



*The Foundation for
California State University, San Bernardino*

BOARD OF DIRECTORS MEETING

Thursday, September 18, 2008 - 4:00 p.m.
Santos Manuel Student Union

MINUTES

Pursuant to notice given, the Board of Directors of the Foundation for the California State University, San Bernardino convened for a regular meeting at the Santos Manuel Student Union located on the campus of California State University, San Bernardino, 5500 University Parkway, San Bernardino, California, on September 18, 2008, at 4:00 p.m.

Members Present:

Dr. Albert Karnig, Chairman	Ms. Lois Carson, Director
Dr. William Aguilar, Director	Dr. Dorothy Chen-Maynard, Director
Mr. Jeremy Vasquez, Director	Dr. Frank Rincón, Director
Mr. David DeMauro, Treasurer	Dr. Edward Teyber, President
Dr. Louis Fernández, Director	Mr. Stephan Saleson, Director
Mr. Philip Savage III, Director	Mr. Howard Friedman, Director
Dr. Haiwei Chen, Director	

Members Absent:

Mr. Robert Fullerton, Vice President
Mr. George Gorian, Director
Mr. Rex Jackson, Director

Others Present:

Ms. Deborah Burns, General Manager
Ms. Lisa Iannolo, Finance Manager
Mr. Rolland Vasin, Auditor
Mr. Bill Takehara, Assistant Treasurer

Actions taken by the Board on the agenda items are attached. The meeting adjourned at 6:36 p.m.

Secretary

Agenda Item A – Call to Order/Introductions

Board President Teyber called the meeting to order at 4:12 p.m. A quorum was declared. The following guests were present: Mr. Rolland Vasin, Auditor, Vasin, Heyn and Company.

Agenda Item B – Welcoming Remarks

President Karnig provided an update on University activities:

- President Karnig commented on the uncertainty of the state budget. Last year, we took a \$3.3 million budget reduction, and this year another \$6.7 million has been cut. Fortunately, the University has a reserve that should cover us through this difficult period. Enrollments are up 3-4%, although, the budget for next year, as well as the following year, looks to have a target of zero enrollment. The CSU's, as a whole, will have 10,000 fewer students.
- Key issues and highlights for this upcoming year:
 - This year, we will be losing a couple of our key people. Dr. Louis Fernandez, our Provost and Vice President of Academic Affairs, and Mr. David DeMauro, Vice President of Finance and Administration, will both be retiring this December. We are currently in the process of replacing both of these positions.
 - President Karnig highlighted the development of the new System Strategic Plan: Access to Excellence, which will include the University's overall plan. President Karnig will be appointing a new University Strategic Planning Council to oversee the task of revising this plan. Once the plan is developed, all divisions within the University and the Foundation will be required to draw up their plans, which will align with the University's overall plan.
 - This year was phenomenal as far as funding raising activities are concerned. The University received cash and deferred gifts of approximately \$49 million. This year, the diverse portfolio will primarily focus on two particular elements; the first being the addition to the Performing Arts Building. The second focus of attention will be on the Presidential Academic Excellence Scholarship program. This program allows the top 10% of students, in the San Bernardino County graduating high school classes, the opportunity to receive a \$5,000 scholarship. This fall our campus will have 46 out of 250 students attending our University, which brings a total of 137 program participants.
 - A new security and emergency system will be installed on our campus. There will be 26 loud speakers on campus, as well as a half dozen cameras installed. The campus will also be installing an e-mail and emergency text messaging system.

- Several building projects have been completed. These include the completion of the new College of Education and PDC Health Sciences buildings, along with the refurbished Physical Sciences building, and two new campus parking structures. A contract was recently negotiated to purchase land on the north side of the campus. The campus is looking to use the property for a possible long term housing development and other building use. Part of the negotiation included the city of San Bernardino agreeing to install city lights.
- The following new degree programs are being offered:
 - Degree in Arabic
 - Degree in Computer Engineering
 - Two Master of Fine Arts Programs
 - Doctorate Degree in Educational Leadership

Slide show photographs were shown to the Board members, highlighting recently completed and renovated campus facilities, as well as the existing campus structures.

Agenda Item C – Approval of Minutes from June 5, 2008 Meeting

Recommendation: It is recommended that the Board approve the minutes of the June 5, 2008, Board of Directors meeting.

Background: The Executive Committee recommended that minutes from the June 5, 2008, Board of Directors meeting be presented for Board approval.

Board Action: The minutes of the June 5, 2008, Board of Directors meeting were distributed and approved. (Unanimous)

Agenda Item D – Audit Report and Approval

Recommendation: It is recommended that the Board approve the annual audit completed by the audit firm of Vasin, Heyn & Company.

Background: Each year, an independent audit examination and report is completed by a firm hired by the Foundation. The firm completes the process by using both “Governmental Accounting Standards Board” (GASB) and “Financial Accounting Standards Board” (FASB) rules. This is required by the CSU system.

The Foundation Audit Committee met with the auditor prior to the audit process to discuss any issues they identified of importance for the auditor to review. The audit results were reviewed with the Audit Committee on September 15, 2008. The audit results will also be presented to the Board for approval.

Presentation: Rolland Vasin, auditor, presented the Statement of Financial Position to the Board. The annual audited financial statements represented a closing period of June 30, 2008. There were no findings, and the new PeopleSoft software appears to be fulfilling promises in terms of efficiency. Mr. Vasin reported that all information and data were received in a timely manner; thus, allowing the final reports to be closed in record time. There were no significant internal control deficiencies, and no significant deviation from compliance laws and regulations. Bill Takehara acknowledged special efforts on the part of Lisa Iannolo and her accounting staff to facilitate year-end closing.

In conjunction with Mr. Vasin's presentation of the audited financials, Ms. Lisa Iannolo discussed the Foundation's Financial Summary for the Board for the period ending June 30, 2008, providing details into the operational losses in the bookstore and dining operations.

Board discussion: There was discussion concerning the Statement of Financial Position, relative to 'Contract Advances'. Mr. Vasin reported that the deferred revenue was recognized in the current year and, as a result of the conversion of systems, older items were also cleared. The net affect on the financial statements for the year was approximately \$1.2 million, which is about 2% of the total revenue. Mr. Vasin stated this is not a material amount.

Board Action: The Board approved the Audit Report. (Saleson/Savage/Unanimous)

Agenda Item E - PERS Health Insurance Resolution

Recommendation: It is recommended that the Board approve the attached resolution for the employer's contribution toward PERS health insurance premiums for 2008-2009.

Background: The Foundation's Health Insurance contract with PERS must be amended annually to reflect the new employer contribution rates paid by the Foundation. It has been the policy of the Board to maintain comparability with the University, although it is not necessary that premium contributions be identical. With this resolution, the Foundation's employer contributions for FY 2008-2009 will increase by 2.5% from the 2008 rates. The Foundation has previously established the 2.5% cap as the maximum employer contribution. Overall premiums increased up to 8% depending upon insurance option selected. The Foundation's premium contribution will increase \$24,607 annually, growing from \$1,005,287 to \$1,029,894 for approximately 130 active employees and 24 retirees.

If adopted, the new rates will be effective January 1, 2009.

Presentation: Deborah Burns reported that a 2.5% increase in employee health insurance contributions for 2008-2009 is recommended.

Board action: The Board approved the resolution to reflect a 2.5% increase in employee contributions for health insurance premiums. (Carson/Teyber/Unanimous)

Agenda Item F – Standing Committee Chair Selections and Membership 2008-2009

Recommendation: It is recommended that the Board approve the proposed Standing Committees for 2008-2009.

Background: Each year, the Board reviews the chair and membership of the Standing Committees, as well as notice of vacancies. Attached are the recommended chairs and members for 2008-2009.

Presentation: Lois Carson has agreed to serve as the secretary of the Board, as well as participate on the Executive Committee. Howard Friedman has agreed to serve as the chair of the Audit Committee. Jeremy Vasquez is the newly elected A.S.I. President, and will be serving on various committees.

Board Action: The Board approved the proposed Standing Committees for 2008-2009. (Chen-Maynard/Vasquez/Unanimous)

Agenda Item G – Amendment to Bylaws

Recommendation: It is recommended by the Investment Committee that the Bylaws of the Foundation for California State University, San Bernardino be modified to clarify the number of required committee members.

Background: Phil Savage, Investment Committee member, is recommending that the Bylaws of the Foundation be modified to clarify the number of required committee members.

The current Bylaws state, in part, the following: “The Investment Committee shall be comprised of five active and two alternate Board members. A procedure shall be developed to determine how and to what extent the alternates will serve on the Investment Committee. A quorum shall consist of three Investment Committee members. Decisions shall require approval of a minimum of three members of the Investment Committee.”

The recommended clarification will change the Bylaws as follows: “The Investment Committee shall be comprised of between five and seven Board members. A quorum shall consist of three Investment Committee members. Decisions shall require approval of a minimum of three members of the Investment Committee.”

Board Action: The Board approved the recommendation to modify the Bylaws of the Foundation with regard to the number of required committee members of the Investment Committee. (Savage/Vasquez/Unanimous)

Agenda Item H – Approval of Foundation Investment Policies

Recommendation: It is recommended that the Board of Directors endorse the action of the Investment Committee to approve the Charitable Remainder Trust Policy, Internal Fund (Cash Policy), and a minor revision to the Long Term Investment Policy, including allocation of

investments and recommended investment managers, as proposed by Beacon Pointe. The policies are attached.

Background: It is the charge of the Investment Committee to review and update the Foundation's investment policies on a periodic basis. With the hiring of Beacon Pointe Advisors last year, the Committee requested that they review and recommend changes to the existing policies.

The Investment Committee recommended at its September 3, 2008 meeting to approve the Trust and Internal Fund policies, as well as revise the Long Term Investment Policy.

It is recommended that the Board endorse the Investment Committee's approval of the policies submitted by the Foundation's investment advisor, Beacon Pointe. The Policies would become effective immediately.

Board Action: The Board approved the Trust and Internal Fund policies, as well as revised the Long Term Investment Policy. (Savage/Vasquez/Unanimous)

Agenda Item I – Approval of the 2008-2009 Budget (Revised)

Recommendation: It is recommended that the Board of Directors adopt the attached budget revision for FY 2008-2009 as proposed.

Background: Foundation staff prepared an estimate of the revenues and expenditures for 2008/2009 budget year and submitted the budget at the June 5, 2008 Board of Directors Meeting. The attached budget has been revised to more accurately estimate revenues and expenses related to the Foundation's new agreements with Sodexo and Follett for dining and bookstore operations.

The budget estimates are based upon factual information of prior years' performance and anticipated projections. The information is provided in summary form, along with notes to accompany major changes in the budget.

The Executive Committee recommended at its September 9, 2008 meeting to approve adoption of the proposed budget revision for FY 2008-2009.

Board Discussion: There was discussion concerning the amount of revenue and commissions expected to be received from Follett and Sodexo. Ms. Burns advised the Board that Follett guaranteed commissions of \$900,000 a year, for a period of five years. Sodexo guaranteed commissions based on 2.5% of their sales, along with flat commissions negotiated in the contract. For this first year, we will receive an additional \$100,000 from Sodexo, which we expect to receive in December. The figure will drop to \$50,000 a year for the remaining years of the contract. The Board felt both Sodexo and Follett should make presentations to the campus communities, introducing their services. Both entities recognize the impact of their changes to the campus, and have made every effort to accommodate requests. Ms. Burns emphasized the importance of the Board's support in communicating the reasons behind the decision to

outsource. Ms. Burns reminded the Board that both Sodexo and Follett will be forming advisory committees. Their first committee meetings will be held sometime during the month of October. Dr. Chen-Maynard and Mr. Vasquez will be working with Ms. Burns to identify faculty and students to serve on the committees.

Lisa reviewed a proposal for Dining Services Repayment and Bookstore Repayment plans with the Board.

Board Action: The Board approved the adoption of the *revised* proposed budget for FY 2008-2009. (Carson/Fernandez/Unanimous)

Agenda Item J – Conflict of Interest Statement (FY 2008/2009)

Recommendation: It is recommended that the Board members review, sign, and return the attached Conflict of Interest Statement for the period July 1, 2008 through June 30, 2009, to the Foundation Business Office by October 1, 2008.

Background: It is the Foundation's responsibility to ensure that all Board Members sign a Conflict of Interest Statement for the current year, in accordance with California Education Code, Sections 89906-89909.

The Executive Committee recommended at its September 9, 2008, meeting to request Board members to sign and return the Conflict of Interest Statement for the period July 1, 2008, through June 30, 2008, to the Foundation Business Office by October 1, 2008.

Discussion: There was discussion concerning the new risk assessment guidelines, as they relate to Board members' liability and involvement in certain financial situations. Ms. Burns informed the Board that this item will be placed on next year's Board agenda, as this item will be audited for compliance. The process of research and gathering pertinent information will begin this year, in preparation for future audits. Ms. Burns informed the Board that some of the new requirements may not be covered under our existing policy. Mr. DeMauro recommended that Ms. Burns distribute copies of the existing policy to the Board members, as it relates to the liability and coverage.

Board Action: The Board approved the recommendation to solicit signed conflict of Interest Statements from Board members for the period July 1, 2008, through June 30, 2009.

Agenda Item K –Fundraising Activities

Dr. Aguilar indicated that last year had been their best in terms of gifts for the University. They received \$33 million in planned gifts, and will be receiving deferred gifts in the near future. There are some instances where we will need to wait for the funds; however, over 99% of the gifts will be collected. Donations were received from various sources last year including municipalities for the PDC structure and gifts from the Osher Foundation.

Agenda Item L – General Manager’s Report

Ms. Iannolo and Ms. Burns reviewed the August 31, 2008 Financial Summary with the Board.

Ms. Burns highlighted several of the Foundation’s accomplishments for the past fiscal year:

- Ms. Burns reported that the outsourcing transition of both the Bookstore and Dining Services operations occurred during July. Sodexo began managing our dining operations on July 1, 2008, and Follett began managing the bookstore on July 14, 2008.
- In addition, after a lengthy process, a new F&A Rate was determined for the University effective July 1, 2008. The new rate is 43% of Modified Total Direct (all costs with some minor exclusions) versus the previous 45% of salary/wages only. Ms. Burns explained that F&A charges reimburse the University for its indirect (shared/joint use) costs related to campus research projects. As such, this change will bring some additional funds to the University.
- Improved mandatory meal plan process to include contract revisions, marketing and improved communication process with students and housing.
- Completed actuarial study with consulting firm, Bickmore Risk Services, which determined the Foundation’s unfunded liability for retiree medical. The Foundation is now required to reflect the unfunded liability on its financial statements.
- Lastly, Ms. Burns reported that she had developed and published the first Foundation Newsletter beginning in Spring 2008 with the assistance of a staff employee, Christia Williams. The newsletter will be published quarterly.

Ms. Burns’ reviewed the Foundation’s Goals for FY 2008-2009 with the Board.

- Monitor Sodexo and Follett Contracts – Ms. Burns indicated that she will closely monitor the implementation of dining and bookstore management services, ensuring that the campus community is appropriately served and the companies meet their contractual obligations.
- Continue Benefit Research – The Foundation will continue exploring all available options related to health insurance benefits and retirement with the goal of reducing our unfunded liability through plan redesign and vendor changes, while maintaining the required “comparability” as it relates to health insurance pursuant to the Education Code. Ms. Burns indicated that thus far the HR Department had run into some hurdles with CalPERS, as Kaiser and Blue Shield will not quote premiums as long as we are contracted with CalPERS. CalPERS must be given notice that we are terminating before these other companies will provide us with quotes. Ms. Burns explained that we are looking for a way around this situation.

- Higher Education Bill – Ms. Burns will be determining the requirements of the Higher Education bill and ensure compliance through the Foundation’s management partner, Follett. Ms. Burns explained that some of the provisions of the bill will require that textbook publishers unbundle materials, require bookstores to list online the prices of required and recommended textbooks, etc.
- Develop Debt Collection Process – Ms. Burns reported that she will be working with accounting to develop a process for collections of past-due meal plans and other A/R, to include engaging a reputable collections agency that partners with colleges and universities. As an example, Ms. Burns reported that the Foundation has meal plan debt, dating back to the year 2000, totaling \$135,000. She explained that holds are put on student accounts, restricting their ability to register for classes or obtain transcripts until debt is paid or payment arrangements are made.
- Operational Revenue and Assessment – Ms. Burns will be performing an operational review and assessment of the Foundation, to include a review of current reporting tools, processes, organizational needs, control systems, etc., with the goal of identifying potential problem areas, assessing the reliability and usefulness of management reports, and identifying any opportunities for additional cost containment.
- Foundation Administrative Guide Manual – A Foundation Administrative Guide Manual is in the process of being completed. The manual will reflect The Foundation’s processes and policies as they relate to Accounting, Purchasing, AP/AR, Human Resources, Payroll, and Sponsored Programs Administration. Our goal is to have the manual completed and distributed shortly after January 1st.
- Annual Report
Ms. Burns intends to create an Annual Report for FY ending 6-30-09, to be published by October 31, 2009.

There were some questions and additional discussion regarding the Foundation’s financials, accomplishments and goals.

The Meeting adjourned at 6:36 p.m.