



*The Foundation for
California State University, San Bernardino*

BOARD OF DIRECTORS MEETING

Thursday, December 4, 2008 - 4:00 p.m.

Foundation Board Room

MINUTES

Pursuant to notice given, the Board of Directors of the Foundation for California State University, San Bernardino convened for a regular meeting in the College of Education Building located on the campus of California State University, San Bernardino, 5500 University Parkway, San Bernardino, California, on December 4, 2008 at 4:00 p.m.

Members Present:

Dr. Albert Karnig, Chairman
Ms. Lois Carson, Director
Dr. Haiwei Chen, Director
Dr. Dorothy Chen-Maynard, Director
Mr. David DeMauro, Treasurer
Dr. Louis Fernández, Director

Mr. Howard Friedman, Director
Mr. George Gorian, Director
Mr. Rex Jackson, Director
Dr. Frank Rincón, Director
Mr. Phillip Savage III, Director
Dr. Edward Teyber, President

Members Absent:

Dr. William Aguilar, Director
Mr. Robert Fullerton, Vice President

Mr. Stephen Saleson, Director
Mr. Jeremy Vasquez, Director

Others Present:

Ms. Debbie Burns, General Manager
Ms. Lisa Iannolo, Finance Manager
Ms. Linda Pella-Hartley, Exec Assistant

Mr. Charles Stanley, Director, Sponsored
Programs Administration
Dr. Jeff Thompson, Associate Provost, Research

Actions taken by the Board on the agenda items are attached. The meeting adjourned at 6:05 p.m.

Secretary

Agenda Item A – Call to Order/Introductions

Board President Teyber called the meeting to order at 4:15 p.m. A quorum was declared. The following guests were present: Dr. Jeff Thompson, Associate Provost, Research.

Agenda Item B – Welcoming Remarks

President Karnig provided an update on University activities:

- For the past eight or nine years, the University has established a practice of developing a video which is shown during the annual Fall Convocation at the beginning of each academic year. The video is reflective of major University accomplishments which occurred during the previous academic year, and is also shared with community groups and other interested parties throughout the year. The video was shown to the Foundation Board.
- Following the viewing of the video, President Karnig provided the following summation of recent activities and accomplishments:
- The Foundation continues to manage the funding of the Palm Desert Health Sciences Building. This facility will help to change the Coachella Valley educating and placing desperately needed nurses in area hospitals.
- The women's volleyball team has been very successful and will participate in the semi-finals on December 5 in Minneapolis, MN. The game can be viewed via streaming video.
- The status of the State budget is uncertain. Mandatory costs, salary adjustments, and utilities for 2008/09 are projected to exceed the prior year by \$6 million, and discretionary funding is anticipated to be \$2 million less than the prior year. In combination with assorted other funding requirements, the University began the year with a \$2 million shortfall. The Governor has proposed that the CSU system budget be reduced by \$100 million. CSUSB's share of the CSU budget is 4%, which equals approximately \$4 million. Added to the \$2 million shortage due to mandatory increased costs identified above, CSUSB's projected shortfall is currently \$6 million and is likely to worsen. The CSU has been notified that the State of California could run out of cash by February 2009, given the current budget stalemate in Sacramento.
- The CSU system will enroll 25,000 fewer students for the 2008/09 academic year, which equates to approximately 500 fewer students at CSUSB. Overall, the CSU system has enrolled 12,500 more students than can be supported with State funding. Consequently, CSUSB will conduct tighter and deeper enrollment management than ever before.
- The University is in the process of developing a new campus strategic plan. The first draft is expected to be completed by the end of Fall Quarter. Once adopted, the new

strategic plan will go to the campus divisions and principal units for development of their own strategic plans. Additional detail will support the goals of the strategic plan in terms of measurements, deadlines, etc.

- The University is in the process of conducting two major administrative recruitments. A recruitment will be completed within a couple of months to replace Dr. Louis Fernández, Provost and Vice President for Academic Affairs. Dr. Fernández is retiring after an outstanding career as an academic professional.

The second recruitment will fill the position of Vice President for Administration and Finance when David DeMauro retires at the end of the year. Mr. DeMauro has been a leader in the CSU system as a strong advocate of the systemwide quality improvement initiative, and he and his operational units have won several systemwide quality improvement awards. Each of his division units has placed as #1 or #2 in systemwide customer satisfaction surveys. The Facilities Services Department, under Vice President DeMauro's leadership, won the highest award bestowed by the Association of Physical Plant Administrators (APPA) in recognition of their outstanding management of facilities operations. Vice President DeMauro came to CSUSB in 1986 as Director of Facilities Services --- and has worked on 22 new building projects. He leads an enormously complex operation, including financial management and planning, human resources, capital planning, university police, and the Foundation. He has served in a number of capacities off campus, including his current term as Chairman of the Board of Directors of the National Orange Show, and as a mentor for disadvantaged youth. His retirement will be a great loss to the University. He leaves a legacy in terms of facilities, working relationships, and colleagues who he has helped to develop into leaders.

Agenda Item C – Closed Door Session (Action)

In a closed session, David DeMauro presented a recommendation to the Board of Directors related to a personnel issue.

Agenda Item D -- Approval of Minutes from September 18, 2008 Directors Meeting (Action)

Recommendation: It is recommended that the Board approve the minutes of the September 18, 2008, Board of Directors meeting.

Board Action: The minutes of the September 18, 2008, Board of Directors meeting were approved as distributed. (Savage/Gorian/Unanimous)

Agenda Item E – Election of Standing Committee Member to Investment Committee (Action)

Recommendation: It is recommended that the Board approve the nomination of Howard Friedman to the Investment Committee.

Background: The Board reviews the chair and membership of the Standing Committees each year and has already done so for 2008-2009. The Investment Committee, which requires 5 to 7 members, recommended at its November 12, 2008, meeting that Howard Friedman be elected as the seventh member of the committee.

Board Discussion: Board approval is required to appoint members to the Investment Committee.

Board Action: The Board approved the recommendation to appoint Howard Friedman to the Investment Committee. (Carson/Chen/Unanimous)

Agenda Item F – Resolution – Workers’ Compensation for Volunteers (Action)

Recommendation: It is recommended that the Board approve a resolution allowing Foundation volunteers to be covered by Workers’ Compensation insurance under AORMA.

Background: It has been the Foundation’s practice to cover its volunteers under workers’ compensation insurance in the event they are injured as a result of such volunteer services. The Foundation’s insurance broker has advised the Human Resources Department that a new labor code, Section 3363.6, provides that a private, nonprofit organization may declare its volunteers as employees for workers’ compensation insurance purposes by adopting a resolution authorizing such coverage.

Board Discussion: Volunteers for the Foundation work for various projects across the campus. Approximately 30 individuals are currently working as volunteers for the Foundation. The cost is about \$20 per year for all of the volunteers. General liability insurance does not cover volunteers who are injured as a result of volunteer services.

Board Action: The Board supported the recommendation to approve a resolution allowing Foundation volunteers to be covered by Workers’ Compensation insurance under AORMA. (Gorian/Chen-Maynard/Unanimous)

Agenda Item G – Resolution – Employee Contributions to CalPERS (Action)

Recommendation: It is recommended that the Board approve a resolution allowing the Foundation to accept tax deferred employee contributions to CalPERS.

Background: Employees of the Foundation participate in a CalPERS Defined Benefit Plan. Employee contributions are tax deferred. The CalPERS “Employer Pick-Up” Resolution allows the Foundation to continue to accept such tax deferred employee contributions under the recent Internal Revenue Service Ruling #2006-43. The resolution must be in place prior to reporting tax-deferred employee contributions to CalPERS before December 31, 2008.

Board Discussion: None.

Board Action: The Board supported the recommendation to approve a resolution allowing the Foundation to accept tax deferred employee contributions to CalPERS. (Gorian/Chen-Maynard/

Unanimous)

Agenda Item H – Approval of Observatory Project (Action)

Recommendation: It is recommended that the Board of Directors approve the construction of the Observatory at CSUSB.

Background: The College of Natural Sciences has been working on soliciting funding to construct an observatory on the peak of Little Badger Hill on the north side of the campus. The observatory's location will allow visitors to the campus to see the observatory as they enter the campus. The observatory will be a state-of-the-art research and teaching center to serve K-16 education, research, and the community at large. The observatory will be first of its kind to serve area schools and the community with a twin tower facility for both day and night viewing.

The project has a \$3 million budget. A significant challenge will be bringing utilities to the top of the hill. All costs are covered by the project. It appears that funding is now in place. Funds are held in the Foundation. Therefore, it will be necessary for the Foundation Board to approve construction of the observatory project. The Foundation will make a contribution for the required administrative work associated with the project. An attempt will be made to reimburse the Foundation for administrative costs, assuming sufficient funds are available.

Board Discussion: The Dean of the College of Natural Sciences has been conducting a capital campaign for several years for this project. This would not be a teaching observatory, not intended for research, and will be the only observatory of this type in the region, providing a tremendous community benefit. At this appoint, approximately \$2.1 million has been collected towards a total of \$3 million needed for the project. This action item would grant the General Manager for the Foundation the authority to enter into a construction contract for this project, contingent upon the availability of the entire \$3 million. The observatory would be 2,000 square feet in size. Most of the funding would go towards the infrastructure to include a concrete drive, telecommunications, electricity, etc. Working drawings are approximately 95% complete. Upon receipt of the final donations, the project can be put to bid, following approval by the CSU Board of Trustees at the January 2009 meeting.

Board Action: The Board approved the recommendation to move forward with construction of the CSUSB observatory. (Chen-Maynard/Fernandez/Unanimous)

Agenda Item I – Fundraising Activities

Dr. Jeff Thompson reported that the Office of Research was developed to help promote research activities on campus. A variety of activities are in progress using funds provided by internal grants with from the Foundation. In addition, research projects funded by external grants are managed through the Office of Research and Sponsored Programs. During the coming year, Federal government funding will be explored for possible funding of a number of projects. A number of research projects will involve students in programs in which they are interested. Plans to purchase a modular building, which was approved by the Board for co-location of Research and Sponsored Programs and Sponsored Programs Administration, have been has been suspended at this time, due

to increased costs. It was felt that it would be untimely to incur another liability at this time. Alternate ideas for working towards co-location will be explored.

Agenda Item J – General Manager’s Report

Deborah Burns thanked the Board for their participation and support, and acknowledged the many years of support from David DeMauro who is retiring as VP of Administration & Finance prior to the next Board Meeting.

Ms. Burns presented a financial summary, effective 10/31/08. The Bookstore experienced a few more unexpected expenses. The Bookstore’s inventory that existed prior to the implementation of Follett in July 2008 has been closed out, including items that were written off as obsolete. The contract with Nebraska has been terminated. A \$195,000 fine was imposed as a penalty for ending the contract prematurely, but the penalty was negotiated down to \$60,000. An unanticipated loss of 190,000 was incurred due to closing out the self-operated Bookstore. The Bookstore, under Follett’s management, would have realized \$250,000 profit at this time, had the unanticipated losses not occurred. Consequently, it may be necessary to move the repayment plan back one year due to recovery from the unanticipated losses. There will be some cost savings due the decision to cancel replacement of employees who separated from the Foundation.

Dining Services is performing well and revenues have increased, primarily due to summer conference business in catering.

The Foundation Business Office will no longer be receiving commissions from Dining Services and the Bookstore. None of the supported programs are in a deficit situation due to prior year reserves.

The balance sheet is positive. The only significant change is the inventory. Short-term cash is now placed in diversified CD’s in FDIC-insured institutions.

Charles Stanley provided an update on Sponsored Programs. There are some concerns that the sponsored program activity is lower than the same period last year. This is created by a large grant program that had multi-million dollar funding. The award arrived in August last year and activity started in September. This year the award arrived at the end of September and the accounting activity in Sponsored Programs Administration only started in November. Thus the later timing of the awards will result in the expenses occurring later than last year. Also, a program that was not viable to continue was terminated because it could never have paid for itself. As of October 31, there will be about \$215,000 in cash to turn over to the campus, which is a positive indication that the programs are doing well.

The Bookstore hired an assistant director from Claremont Colleges who is trained in Follett systems. She is training and mentoring the Bookstore employees to learn Follett’s systems. Follett added five registers in the Bookstore to facilitate services. Saturday hours were introduced from 9:00-2:00 and will assess the volume of business after a period of time. Follett is working on establishing solid relationships with faculty, particularly in textbook adoptions. An electronic adoption site is available on Follett’s website and steps will be taken to meet with faculty and departments to train them on ordering textbooks online for classes. The Foundation Business Office

is working with Follett staff to work through some software integration issues. Follett sales for the first four months are down by 3.51%, primarily because they missed the window of opportunity to maximize sources for procuring used textbooks. However, Follett is on target to meet their sales projections for this year. The Foundation is guaranteed a \$900,000 commission from Follett.

Sodexo experienced some delays in opening some of the venues in the Student Union. The convenience store located near the Social and Behavioral Sciences Building was removed, and a new convenience store has been opened in the Library Wedge. A mobile cart will be introduced near the SBS building to replace the convenience store. Sodexo is offering a Saturday and Sunday night dinner to housing students. The dinners are delivered to the housing area for students who wish to participate. A few system and transitional issues are being addressed. A Dining Services Advisory Committee has been formed and will have their initial meeting in January. The committee is composed of students, faculty, and staff for the purpose of offering suggestions and comments regarding campus dining services. Sodexo sales are 8.74% higher than experienced by Foundation Dining Services for the same period in 2007. The Foundation is guaranteed a \$100,000 commission from Sodexo, plus 2.5% of gross sales. There has been no return to date on the Foundation's investment in Starbucks due to the need to relocate the venue twice as a result of the Student Union expansion and renovation. The Starbucks agreement expires in March. Preliminary information indicates that Starbucks will require \$200,000 in upgrades to the kiosk prior to renewal of the agreement. Starbucks sales are high, but not high enough to offset the expenses associated with renewal of the agreement. Frank Rincón commented that Starbucks is a student participation issue and cautioned the Foundation to be thoughtful and seek student input before making a decision related to Starbucks. Ms. Burns assured the Board that Sodexo management understands that the campus community would be extremely disappointed if Starbucks closes.

Agenda Item K – Committee Reports

Investment Committee – Vice President DeMauro presented a brief discussion of the Foundation's endowment. The Investment Committee met with the Foundation's investment advisor recently. His recommendation to the Foundation is to "stay the course." The committee looked at historical downturns. It was the decision of the committee to remain with the current investment policy and keep a close watch on the status of the endowment accounts. Most of the money from the endowments is needed three times during the year – concurrent with the start of each academic quarter in September, January, and late March. The low point in the endowment, to date, occurred on October 2.

Ms. Lois Carson informed the Board that the Community Action Partnership of Riverside County is one of ten agencies selected across the nation to participate in a two-year Racial Equity and Economic Security project.

The meeting adjourned at 6:05 p.m.