



*The Foundation for  
California State University, San Bernardino*

## **BOARD OF DIRECTORS MEETING**

Thursday, December 6, 2007 - 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 at the Foundation Board Room located on the campus of California State University, San Bernardino, 5500 University Parkway, San Bernardino, California, on December 6, 2007, at 4:00 p.m.

#### **Members Present:**

Dr. Albert Karnig, Chairman	Mr. Robert Fullerton, Vice President
Dr. William Aguilar, Director	Mr. George Gorian, Director
Dr. Dorothy Chen-Maynard, Director	Mr. Rex Jackson, Director
Mr. Anthony Conley, Director	Mr. Philip Savage, III, Director
Mr. David DeMauro, Treasurer	Dr. Edward Teyber, President
Dr. Louis Fernández, Director	Dr. Darleen Stoner, Director
Ms. Lois Carson, Director	

#### **Members Absent:**

Judge Stephan Saleson, Director  
Dr. Frank Rincón, Director

#### **Others Present:**

Ms. Deborah Burns, General Manager	Mr. Bill Takehara, Assistant Treasurer
Ms. Lisa Iannolo, Finance Manager	Dr. Jeff Thompson, Associate Provost, Research
Ms. Kelly Adcock, Exec. Assistant	

Actions taken by the Board on the agenda items are attached. The meeting adjourned at 6:02 p.m.

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Secretary

### **Agenda Item A – Call to Order/Introductions**

President Teyber called the meeting to order at 4:13 p.m. A quorum was declared. The following guests were present: Mr. William Takehara, Associate Vice President for Financial Operations.

### **Agenda Item B – Welcoming Remarks**

President Karnig provided an update on University activities:

- The fires in October came extremely close to the campus. Some of the buildings experienced some wind damage to roof tops and siding; the estimate of damages was approximately \$100,000.00. As a result of the fires, the campus was closed for one week. Many of our students and faculty had to be evacuated from their homes. This presented some challenges for students and faculty, as they attempted to complete nine weeks of material/work within an eight week time-span.
- President Karnig reported the University, as a whole, is doing well. There is a significant increase in the University's 2007-2008 budget. All of those funds are committed to mandated increases. Half of the funding will be committed to salary increases as well as benefits.

### **Agenda Item C – Approval of Minutes from September 20, 2007 Directors Meeting**

Recommendation: It is recommended that the Board approve the minutes of the September 20, 2007, Board of Directors meeting.

Background: The Executive Committee recommended the minutes of the September 20, 2007, Board of Directors meeting be presented to the Board for approval.

Board Action: The minutes of the September 20, 2007, Board of Directors meeting were distributed. ( Dorothy Chen-Maynard/Rex Jackson/Unanimous)

### **Agenda Item D – Approval of New Board Members**

Recommendation: Treasurer DeMauro will recommend prospective Board Members to replace those members that have resigned.

Background: Treasurer DeMauro stated that he had asked several individuals to serve as members on the Foundation Board of Directors. Unfortunately, these individuals are unable to serve at this time. Treasurer DeMauro advised the Board he is seeking professionals with specific expertise in certain areas of accounting and auditing. Director Gorian made a suggestion that he has many clients whom he feels would serve as good board members. Director Gorian has a great deal of

experience in dealing with the San Bernardino community, and will provide the Board with names of suggested individuals.

Board Action: No action required at this time.

### **Agenda Item E – Approval of Foundation Policies**

Recommendation: It is recommended that the Board approve two policies: “Individuals Consulting on Federal Grants & Contracts” and “Purchase of Meals & Refreshments on Sponsored Projects.”

Background: The policy, “Individuals Consulting on Federal Grants & Contracts,” was developed as a result of an Environmental Protection Agency audit finding. The policy mirrors federal policy and will meet the scrutiny of a future audit.

The policy, “Purchase of Meals & Refreshments on Sponsored Projects,” addresses non travel-related meals, refreshments, and entertainment. The policy was developed to reflect the Foundation’s current practice, while meeting federal policy.

Board Action: The Board approved the two policies: “Individuals Consulting on Federal Grants & Contracts” and “Purchase of Meals & Refreshments on Sponsored Projects.”  
(Stoner/DeMauro/Unanimous) (Chen-Maynard abstained)

### **Agenda Item E – Fundraising Activities**

Background: No action required. William Aguilar, Vice President for University Advancement, will provide an update on the status of development and fundraising activities.

Report: Treasurer DeMauro provided an update on several activities. Fundraising activities, for the current year, are ahead of target. A priority of the fundraising campaign is the Astronomy Observatory. The University received a generous donation, in the amount of \$600,000, to support construction of this project. Dr. Connolly is heading this project, and has been diligently working to obtain the necessary funds to cover the project. The current donation is expected to cover half the construction costs for the project. Fundraising for the President’s Academic Excellence Program (PAES) is a high priority this year. The program is designed to give \$5,000 a year to 100 local students currently enrolled at CSUSB, whom have demonstrated academic excellence. The scholarship covers all fees and books for the academic year. It was suggested that this would be a good program to also extend to Riverside County High School graduates.

### **Agenda Item G – General Manager’s Report**

Background: No action required. Debbie Burns, Foundation General Manager, will provide an update of the Foundation’s financial status, commercial enterprises, and other Foundation activities.

Report: General Manager, Deborah Burns greeted the Board, and provided an update on the recent activity in the Foundation Business Office and Foundation commercial enterprises. The report included the October financials and General Manager's Report.

## **FINANCIAL RESULTS AND OPERATIONAL HIGHLIGHTS**

- Bookstore: The Campus was closed during the week of October 22<sup>nd</sup> due to the fires, high winds, and nearby road closures. As a result of the Campus closure, the Foundation closed its operations, also offering paid Administrative Leave to staff. The estimated loss of sales for the Bookstore/C-Store Operations was \$21,649 for the three Convenience Stores, and \$56,657 for the Bookstore. Labor costs for Administrative Leave are in addition to the lost sales. A business interruption claim was filed for the losses.

There is ongoing concern about the high cost of textbooks. For Fall, the Bookstore introduced digital Textbooks as an option for students to save. 16 titles were offered; 11 total units were sold. For Winter quarter, the goal is to have up to 25 titles available. We are also taking a look at textbook rentals. The Bookstore is researching a rental option for Fall 2008. The plan is to identify two to three viable titles, and perform a financial analysis. Upon approval, we would require an estimated two year commitment from faculty members. The textbook margin has also been decreased by two percentage points (from 27% to 25%) based on a recommendation from CBC as a way to retain market share. There is a potentially big impact, as 75% of sales are in this category.

- Convenience Stores: A "strong arm robbery" occurred in the convenience store outside of the Social & Behavioral Sciences Building, on November 15<sup>th</sup>. Approximately \$608 was taken; police are investigating the incident. The Foundation is looking at security systems for the C-Stores.
- Copy Machines: Several thefts from the coin boxes and bill changing machines occurred in this operation during the Fall quarter, resulting in a loss of approximately \$1,400. Locks on all machines have been changed. The current maintenance contract expires in January 2008; lease on the machines expires in January 2010. We are in the process of obtaining quotes from potential service providers for the final two years of maintenance.
- Keep it on Campus Program: "Keep it on Campus" is campus-wide partnership that Kim Ball is leading. It is intended to educate the Campus Community about the significant and positive impact various operations have on campus, as well as why the Campus community should support and/or utilize the services of these partners. The campaign will kick off in Spring 2008 with 17 departments participating. Ms. Burns expressed her support for this project, stating that the program will bring awareness to various programs on Campus and to what the programs actually give back to the Campus.

- Campus Closure: Due to the week of the Campus closure, estimated sales lost in Dining and Catering Operations collectively included approximately \$87,000, plus labor costs, which is also part of the business interruption claim.
- Coke Contract: The ten-year agreement with Coke was signed November 8, 2007, and was retroactively effective, beginning July 1, 2007. A check for \$100,000, representing annual sponsorship funding, is due to the Foundation within 45 days from the date of signing. \$60,000 will be allocated to the Athletics Department; the remaining \$40,000 will be retained by the Foundation. Subsequent sponsorship dollars will be paid at the end of each agreement year.
- Dining/Catering/Concessions

YUM Brands conducted a franchise audit, operational assessment of both Taco Bell and KFC Express. Taco Bell received a 90% score with KFC at 89%. Starbucks continues to exceed the corporate franchise organization's sales expectations for a kiosk of our size. Starbucks is the only Franchise slated to be profitable, and scheduled to make over \$11,000 this year. We 'beat' the \$12,000 weekly projected gross sales maximum consistently, hitting a new record last week with sales of \$14,700. Ms. Burns advised the committee of some challenges associated with being a franchise to include being required to sell coffee-related merchandise that our students are not buying. Cheryl advised the District Manager for Starbucks to discontinue shipping these items, as these items do not sell on our campus.

In spite of the summer closure of the Café/Taco Bell/Pub, fixed costs (rent, utilities, insurance, contract services, repairs and maintenance, some salaries, Starbucks royalty payments, and administrative overhead) still exist and we experienced similar losses as last year when the Café remained open. The Commons has seen an increased weekend traffic trend, by as much as 30% this year. We will need to consider other options next summer.

Ms. Burns applauded the Catering Department for their hard work and dedication. They served over 750 guests at a Presidential Scholarship Banquet, representing the largest number of guests served buffet-style by our Catering Department. In addition, a Special Holiday Catering Menu was developed for this year resulting in five on-campus events to date.

Two full-time benefited employees have resigned since July 1<sup>st</sup> in Dining Operations in the Santos Manuel Student Union, and one full-time benefited position remains unfilled in the Commons. Recruitment is ongoing for these positions, as well as student positions. Supporting the HSCI 465 class was mutually beneficial for both students and Catering, particularly with large catered events occurring during the lab.

- Status of Dining RFP: Ms. Burns provided an update on the RFP for dining. The financial assessment is 95% complete. Treasurer DeMauro and Ms. Burns will meet with President Karnig on December 17<sup>th</sup> to discuss additional requested reports and information related to contracting with Sodexo. There will also be discussion concerning the recommended changes, if we were to continue to self-operate. The goal is to have a decision made by mid-January 2008.

Board Discussion: Board members expressed gratitude for the holiday gifts received from the Foundation. President Teyber along with President Karnig expressed their appreciation; President Karnig shared his thoughts with the committee about Ms. Burns' enthusiasm and long-term vision, as well as attention to detail. Ms. Burns has been with the Foundation three years as of December.

There was discussion concerning the dining outsourcing process and the cost factor associated with self-op vs. contracting out services. Anthony Conley advised the committee that students are unhappy with the current selection of food options and strongly support outsourcing to Sodexo. They believe Sodexo will bring greater options and a new sense of community to the campus. Darleen Stoner stated there have been mixed reviews amongst various universities concerning the concept of outsourcing. The decision to outsource dining services should not be made lightly. David DeMauro stated that the driving factor in this decision will be the costs associated with self-op vs. contracting out services.

- Employee Benefits: The LBL Group brokerage firm negotiated a zero percent premium increase on our renewal of Dental, vision, Life/AD&D insurance beginning January 2008. As a result, there is combined savings to the employer and employee of approximately \$7,000.

We are working with LBL to explore medical insurance options, to include changes to retiree medical benefits. Other auxiliaries are also going through this process so we intend to explore the possibility of collaboration with one or more of them. CalPERS requires formal, written notification and a Board resolution within 60 days after CalPERS releases their new rates in June in order to terminate coverage. (Once withdrawn, there is a 5-year wait before an organization can contract with them again.) Such a decision would require us to finalize our search and make recommendation to the Board in June in order to proceed with the required notice provision.

Board Discussion: There was discussion on how the CalPERS changes may impact the State of California, as well.

- Investment Portfolio Update at November 30, 2007: Beacon Pointe Portfolio – Market Value at September 30<sup>th</sup> was \$12,753,525. At November 30<sup>th</sup>, Market Value was \$12,637,592. 0.79% is Composite Return since transferring investments from Wachovia to Beacon Pointe after July 1, 2007. QTD Return at November 30<sup>th</sup> was -1.16%.

NWF Advisory – Market Value at October 31<sup>st</sup> was \$457,915. At November 30<sup>th</sup>, Market Value was \$431,825. 13.13% is the YTD Return; November Return was down, -5.70%.

Board Discussion: Rex Jackson reported that the market will be volatile for the next twelve to eighteen months. The government is trying to intercede and not raise rates for the next five years. There is a strong international market and many are investing in that sector. NWF's portfolio is comprised of 57-60% global investments.

- Sponsored Programs: Gross activity is up 50.7% YTD, with direct expenditures up 54.1% YTD. Foundation operational costs are up 12%. This is due primarily to the hiring of one additional full-time benefited employee and new office space created to accommodate A/R activity. Year-to-date net income reflects the amount that will be returned to Campus (less faculty development, AVP Research Office, disallowance reserve, and government consultant expenditures).

F&A Cost Rate Proposal – Both the Foundation and the Campus have submitted all required documentation to BearingPoint, which will allow them to prepare the proposal package and submit to the Department of Health & Human Services by December 31<sup>st</sup>. The goal is to have approval from the Department of Health & Human Services within six months so that the new F&A rate can be implemented by July 1, 2008. We are anticipating approval of a rate in the range of 36%-41% based on Modified Total Direct (includes all costs except indirect, value of subcontracts over \$25,000, and equipment). The last F&A rate adjustment was implemented in July 2005, but it was a partial rate allowing 44% on salaries/wages with an increase to 45%, effective July 2006.

The Foundation has received in excess of \$9 million in grant funding for continuing and new programs since September 2007. The continuing programs with highest values are 'Gear Up' with a continuing grant amount of \$2.6 million, and 'UCDD' with a continuing grant amount of \$1.5 million. DHHS (Promoting Health by Improving Research), is a new grant in the amount of \$957,103.

- Review of October & YTD Financial Results: General Manager, Deborah Burns, provided an overview of the October Financial Statements. The C-Stores experienced lighter than expected summer sales in JB and SBS with sales down 7% YTD (will consider closing them in the second half of summer 2008). The C-Stores experienced an estimated loss of \$21,000, due to campus closures. Student Union sales are up 15% over the last year, although expenses are exceeding sales. The Bookstore experienced a soft summer; they lost approximately \$56,000 in Bookstore Sales due to the campus closure. As a result, sales are down by 3.7% YTD, from last year. October also reflects \$171,000 to inventory variance which was created to correct a data entry error from last year (that created a positive variance in COG's last year). The \$171k does not reflect any actual inventory, purchases or invoices. Director Gorian inquired as to how the losses will be allocated. Ms. Iannolo advised the members that the loss is absorbed through other areas in the Foundation. Treasurer DeMauro said inventory losses have been written off in previous years and that

this inventory adjustment error also occurred over a period of time. The Board requested a separate accounting of the PDC Bookstore.

Treasurer DeMauro informed the board of an upcoming bond initiative supporting Californians for Higher Education. The Foundation will be asked to contribute \$11,800 to support the initiative; half the funds will be requested at the end of February 2008. The University could receive up to \$56 million for this project. Funds will be requested for capital renewal for the replacement of building components and/or systems that have exceeded their useful life. In addition, a small 500-seat theater will be built next to the Performing Arts Theater.

- **Building Status:** There was some discussion on the new buildings and parking structures. Two new parking structures are under construction, which will house 750 parking spaces. The project was scheduled for completion in April; however, the project is both under budget and ahead of schedule, the project is now scheduled by January 2008. Also, the construction of a four-lane, one mile road is complete. The road will allow vehicle access to and from the new parking structures. The City of San Bernardino will install new signal lights on Northpark Blvd. to accommodate the traffic flow.
  - **The College of Education:** The new College of Education building will be approximately 130 sq. feet, a \$52 million project which is scheduled for completion in September. There will eleven 'smart-classrooms', as well as student and faculty workstations, and traditional classrooms.
  - **Palm Desert Campus:** The Palm Desert Health Sciences Building is currently under construction and ahead of schedule. This will be the first facility of its kind in the Coachella Valley, with three 'wet labs'. Biology, Chemistry and Nursing students will be utilizing the state-of-the-art facility, and its three 'wet labs. The facility is scheduled to open in April 2008. There was discussion amongst the Board concerning taking a trip to the new facility next year, in June.

### **Agenda Item G [Information] – Committee Reports**

**Background:** No action required. In lieu of standing committee reports to the Board of Directors, drafts of all minutes of all Foundation Standing Committees are provided with the agenda for review.

**Report:** No report provided.

Meeting adjourned at 6:02 p.m.