



*The Foundation for
California State University, San Bernardino*

BOARD OF DIRECTORS MEETING

Thursday, March 15, 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 March 15, 2007 at 4:00 p.m.

Members Present:

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

Members Absent:

Mr. Charles Obershaw, Secretary	Ms. Lois Carson, Director
Mr. Anthony Conley, Director	Dr. Frank Rincón, Director
Ms. Glenda Bayless, Director	Dr. Darleen Stoner, Director

Others Present:

Ms. Kim Ball, Director, Bookstore	Ms. Cheryl Ruzak, Associate Director, Dining Services -- SMSU
Ms. Debbie Burns, Interim General Mgr.	Mr. Charles Stanley, Director, Sponsored Programs Administration
Mr. Tito Calderon, Associate Director, Dining Services – Catering/Commons	Mr. Bill Takehara, Assistant Treasurer
Ms. Lisa Iannolo, Finance Manager	Mr. Garth Flint, Beacon Pointe Advisors
Ms. Arlene P. Cabang, Exec. Assistant	Mr. Graham Pierce, Beacon Pointe Advisors

Actions taken by the Board on the agenda items are attached. The meeting adjourned at 6:30 p.m.

Secretary

Agenda Item A – Call to Order/Introductions

President Teyber called the meeting to order at 4:15 p.m. A quorum was declared. The following guests were present: Mr. William Takehara, Associate Vice President for Financial Operations, Mr. Garth Flint, CEO, Beacon Pointe Advisors and Graham Pierce, V.P., Beacon Pointe Advisors.

Agenda Item B – Welcoming Remarks

President Karnig provided an update on University activities:

- The CSUSB Men's Basketball team beat Humboldt State to advance to the NCAA Division II Elite Eight tournament that begins Wednesday, March 21, in Springfield, Mass.
- The Recreational Sports in the new Student Recreation and Fitness Center (SRFC) will have its grand opening and ribbon cutting ceremony on April 3, 2007.
- The California State University Board of Trustees voted to increase the State University Fee for the 2007-2008 academic years by 10% to support full funding of the 2007-2008 CSU budget approved by the board at its November 2006 meeting. The increase amounts to about \$250 a year per student. President Karnig commented that in comparison, the CSU fees are still amongst the lowest fees nationwide. He also commented that the University has an annual budget of \$140 million, \$40 million of which comes from student fees. President Karnig reported that about 57% of CSUSB students don't pay fees due to scholarships, partial scholarships and grants. There is proposed legislation to eliminate the fee increase, but the Governor and the legislature would have to provide additional funding from the State fund to rescind the increase.
- President Karnig reported the possibility of a rolling strike by faculty over a two-day period. The California Faculty Association (CFA) has been negotiating with the Chancellor and staff for around 18 months without a lot of progress. There has never been a strike vote in the history of the CFA and President Karnig feels that there is a low probability that it will happen.

Board Discussion: Director Gorian questioned how much disruption a strike would cause to the campus. President Karnig stated that there would be a possibility that some faculty would not be teaching classes or that some classes may be closed off or not be offered. President Teyber noted that most faculty members do not belong to the union, but some faculty may not want to cross the picket lines. Also there is the possibility of sympathy striking, which he noted was unacceptable. There is also the possibility that other unions such as vendors and construction workers would not cross the picket lines. President Karnig expressed that the probability of an actual strike was low.

Agenda Item C – Approval of Minutes from December 7, 2006 Directors Meeting

Recommendation: It is recommended that the Board approve the minutes of the December 7, 2006, Board of Directors meeting.

Background: The Executive Committee recommended the minutes of the December 7, 2006, Board of Directors meeting be presented to the Board for approval.

Board Action: The minutes of the December 7, 2006, Board of Directors meeting were approved as distributed. (DeMauro/Jackson/Unanimous)

Agenda Item D – Approval of Palm Desert Construction Agreement

Recommendation: It is recommended that the Board approve a contract for construction between the Foundation for CSUSB and Swinerton Builders in the amount of \$8.5 million.

Background: At the December 7, 2006 meeting of the Foundation Board of Directors, the Board approved a resolution authorizing the Treasurer to enter into a loan agreement with the H.N. and Frances C. Berger Foundation. The purpose of the loan was to provide interim funds for the construction of the Palm Desert Health Sciences Building. The source of funds to pay the loan was to come from payments being made by various entities which the Foundation has entered into funding agreements. This agreement was not executed.

The Foundation has collected \$7.5 million in cash from donors. An additional \$1.5 million has been identified in Foundation accounts which can be set aside in reserves until the same amount of funds are expected to be collected from funding agreements with donors. The current plan is to issue a construction contract for \$8.5 million and budget \$5 million for construction management expenses. The entire construction cost is estimated as \$11 million. Management will ask the Board to approve the balance of the contract in approximately July 2007 when it is anticipated that sufficient funds will have been collected as the result of existing funding agreements and a loan from the Berger Foundation.

Board Discussion: Treasurer DeMauro reported that the bid campaign was complete. He went on to explain that Agenda Items D through G was all connected to the Building of the Palm Desert Health Sciences Building, so he'd like to discuss them all at once. In order to have construction of the Health Sciences Building completed by the fall of 2008, construction should begin immediately. David asked the Board to approve the contract for construction with Swinerton Builders. He explained that construction costs are going up all the time and he wanted to make sure we locked in a contract to get the guaranteed price. Treasurer DeMauro stated that the Foundation has collected \$7.5 million in cash from donors and asked the Board to approve a revised Loan Agreement between the H.N and Frances C. Berger Foundation and the Foundation for \$3.5 million to begin construction. The CSU Office of the Chancellor asked that the campus have a backup plan to repay the loan from the Berger Foundation in the event that all or any of the donor agreements are not paid. Mr. Michael Marix has agreed to guarantee to provide the funds in the event that any of the donors default in their agreement. Treasurer DeMauro asked the Board to approve the Marix

Guarantee Agreement. David then recommended that the Board of Directors authorize signature authority to David DeMauro and Deborah Burns for the Palm Desert Campus Loan Agreement.

Agenda Item E – Approval of Palm Desert Loan Agreement & Promissory Note

Recommendation: It is recommended that the Board approve a Loan Agreement and Promissory Note between the Foundation for CSUSB and the H.N. and Frances C. Berger Foundation in the amount of \$3.5 million. Copies of the draft Loan Agreement and Promissory Note were distributed.

Background: At the December 7, 2006 meeting of the Foundation Board of Directors, the Board approved the Treasurer to enter into a loan agreement with the H.N. and Frances C. Berger Foundation. The purpose of the loan was to provide interim funds for the construction of the Palm Desert Health Sciences Building. The source of funds to pay the loan was to come from payments being made by various entities which the Foundation has entered into funding agreements. The agreement has not yet been executed by the Foundation for CSUSB and the Berger Foundation.

This Loan Agreement & Promissory Note is for a line of credit in the amount of \$3.5 million only for a period extending to December 31, 2011. The loan will be repaid from the proceeds of the Funding Agreements that are already in place.

The Executive Committee recommended at its March 8, 2007, meeting to approve a Loan Agreement and Promissory Note between the Foundation for CSUSB and the H.N. and Frances C. Berger Foundation in the amount of \$3.5 million.

Board Discussion: See Board Discussion above.

Agenda Item F – Approval of Palm Desert Guarantee Agreement

Recommendation: It is recommended that the Board of Directors approve a Guarantee Agreement between the Foundation for CSUSB and Michael Marix in the amount of \$3.5 million.

Background: At the December 7, 2006 meeting of the Foundation Board of Directors, the Board approved the Treasurer to enter into a loan agreement with the H.N. and Frances C. Berger Foundation. The purpose of the loan was to provide interim funds for the construction of the Palm Desert Health Sciences Building. The source of funds to pay the loan was to come from payments being made by various entities which the Foundation has entered into funding agreements. This particular agreement has not yet been executed by the Berger Foundation.

The CSU requires that all funds be in place prior to the start of a construction project. CSUSB desires to begin the construction of the Palm Desert Health Sciences Building at this time so that the building will be complete and ready for occupancy in September 2008. Funding agreements are in place to generate the \$14.5 million for this project. Approximately \$8 million has been collected to date. Another \$3 million is anticipated to be collected by July 2007. The balance of \$3.5 million is anticipated to be collected between July 2007 and December 2009. The loan from the Berger Foundation will provide the cash to pay for the construction. The proceeds of the funding agreements will be used to pay the loan.

The CSU Office of the Chancellor asked that the campus have a backup plan to repay the loan from the Berger Foundation in the event that all or any of the donor agreements are not paid.

Mr. Michael Marix has agreed to guarantee to provide the funds in the event that any of the donors default in their agreement. The Board is asked to approve the Marix Guarantee agreement of which a copy is attached.

The Executive Committee recommended at its March 8, 2007, meeting to approve a Guarantee Agreement between the Foundation for CSUSB and Michael Marix in the amount of \$3.5 million.

Board Discussion: See Board Discussion above.

Agenda Item G – Authorization of Signature Authority for PDC Loan

Recommendation: It is recommended that the Board of Directors authorize signature authority to David DeMauro and Deborah Burns for the Palm Desert Campus Loan Agreement.

Background: The Berger Foundation requires that the Foundation Board grant signature authority to two individuals who will sign the Berger Foundation loan documents. Approval of signature authority will allow the Foundation to enter into the loan agreement for \$3.5 million with the Berger Foundation.

The Executive Committee recommended at its March 8, 2007, meeting to authorize signature authority to David DeMauro and Deborah Burns for the Palm Desert Campus Loan Agreement.

The Executive Committee approved the agenda item as presented.

Board Discussion: See Board Discussion above.

Board Action: Treasurer DeMauro asked that Agenda Items D through G be passed in one vote. The Board agreed and approved the recommendations made in Agenda Items D through G as presented above.

(Fullerton/Fernandez/Unanimous)

Agenda Item H – Approval to Sell Kern County Property

Recommendation: It is recommended that the Board of Directors grant authority to the Foundation General Manager to sell property located in Kern County, California.

Background: In May 1997, the Foundation received a Quitclaim Deed for a gift of property in California City, Kern County, California from Robert E. Johnson. The Foundation has paid property taxes on the vacant property since that date. The net assessed value is approximately \$3,916 per the 2006 Property Tax Statement from the Kern County Treasurer/Tax Collector.

The Foundation has received inquiries from an interested buyer and would like to contact a real estate agent to make arrangements to view the property, assess the current market value, and proceed to list the property for sale.

The Executive Committee recommended at its March 8, 2007, meeting to grant authority to the Foundation General Manager to sell property located in Kern County, California.

Board Discussion: Debbie Burns reported that the Foundation had been approached by an individual who was interested in purchasing the above-mentioned property. This individual lives on the property adjacent to the Foundation property. Director Jackson asked what the property was worth. Ms. Burns replied that the County Assessor had appraised the property at approximately \$3,900.

Board Action: The Board recommended that Ms. Burns have the property appraised to determine the current value of the property, and then proceed to list the property for sale.
(Fernandez/Jackson/Unanimous)

Agenda Item I – Approval to Enter Into Beverage Services Contract with Coke

Recommendation: It is recommended that the Board of Directors grant approval for the Foundation to enter into a 10-year Beverage Services Contract with Coca Cola, effective July 1, 2007.

Background: The Foundation's 12-year beverage service contract with Coke expired in September 2006 and a contract extension was negotiated for a 9-month period through June 30, 2007. An RFP was issued in August 2006 and a Beverage Committee was formed to participate in the review and assessment process. Both Coca Cola and Pepsi responded to the RFP with proposals for 7-year and 10-year agreements.

The Beverage Committee determined that the 10-year proposal offered by Coke was the most favorable to the Campus based upon overall pricing, total sponsorship funds of \$1.1 million, and a track record of satisfactory customer service.

At the February 28, 2007 Commercial Enterprises Committee Meeting, the Beverage Committee made a recommendation to move forward with Coke.

Board Discussion: Ms. Burns distributed a Coke vs. Pepsi Comparison. Cheryl Ruzak reported that she was very comfortable with the relationship with Coke and that Coke had given excellent support to the University and Dining Services. Director Aguilar referred to the Comparison and questioned where the \$100,000 in unrestricted funds would be placed. Ms. Burns responded that \$60,000 would be given to Athletics and that \$40,000 would remain with the Foundation. President Karnig questioned the reasons behind going with a long-term contract. Ms. Burns responded that with a 10-year contract that we lock-in the prices so that they won't go up and that the sponsorship is locked in as well. Stan Stanley added that there is a minimum requirement on the products that we purchase and that if we go over that minimum, the Foundation will get rebates back from Coke. Treasurer DeMauro commented that he agreed that this was the best proposal. Ms. Burns added

that she would be negotiating language that would allow us to cancel our current contract if CSU moved forward with a system-wide pouring rights RFP and Coke was awarded the contract, which terms may be more favorable (a “favored nations” clause.)

Board Action: The Board approved the recommendation for the Foundation to enter into a 10-year Beverage Services Contract with Coca Cola, effective July 1, 2007.
(Aguilar/DeMauro/Unanimous)

Agenda Item J (Information) – Presentation by Beacon Pointe Advisors

Background: No action required. Garth Flint and Graham Pierce of Beacon Pointe Advisors will give a presentation.

Report: Garth Flint and Graham Pierce introduced themselves, distributed brochures, and gave a short presentation on the background of Beacon Pointe Advisors. Treasurer DeMauro reported that on the recommendation of the Board at the December 7, 2006 meeting and in an effort to increase the earnings on endowed funds, the Foundation had interviewed four different financial advisors and had unanimously chosen Beacon Point Advisors. President Teyber commented that Beacon Pointe had worked with other CSUs and non-profits and had positive results. Director Jackson commented that Beacon Pointe’s suggestion that the Foundation utilize alternative investments was a big factor in determining their selection. Director Aguilar commented that he was glad to see the change. When donors inquired about the endowment they wondered why the investments were underperforming. President Teyber inquired as to the timeline of the transition. Mr. Flint reported that they had already begun working on the transition and that they would be providing the following information to the Investment Committee Members by May 9, 2007: (1) a review and recommended changes to the current Investment Policy and Procedure Statement, (2) an analysis of the current asset allocation strategy, (3) recommendations to keep or replace the current investment manager structure, (4) make custodial recommendations, and (5) a review of current CRTs with respect to administration costs and performance. President Teyber commented that he appreciated that Beacon Pointe listened to the Committee and their ideas and seemed to understand the Foundation’s needs. President Teyber welcomed them to the Foundation.

Agenda Item K (Information) - General Manager’s Report

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

Report: Interim General Manager Deborah Burns provided a PowerPoint presentation which summarized recent activity in the Foundation Business Office and Foundation commercial enterprises. The report included year-to-date financial results, financial challenges/successes, current initiatives, and operational highlights.

FINANCIAL RESULTS AND OPERATIONAL HIGHLIGHTS -

- **Bookstore:** Ms. Burns reported that sales in the Bookstore are up by 8% and their expenses are up by 7% from last year. The net income for the Bookstore is up 35% (\$217,000) from last year. Kim Ball reported that used book sales are down 16%. Due to the installation of additional cash registers in convenience stores, sales are up and efficiency has improved. Used book sales are down due to the text book companies putting out new additions. Ms. Burns asked Kim to explain how the book adoptions work. Kim explained that the Bookstore orders approximately 2,000 titles per quarter. In order to get the text books ordered in time, faculty has to get their lists of books in by the deadlines so they know which books to order. If there isn't a new edition, they are able to sell the used books. Kim reports that 34% of the faculty is getting their lists in by the deadline. Kim hopes to get 60% participation before the deadline next year. A new marketing person was hired, Scott Earl. He will be assisting the Bookstore, Housing and Dining Services. Tom Byrne and a team from Campus Bookstore Consulting (CBC) will be coming to the campus from March 20 through 22 to conduct an operational assessment of the Bookstore, Student Union and C-stores.
- **Commons/Catering:** Tito Calderon reported that the search for a catering manager has been put on hold. Sara Parker and the kitchen chef have been handling operations in Commons and Catering and it has been going well. Tito reports that sales at the Commons have been slower, especially on the weekends. The Foundation is looking into shortening the hours of operation in order to save money on labor costs. Catering sales are up and Tito expects to catering sales to be even better in the months of April through June 2007. We are in the final stages of obtaining an alcohol license in order to sell beer and wine at catered events. Concession sales are up and increasing.
- **Student Union Dining:** Cheryl Ruzak reported sales at Starbucks are way up. Weekly sales are at \$12,000 per week. Email marketing has been initiated to advertise specials. The Blue Coyote had a soft opening in February. They are still working through some "bugs," but Cheryl expects sales to pick up when they open the walk-up window at the spring quarter. Pub sales are down. Taco Bell (Yum Brands) has requested that their signage be changed in the Student Union. Cheryl consulted with an electrician and the cost would be \$3,000 to rewire and move the sign. Contractually, the Foundation is obligated to make the change, but Cheryl reported that the money isn't in the budget. She informed the representative from Taco Bell, that she could budget the costs in this summer. Treasurer DeMauro stated that he would contact the representative to discuss the matter.
- **Business Office:** Debbie Burns reported that revenues are down by 10% from last year. Expenses are also down by 7%. As of January 31, 2007 net income from the business office and retail is \$124,000.
- **Sponsored Programs Administration:** Stan Stanley reported that Sponsored Programs activity was up by 19% from last year. Year-to-date net income is \$589,537, up 62% from last year. Stan commented that most of the funds are initiated by faculty going out

and getting grants. Stan reported that they had hired Bearing Point to help with renegotiations. Bearing Point has worked with other CSUs including the Chancellor's office. The official kick-off date will be April 12, 2007. The cost will be \$35,000, the funds will come from monies that were budgeted and put aside over a few years.

FINANCIAL CHALLENGES AND SUCCESSES –

Ms. Burns summarized some of the Foundation's ongoing financial challenges it faces in providing services to the campus even when there is little or no financial benefit. Such challenges include: operating dining services during the summer months and weekends when the number of customers served declines significantly, as well as campus copy machine services which are operating at a year-to-date loss of \$24,724. Ms. Burns stated that the Foundation has depleted much of its reserves to cover prior years' losses.

Ms. Burns reported that financial successes include a clear trend of reducing losses in Dining Services since 2004/2005; the Starbucks kiosk in the Student Union is bringing in an average \$12,000 per week; year-to-date sales are up in all categories, and Sponsored Programs activity is up by 19% year-to-date.

CURRENT INITIATIVES –

Ms. Burns summarized the major initiatives that the Foundation management team and staff are currently engaged in as an illustration of the steps being taken to continue to move the organization forward. These include the recent "go live" of PeopleSoft HR, addressing the campus community's reporting needs through PeopleSoft Finance, an assessment of Sponsored Programs structure, the recent RFP process for a beverage contract (which was awarded to Coke), the investment advisor search and selection (which was awarded to Beacon Pointe), a review of Meal Plan pricing, the creation of a Dining Services RFP Committee, the F&A rate development through consultant, Bearing Point, and the process of identifying a firm to conduct an actuarial study of necessary retirement reserves.

Board Discussion: Director Savage discussed the requirement for complete financial reports in order for Board Members to fulfill their fiduciary duty. President Teyber commented on the closing of dining services in the student union on weekends and during the summer and the need to service the campus community versus the need to get out of the red. Treasurer DeMauro stated that he felt that the summer closure was a good business decision, since the closure would save money on labor costs and other expenses. The student union would be closed in the months of July and August and the Commons will be open to service the campus over the summer months. In a continuing effort to save money in dining services, Debbie Burns reported that a Committee was being assembled to draft a Request for Proposal for the Foundation's dining services operations. Ms. Burns stated that Sodexo and Aramark have already expressed an interest in submitting proposals. President Teyber commented that we should explore all activities and areas of the Foundation in an effort to save money.

Agenda Item L [Information] – Committee Reports

Background: No action necessary. 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: Treasurer DeMauro noted that copies of draft minutes for all second quarter standing committee meetings are included with the Board meeting agenda.

Agenda Item M [Information] – 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: Director Aguilar gave an update on several activities. The Tools for Education Campaign has been proposed for the Athletics Department. The funds would go towards the building of a baseball stadium on campus. The men's baseball team is currently playing in downtown San Bernardino at Arrowhead Stadium. One of the challenges of playing at Arrowhead Stadium is the difficulty in getting high attendance at an off-campus event. Nick Coussoulis is helping with the campaign.

Director Aguilar is also working on the President's Academic Excellence Program. This program gives \$5,000 a year to 100 local students currently enrolled at CSUSB that have demonstrated academic excellence. They are currently looking into ways to continue to provide these scholarships through philanthropic endowments. Development has placed ideas before the President for his review.

Director Aguilar is working on raising monies to match the funds donated by the Ketch Foundation. Director Aguilar has approached many donors and had engaged in fundraising talks with several individuals. They are working on raising \$9 million for this fiscal year. They currently have \$4.6 million raised. Director Aguilar is confident that they will reach their target. President Karnig commented that he believes they can match the \$16 million they raised in 2006. Director Aguilar stated that they are open to suggestions for raising funds.