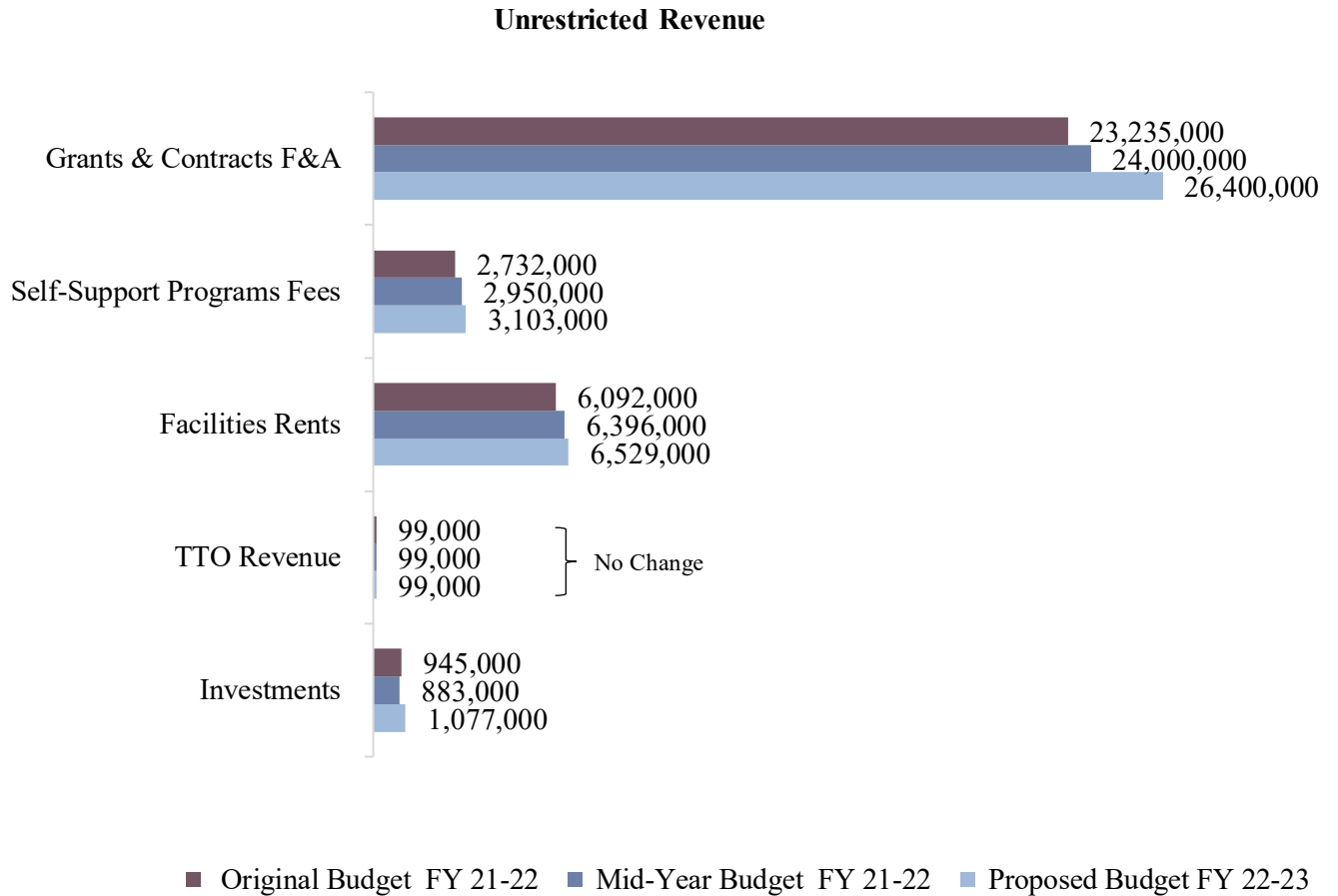
The university's strategic planning working groups are reviewing research infrastructure needs to support the overall goal of becoming an R1 research institution. As part of the process, the university has strategic planning groups and consultants analyzing various aspects of the research infrastructure at SDSU. Areas under review include:

- Building support – maintenance, repair and operations funds are needed to support key research facilities at certain buildings including the Coastal and Marine Institute Laboratory, BioScience Center, Greenhouse, and Animal Vivarium.
- Library – additional resources are needed for research publications and other services to support researchers.
- Information Systems – support is needed for research computing, especially in the area of IT security.
- Recharge centers –additional support is needed to develop, support, and manage recharge and service centers essential to researchers.
- Staffing – evolving research programs may require hiring staff with specialized expertise such as international project management, classified research and recharge rate structure development. The SDSURF management team is in the process of developing a 5-year staffing plan to support the projected research growth.
- Mission Valley – the development of partnerships within the Innovation District is anticipated to increase research volume overall which will require continued investment in the staffing and systems needed to support growth in the most effective and efficient means possible.

Investments by both the university and the research foundation are ongoing and will continue to be needed to accomplish the university's strategic goal of becoming an R1 institution. This year, we have already seen proposal submission and award numbers increase significantly and are on track to achieve a record high dollar amount of awards for FY 2021-22. It is imperative that SDSU and SDSURF continue to invest resources to achieve R1 status.

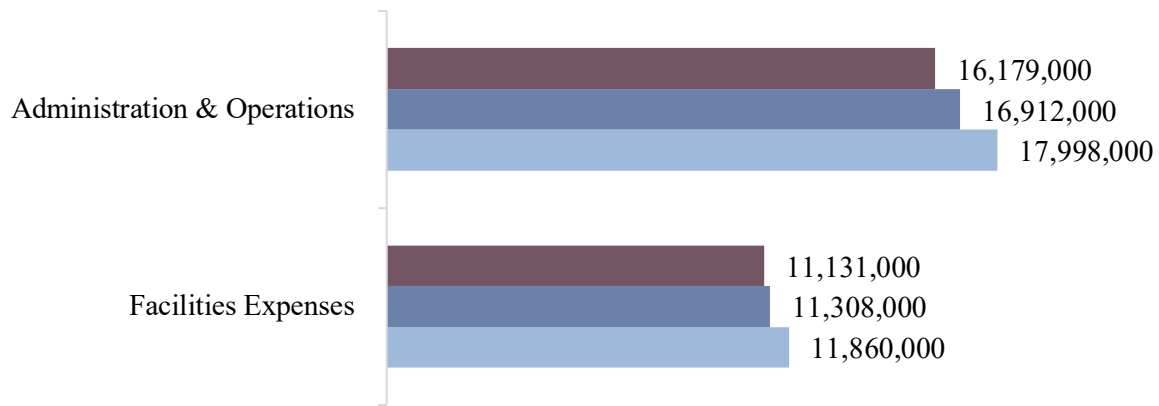
BUDGET SUMMARY

Source of Funds. Overall, Unrestricted Revenue is expected to increase by \$2,880,000 or 8.4% from FY 2021-22 mid-year projections and \$4,105,000 or 12.4% from FY 2021-22 original budget.



Use of Funds. Basic Support (\$29,858,000) which includes Administration & Operations and Facilities Expenses is projected to increase by \$1,638,000 or 5.8% from the FY 2021-22 mid-year projection and \$2,548,000 or 9.3%, from the FY 2021-22 original budget.

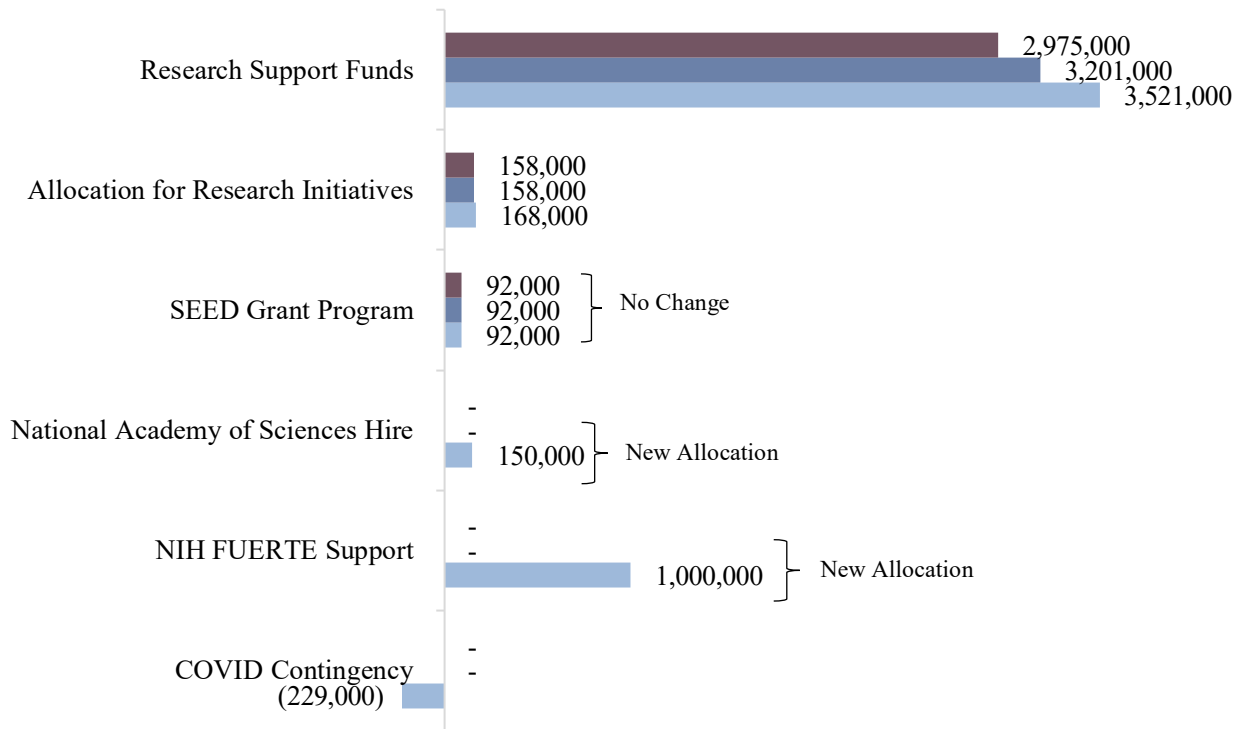
Basic Support



■ Original Budget FY 21-22 ■ Mid-Year Budget FY 21-22 ■ Proposed Budget FY 22-23

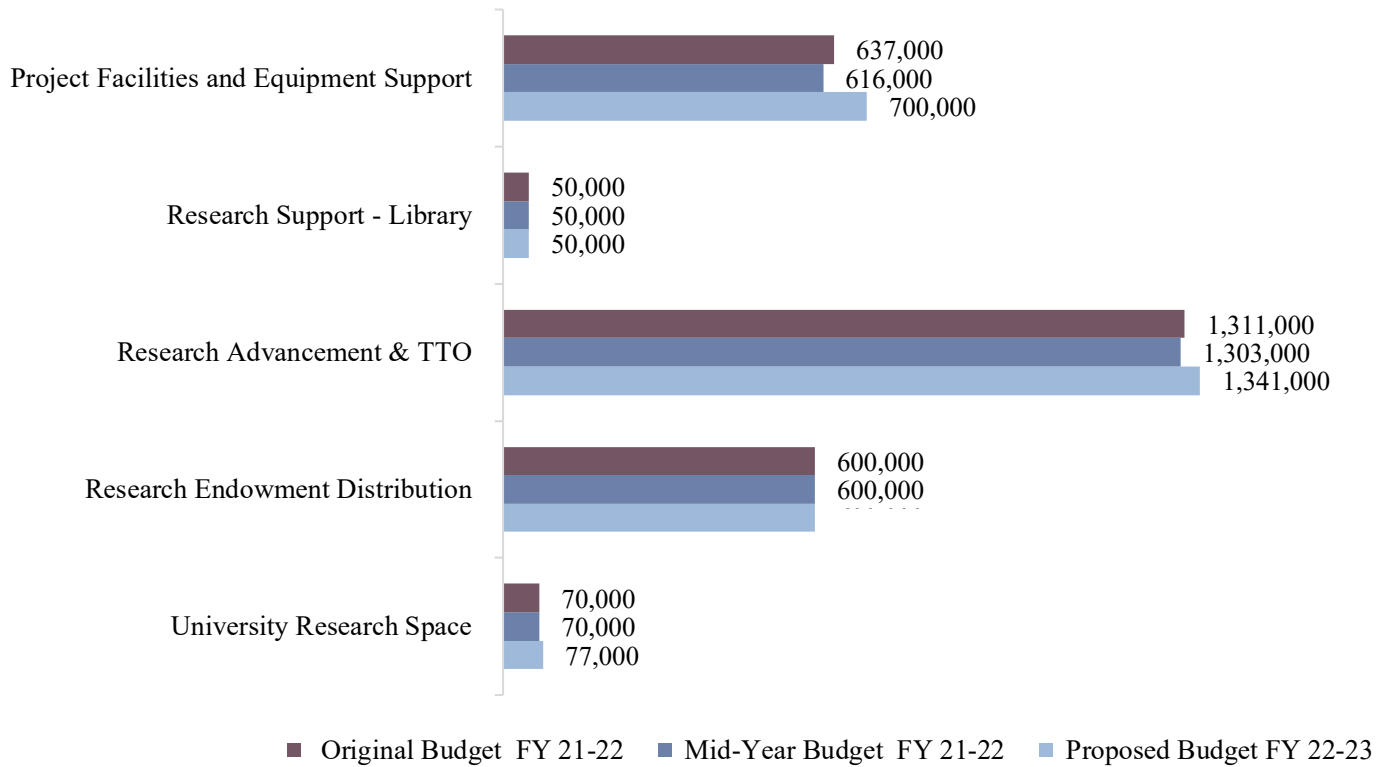
Allocations for Enhanced Program Support, which includes the categories of Direct Support of Research, Support of Research Infrastructure, and Investment in Enhanced Service Initiatives, are projected to be \$7,832,000, an increase of \$1,492,000 or 23.5% over the FY 2021-22 mid-year budget and \$4,225,000 or 27.2% over the FY 2021-22 original budget.

Direct Support of Research

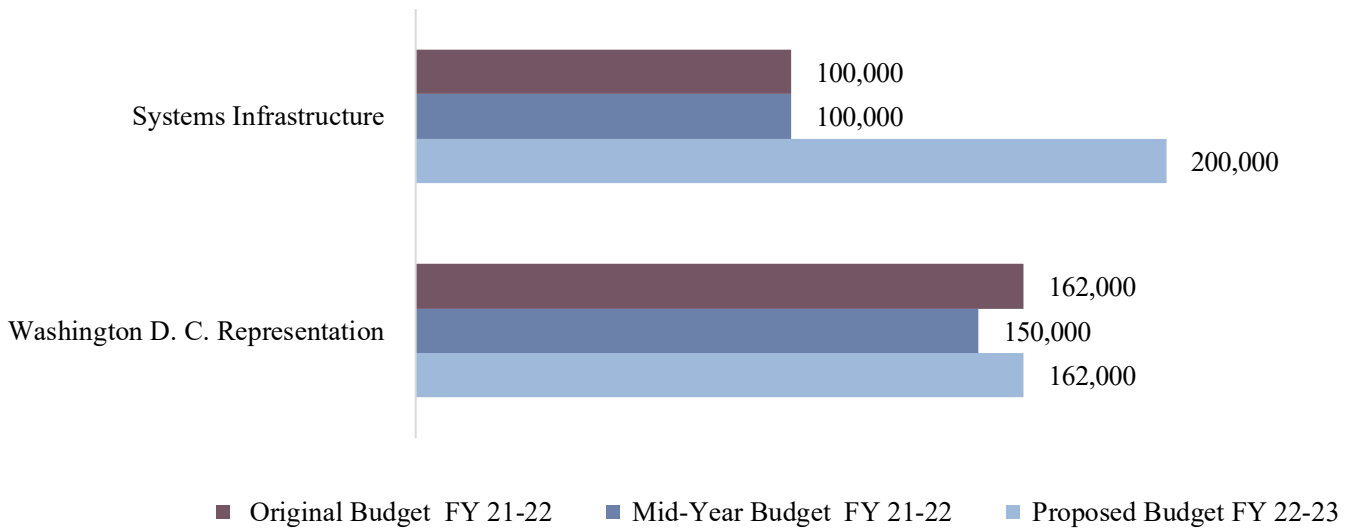


■ Original Budget FY 21-22 ■ Mid-Year Budget FY 21-22 ■ Proposed Budget FY 22-23

Support of Research Infrastructure



Investment in Enhanced Service Initiatives



Reserves. Source of Funds is projected to be \$37,208,000, while Use of Funds is projected to be \$37,690,000, leaving \$482,000 needed from Reserves to balance the budget.

BUDGET DETAIL

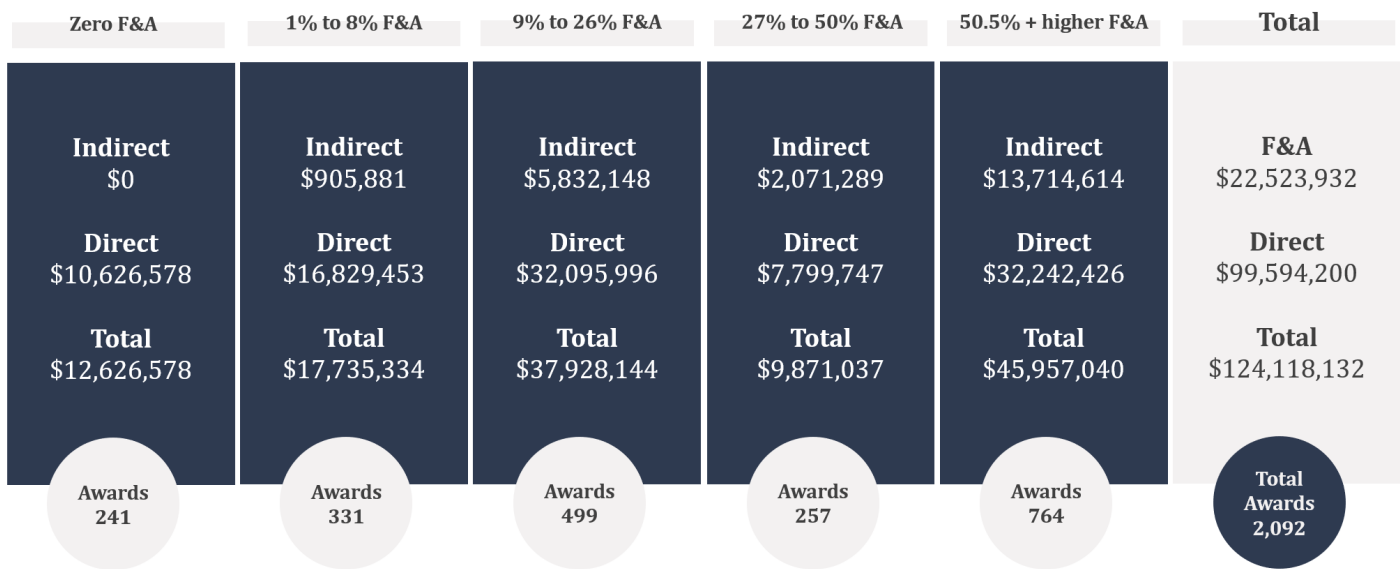
Source of Funds

Unrestricted Revenue

Unrestricted Revenue is projected to be \$37,208,000, generated by SDSURF activities including the following revenue categories:

- **Grants and Contracts (\$26,400,000)** revenue represents reimbursement for university and research foundation facilities and administrative (F&A) costs related to research. F&A is expected to increase by \$2,400,000 or 10.0% from FY 2021-22 mid-year budget and \$3,165,000 or 13.6% from FY 2021-22 original budget.

F&A Stratification FY 2020-21 Actuals

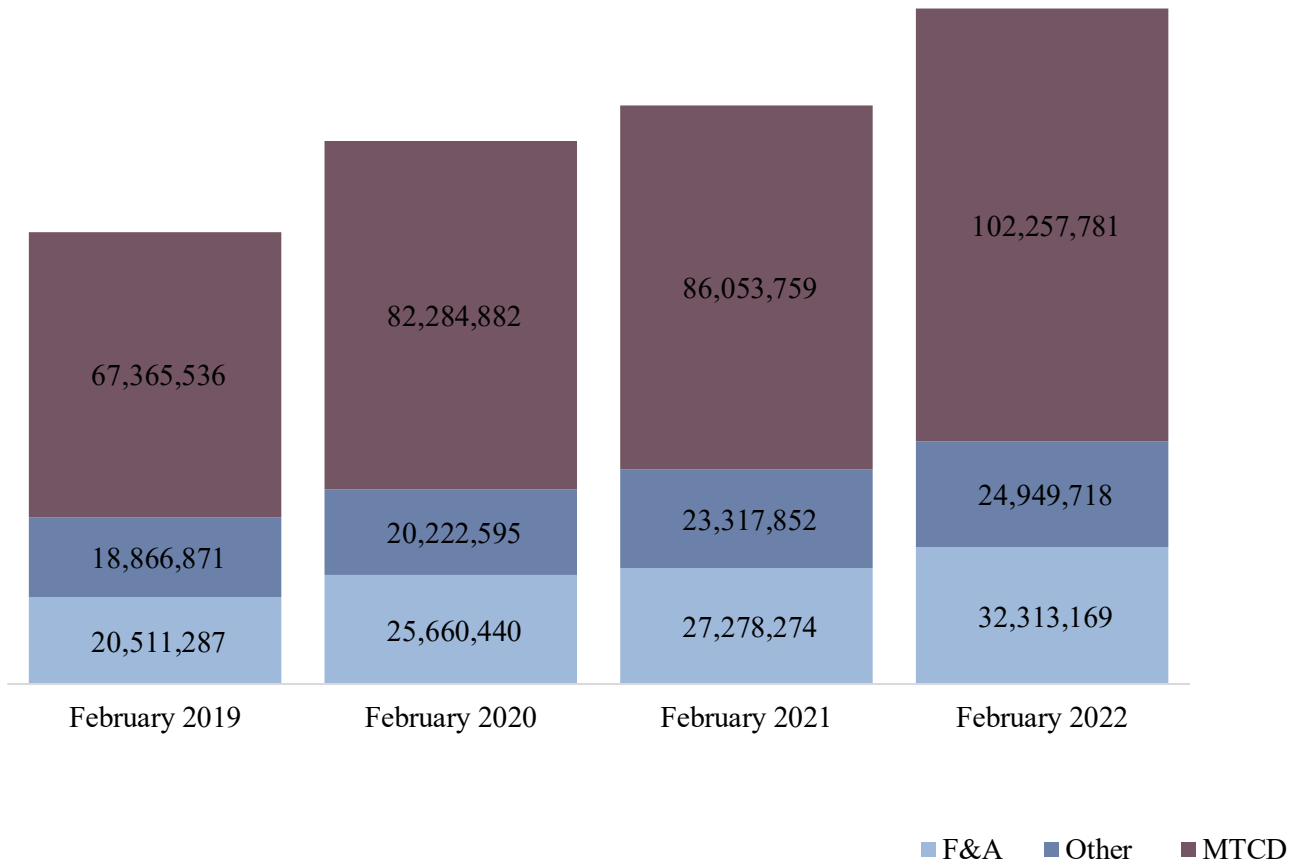


Projected F&A cost recovery represents approximately 71.0% of total unrestricted monies available. Although the federal negotiated F&A rate for research is 50.5% of modified total direct costs, many awards receive a lower rate, and certain categories of expense may be excluded when calculating the rate in accordance with federal rules. The actual recovery rate for FY 2021-22 is projected to be approximately 22.7% 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 F&A for FY 2020-21 by rate ranges.

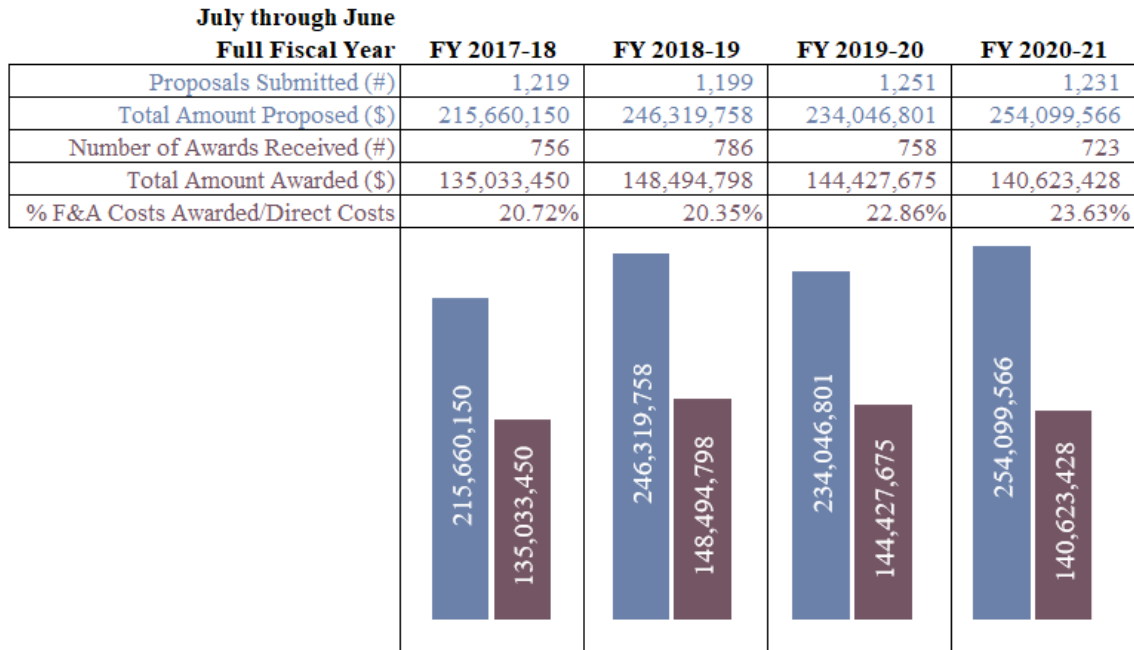
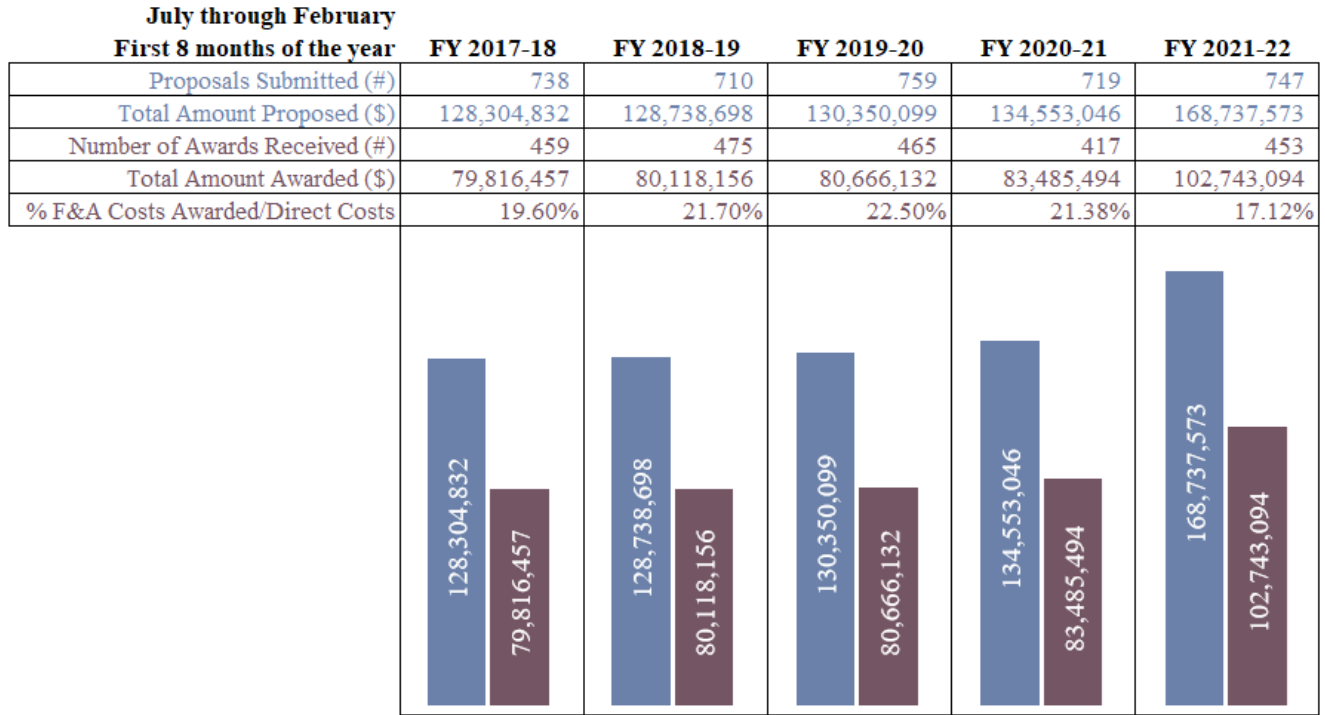
Estimating F&A cost recovery for the future involves projecting the volume of proposals that will be submitted and awarded, the dollar amount of awards that will actually be expended during the budget period, and the F&A cost recovery percentage to be earned. As noted previously, given the uncertain nature of the federal funding environment and the pandemic, these typical indicators have a greater degree of variability than in the past. However, the amount in Work in Process (WIP) looks very positive. WIP represents the amount of direct costs and F&A awarded but not yet spent. The following chart reflects WIP as of February 2019, 2020, 2021, and 2022:

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 as of February 28, 2022, is well ahead of last fiscal year and the dollar amount of proposals compared to the last fiscal year is up by \$34,184,527 or 25.4%. The dollar amount of awards is also up compared to the same time during the prior year by \$19,257,600 or 23.1%. As a reminder, *F&A is not earned until the awards are spent.*

Proposals and Awards



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

- Self-support Programs (\$3,103,000)** include the research foundation's administrative fee for services to self-support units including KPBS, The Campanile Foundation, SDSU Global Campus as well as other miscellaneous campus programs. Self-support fees are expected to increase by \$153,000 or 5.2% from FY 2021-22 mid-year and \$371,000 or 13.6% from FY 2021-22 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. All other program activities have been projected as flat from mid-year FY 2021-22.

- **Rents (\$6,529,000)** from properties owned by SDSURF are projected based upon current leases in place. Rents are expected to increase by \$133,000 or 2.1% from the FY 2021-22 mid-year budget and \$437,000 or 7.2% from FY 2021-22 original budget. We are hopeful this continues to trend up with rental income starting to normalize in FY 2022-23. However, to be conservative, we have not projected income for any space currently vacant.
- **Technology Transfer Office (TTO) (\$99,000)** revenue includes royalties and legal reimbursements and is consistent with FY 2021-22 mid-year and original budgets. 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.
- **Investment Income (\$1,077,000)** reflects an increase from mid-year FY 2021-22 budget due to an increase in interest rates by the federal reserve of .25% in March 2022. Additionally, the federal reserve has signaled that it will raise interest rates multiple times in calendar year 2022. As our short-term investments mature, we are able to reinvest in slightly higher yielding investments. Investment Income is expected to increase by \$194,000 or 22.0% from FY 2021-22 mid-year budget and \$132,000 or 14.0% from FY 2021-22 original budget. In the current interest rate environment (close to zero), it is not possible to earn significantly higher returns on short-term cash and investments without taking increased risk.

Overall, Unrestricted Revenue is expected to increase by \$2,880,000 or 8.4% from FY 2021-22 mid-year budget and \$4,105,000 or 12.4% from FY 2021-22 original budget.

Use of Funds

Basic Support (\$29,858,000), which includes Administration & Operations and Facilities Expenses, is projected to increase by \$1,638,000 or 5.8% from the FY 2021-22 mid-year budget and \$2,548,000 or 9.3%, from the FY 2021-22 original budget.

- **Administration and Operations (\$17,998,000)** covers all 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 \$1,086,000 or 6.4% over FY 2021-22 mid-year budget and \$1,819,000 or 11.2% over the original FY 2021-22 projection is due to the following:

	Original	Mid-Year	Proposed	Proposed compared to FY 2021-22 Mid-Year		Proposed compared to FY 2021-22 Original	
	FY 2021-22	FY 2021-22	FY 2022-23	\$ Increase (Decrease)	% Increase (Decrease)	\$ Increase (Decrease)	% Increase (Decrease)
Salaries and Benefits	14,154,000	14,896,000	15,642,000	746,000	5.0%	1,488,000	10.5%
Operating Costs:							
Legal	143,000	143,000	143,000	-		-	
Insurance	143,000	144,000	225,000	81,000		82,000	
Equipment & Supplies	60,000	85,000	53,000	(32,000)		(7,000)	
Contracted Services	986,000	1,009,000	1,235,000	226,000		249,000	
Audit	307,000	312,000	327,000	15,000		20,000	
Other (Admin & Misc)	386,000	323,000	373,000	50,000		(13,000)	
	2,025,000	2,016,000	2,356,000	340,000		331,000	
	16,179,000	16,912,000	17,998,000	1,086,000	6.4%	1,819,000	11.2%

- **Salaries and Benefits** increased \$746,000 from the mid-year budget and \$1,448,000 from the original budget due to the following:
 - We implemented minimum wage increases to \$15 per hour for non-exempt employees and \$62,400 for exempt employees effective October 1, 2021, instead of waiting until the law required it as of January 1, 2022. This budget reflects a full year of this increase.
 - We reviewed and made equity adjustments where appropriate to address compression caused by the increase to minimum wage in Fall of 2021. This budget reflects a full year of these increases.
 - For staff without comparable positions at SDSU (particularly in the sponsored research division), we compared to market and reset salaries to be able to recruit and retain experienced professionals in FY 2021-22. This budget reflects a full year of these increases.
 - We set our SDSURF hourly minimum wage for non-student positions to \$20 per hour effective October 1, 2021, to help with recruiting and retention and provide employees with a decent living wage. This budget reflects a full year of these increases.
 - 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. This budget reflects a full year of these increases that were implemented in FY 2021-22.
 - We have set aside funds for potential salary increases as a result of the CSU labor negotiations, which are in process.
 - We added four positions in HR, Finance, Purchasing and Sponsored Research Development in FY 2021-22 to address critical staffing needs. This budget reflects a full year of these added positions.
 - We added one position in FY 2022-23 to provide additional support for our HR Information Systems team. We are in the process of analyzing our staffing needs and determined that this additional analyst position was the highest priority this fiscal year due to the following:
 - ✓ This position will provide enhanced services and operational efficiencies by supporting reporting and workflow configurations for HR business systems, including our job applicant processing system, employee onboarding system, digital records management, benefits administration, and others, - all critical tools to support anticipated increase in the volume of employees as research grows.
 - ✓ This position is also part of our succession planning and will add depth to a critical position.
 - ✓ Additional support is needed to track and maintain data related to graduate students and post-docs. The current system does not allow identification or tracking of these employees.
 - **Insurance** expenses increased significantly for FY 2021-22 and will continue to do so in FY 2022-23. We were previously notified by CSURMA/AORMA that our insurance premiums would be increased next fiscal year by approximately **60.0%**. To reduce the increase, CSURMA/AORMA used reserves this year to fund part of the increase; thus, the increase was only 20.0%. However, they have notified all auxiliaries that the rest of the increase will occur in FY 2022-23 and FY 2023-24.
 - **Equipment & Supplies** decreased from the mid-year budget by \$32,000 and \$7,000 from the original budget due to a reduction in the projected need for supplies over the next year.
 - **Contracted Services** increased from the mid-year budget by \$226,000 and from the original budget by \$249,000. The majority 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 \$15,000 and \$20,000 from the original budget to be in line with our agreed upon engagement with our external auditors Grant Thornton. The annual fee required for the CSU audits saw a significant increase in FY 2021-22 and therefore the budget for FY 2022-23 was also increased.
 - **Other** expenses increased \$50,000 compared to mid-year budget and decreased by \$13,000 from the original budget. In FY 2020-21, the CSU system implemented a travel ban, ultimately eliminating the FY 2020-21 travel budget and greatly reducing the professional development budget. The CSU Chancellor's Office removed the travel restrictions effective June 1, 2021; we have slowly seen both

travel and professional development begin to increase to normal levels. Professional development is an important tool for employee training and retention.

- **Facilities expenses (\$11,860,000)** reflects an increase of \$552,000 or 4.9% over the FY 2021-22 mid-year budget and \$729,000 or 6.5% compared to the FY 2021-22 original budget. Research foundation staff are involved in a variety of 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 foundation 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 in the College of Health and Human Services and College of Sciences and commercial tenants.
- *City Heights* – Two buildings and a parking structure on El Cajon Blvd. 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* – This building, located on the edge of campus, is occupied by the research foundation central administrative staff and two major self-support programs - KPBS and the SDSU Global Campus as well as other miscellaneous campus uses.
- *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 Expense

	Original FY 2021-22	Mid-Year FY 2021-22	Original FY 2022-23	Proposed compared to FY 2021-22 Mid-Year Budget		Proposed compared to FY 2021-22 Original Budget	
				\$ Increase	% Increase	\$ Increase	% Increase
				(Decrease)	(Decrease)	(Decrease)	(Decrease)
Facilities Operating Expense							
Salaries and Benefits	\$ 1,971,000	\$ 1,991,000	\$ 2,020,000	29,000		49,000	
Operational Expenses	1,797,000	1,785,000	1,823,000	38,000		26,000	
Insurance	808,000	803,000	1,071,000	268,000		263,000	
Utilities	1,457,000	1,611,000	1,706,000	95,000		249,000	
Property Taxes	330,000	312,000	318,000	6,000		(12,000)	
Contracted Services	895,000	937,000	959,000	22,000		64,000	
University Services/Parking	885,000	881,000	971,000	90,000		86,000	
	8,143,000	8,320,000	8,868,000	548,000	6.6%	725,000	8.9%
Other Expenses							
Capital & Tenant Improvements	1,081,000	1,081,000	1,081,000	-		-	
Debt Service	1,907,000	1,907,000	1,911,000	4,000		4,000	
	2,988,000	2,988,000	2,992,000	4,000		4,000	
	11,131,000	11,308,000	11,860,000	552,000	4.9%	729,000	6.5%

Facilities Operating Expense: The original FY 2022-23 budget reflects an increase of \$552,000 or 4.9% from the mid-year FY 2021-22 budget and \$729,000 or 6.5% from the original FY 2021-22 budget. While we are showing a slight savings in property taxes, all other categories are anticipated to increase next year, with the largest increases in utilities and insurance.

- **Salaries and Benefits.** We have also set aside funds for potential salary increases as a result of the CSU labor negotiations for Facilities-related salaries. This, along with minimum wage increases implemented in FY 2021-22, increases the budget \$29,000 from the mid-year FY 2021-22 budget and \$49,000 from the original FY 2021-22 budget.
- **Operational Expenses.** The original FY 2022-23 budget reflects an increase of \$38,000 from the mid-year FY 2021-22 budget and \$26,000 from the original FY 2021-22 budget. This increase includes annual increases on our off-site leased locations and regular increases to maintenance services, such as janitorial supplies, offset by decreases in administrative expenses, including copier machines and office supplies.
- **Insurance.** As previously noted, the insurance premiums through CSURMA/AORMA increased significantly in FY 2021-22 and will continue to do so in FY 2022-23 and FY 2023-24. Insurance has increased by \$268,000 from the mid-year FY 2021-22 budget and \$263,000 from the original FY 2021-22 budget.
- **Utilities.** The original FY 2022-23 budget reflects an increase of \$95,000 from the mid-year FY 2021-22 budget and \$249,000 from the original FY 2021-22 budget. Not only has usage increased since we're continuing to repopulate space, but we were also notified by SDG&E to expect an 11% increase as of January 1, 2022.
- **Property Taxes.** The original FY 2022-23 budget reflects a slight increase of \$6,000 from the mid-year FY 2021-22 budget and a slight decrease of \$12,000 from the original FY 2021-22 budget based on fluctuations in use of space resulting in exemptions issued by the county.
- **Contracted Services.** The original FY 2022-23 budget reflects an increase of \$22,000 from the mid-year FY 2021-22 budget and \$64,000 from the original FY 2021-22 budget due to annual increases in our ongoing service contracts such as security, janitorial and landscaping.

- **University Services/Parking.** This budget has increased by \$90,000 from the mid-year FY 2021-22 budget and \$86,000 from the original FY 2021-22 budget based on regular annual increases, as well as an increase in utilities for the Gateway Center. SDSURF issues payment to SDSU annually for utilities and maintenance for the Gateway Center. SDSU indicated that the utilities bill would be increasing by 20%.

Capital and Tenant Improvements are costs 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 2022-23 include the following:

- **Boiler replacement** - The boiler at 6475 Alvarado Road serves the building's hot water needs (as opposed to the HVAC heating system); however, it is more than 30 years old and has been identified in our facilities condition assessment report for replacement. The replacement will provide a higher level of efficiency, reliability, and lower maintenance costs.
- **Various HVAC replacements across all buildings** - The research foundation maintains 279 mechanical units of various types and sizes, and tracks those on a 20-year lifecycle. In the past 5 years, we have replaced 30 of those units that were beyond their lifecycles, with approximately 76 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 up to 10%-15%, resulting in utility savings), reduce our carbon footprint, improve indoor air quality, decrease maintenance costs, and increase the comfort of building occupants.
- **Portico roof replacement** - This is a structural covered entrance to 6475 Alvarado Road, which over the past two years has been leaking through and damaging the underside of the ceiling. The roof material is over 30 years old and has been identified for replacement in our facilities condition assessment report.
- **Installation of security cameras to combat the increase in crime we have seen at our locations.** Over the past few years, University Police and the research foundation have been tracking an increase in crime and transient incidents across campus and the Alvarado Research and Professional Center complex. The university currently owns two exterior cameras at Alvarado that provide limited coverage and has recommended additional cameras which would act as a deterrent and assist with future investigations. We have also received requests from faculty for more cameras, to help them feel more comfortable working in the area. We are evaluating the quantity and cost and estimating an additional 8 cameras to be purchased and placed strategically around the Alvarado complex as recommended by SDSU Police Department.
- **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 CASp (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.

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 funding provided to the university for FY 2022-23 is projected to be:

Payments to SDSU

Expense/Allocation Category FY 2022-23

Gateway Utilities	384,677		
Gateway Maintenance	318,296		
University Police	181,401		
Mailing Services	124,345		
CSU Annual Audit Fee	97,357		
CSU Centrally Paid Indirect Costs	42,178		
University Research Space	77,000		
Phones	219,715		
Postage	49,113		
Parking	52,837	1,546,919	Operations
Microsoft A3 Licensing	76,096		
Microsoft A5 Licensing	58,400		
Adobe Cloud	57,531		
Zoom	15,403		
Patch My PC	2,240		
Patch Manager Plus	12,522		
JAMF per Apple IOS Device	1,272		
JAMF per Apple MacOS Device	6,360		
ServiceNow	1,923		
Google Unlimited Storage	6,479		
Oracle Tech Support	62,895	301,121	Information Technology
Research Support Funds	3,521,000		
Allocation for Research Initiatives	168,000		
University Grants Program	92,000		
National Academy of Science Hire	150,000		
NIH FUERTE Support	1,000,000		
Research Support - Library	50,000		
Research Endowment Distribution	600,000		
Systems Infrastructure	200,000		
Washington D.C. Representation	162,000	5,943,000	Other Allocations & Support
CSU Bond Payments	1,834,101	1,834,101	SRB Debt Payment
Total Annual FY 2022-23 payments to SDSU		9,625,141	

Allocations for Enhanced Program Support (\$7,832,000) reflects an increase of \$1,492,000 or 23.5% over the FY 2021-22 mid-year budget and \$1,677,000 or 27.2% compared to the FY 2021-22 original budget.

- **Allocations for Direct Support of Research (\$4,702,000).** This category refers to those resources allocated to principal investigators (PIs) and university units in direct support of proposal development, on-going research programs or other research endeavors. Allocations for Direct Support of Research increased by \$1,251,000 or 36.3% from the FY 2021-22 mid-year budget and \$1,477,000 or 45.8% from the FY 2021-22 original budget. The increase is due to the following subcategories:

- **Research Support Funds (RSF) (\$3,521,000).** 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.

Research Support Funds (RSF) (\$3,521,000) reflects an increase of \$320,000 or 10.0% over the FY 2021-22 mid-year projection and \$546,000 or 18.4% compared to the FY 2021-22 original budget. The proposed FY 2022-23 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 2021-22 since the calculation and the amounts allocated in FY 2022-23 will be based upon actuals for FY 2021-22 according to policy.

- **Allocation for Research Initiatives (\$168,000).** Allocation for Research Initiatives was a new allocation for FY 2021-22 as a separate line item; however, this funding is a reclassification from the historical allocation provided for Research Advancement and TTO, as well as Biology PI Administrative Support. Reclassifying this allocation for research initiatives allows the Division of Research and Innovation more flexibility on how these funds can be utilized to promote research. This allocation is increasing by \$10,000 or 6.3% in FY 2022-23 due to reallocated salary savings from the Research Advancement budget.
- **SEED Grant Program (formerly the University Grants Program) (\$92,000).** Support for the SEED Grant Program for FY 2022-23 is consistent with the FY 2021-22 mid-year and FY 2021-22 original budgets. These funds are used to support scholarly research, assists faculty to meet qualifications for retention, tenure, and promotion, allows faculty to bring advanced projects to conclusion and facilitates development of a research program that may be competitive for extramural funding.
- **National Academy of Sciences Hire (\$150,000).** SDSU recently hired two professors who will be joining the geography department this fall, one of whom will be SDSU's first member of the National Academy of Sciences, the nation's oldest and most prestigious honorary scientific society. The second professor plans to transfer his Center for Geospatial Sciences to SDSU under a new name. As part of the startup package, SDSURF has been asked to provide \$150,000 in funds to help support 50% of the center director for two years to enable him to get established and begin submitting proposals to support the center and enable it to become self-sustaining.
- **NIH FUERTE Support (\$1,000,000).** SDSU was awarded a \$15 million, five-year grant which will support the hiring of a diverse cohort of 11 health sciences researchers focused on Latinx health disparities with eight faculty lines at the main campus and three faculty lines at the Imperial Valley campus. As part of the institutional support needed to secure this highly competitive grant, the research foundation was asked to provide \$1.0 million for start-up costs as part of an almost \$7 million institutional package of support. Although SDSURF will need to cover the initial investment partially from reserves, we anticipate that F&A generated over the life of the NIH FUERTE grant, future research from the faculty hired through the grant will generate F&A to recoup these investments over time and will contribute to enhancing SDSU's research activities. These allocations will be reflected in the FY 22-23 budget but could potentially be allocated over a couple of years depending on when the funds are needed.

- **COVID Contingency (-\$229,000).** As a result of pandemic uncertainties, we anticipated that we may have additional disallowances including those for projects that were unable to move forward during the “stay at home” order but were charged salaries rather than terminating staff. A contingency of \$250,000 was set aside in FY 2020-21. However, only \$21,000 of this allocation was actually needed. We propose using the remaining funds to offset the increase in costs under Direct Support of Research, specifically for the allocations related to the National Academy of Sciences hire and NIH FUERTE support.
- **Allocations for Support of Research Infrastructure (\$2,768,000)** reflects an increase of \$129,000 or 4.9% over the FY 2021-22 mid-year budget and \$100,000 or 3.7% compared to the FY 2021-22 original budget. 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 (\$700,000)** reflects an increase of \$84,000 or 13.6% over mid-year projection and \$63,000 or 9.9% over the original FY 2021-22 projection. 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 addition, two large air handler units are near end-of-life at our Coastal Waters Lab which are scheduled for replacement. We have budgeted to replace one in FY 2022-23 and will need to replace the other in FY 2023-24.
 - **Research Support - Library (\$50,000)** reflects no change from FY 2021-22 mid-year budget and the FY 2021-22 original budget. 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 (\$1,341,000)** reflects an increase of \$38,000 or 2.9% over the FY 2021-22 mid-year budget and an increase of \$30,000 or 2.3% from the FY 2021-22 original budget. The increase from mid-year budget is due to salary savings from open positions, which took time to fill. We also set aside funds for potential salary increases as a result of the CSU labor negotiations, which are in process.
 - **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 (\$77,000)** reflects an increase of \$7,000 or 10.0% compared to the FY 2021-22 mid-year budget as well as the FY 2021-22 original budget. 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 space costs increasing, we anticipate this allocation to increase as well.
- **Investments in Enhanced Service Initiatives (\$362,000)** reflects an increase of \$112,000 or 44.8% from the FY 2021-22 mid-year budget and \$100,000 or 38.2% from original budget. 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 an increase of \$100,000 or 100.0% from the FY 2021-22 mid-year and original budgets. 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 research university. Investments in FY 2022-23 will be focused on the following initiatives:

- Going live with online purchase requisitions and journal vouchers in MyRF with smart approval routing, real-time status views
 - Phase 2 of Chrome River implementation focused on streamlined invoice processing
 - Collaborating with SDSU to update nightly person of interest (POI) files to support MyRF and Banner integration with SDSUid single-sign-on with multi-factor authentication
 - Transitioning InfoEd (proposal routing, human subjects protocols, and subcontracting modules) from legacy end-of-life on premise servers to the cloud
 - Ongoing projects to digitize and manage corporate records electronically, retire legacy document management system
 - Ongoing development and post-go live support for new InfoEd Subaward and Subrecipient modules
 - Upgrading Employee Gateway, deploying additional self-service functionality for employees
 - Ongoing development of MyRF including build-out of additional reporting areas, system integration and feed management portals for employee benefits
- **Washington D.C. Representation (\$162,000)** reflects an increase of \$12,000 or 8.0% from the FY 2021-22 mid-year budget due to one-time savings and no change from the FY 2021-22 original budget. 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). These two firms replaced the prior firm of Carpi & Clay to advise the university on changes in federal policy related to sponsored programs and to identify specialized funding opportunities for the university. TIG also provides support for large scale grant opportunities.

Reserves

Source of Funds is projected to be \$37,208,000, while Use of Funds is projected to be \$37,690,000, leaving \$482,000 needed from Reserves to balance the budget.

**APPENDIX A
RESERVES**

The FY 2022-23 budget reflects the need to use \$482,000 from Reserves to balance the budget.

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 carry on 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 a goal of adding to reserves. The unexpected nature and impact of the pandemic has heightened our focus on the need for adequate reserves.

	Actual Balance 12/31/2021	Goal for Reserve as of FY 2022-23	Additional Funds needed to meet Reserve goal
Discretionary Reserves			
Operating Cash Reserves	9,215,000	14,929,000	5,714,000
Real Estate Deficit (<i>See discussion below under Operating Cash Reserves</i>)	(4,360,000)	-	4,360,000
Total Discretionary Reserves	4,855,000	14,929,000	10,074,000
Designated Reserves			
Operating Contingency	1,000,000	1,000,000	-
Facilities	1,500,000	1,500,000	-
Utilities	500,000	500,000	-
Insurance	300,000	300,000	-
Total Designated Reserves	3,300,000	3,300,000	-
	8,155,000		10,074,000

Discretionary Reserve Goal

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 only have approximately 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 administration of grants and contracts

Facilities – The facilities reserve was established to help manage unexpected major repairs & maintenance on research foundation properties. The goal for the reserve was established at \$1,500,000 and is currently fully funded.

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 – The insurance reserve was established in FY 2012-13 in anticipation of a change in the required deductibles on SDSURF’s insurance programs. Each general liability insurance claim has a deductible of \$100,000. The primary source of funding of 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.

	Actual Balance 12/31/2021
Non-discretionary	
Research Endowment	920,000
Retiree Medical VEBA Trust	15,237,000
Employee Fringe Benefits	1,817,000
Workers’ Compensation Insurance	2,908,000
Unemployment Insurance	3,023,000
Total Non-discretionary	23,905,000