



*The Foundation for
California State University, San Bernardino*

BOARD OF DIRECTORS MEETING

Thursday, March 19, 2009 - 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 19, 2009, at 4:00 p.m.

Members Present:

Dr. Albert Karnig, Chairman	Mr. Howard Friedman, Director
Ms. Lois Carson, Director	Mr. George Gorian, Director
Mr. Rex Jackson, Director	Mr. Jeremy Vasquez, Director
Dr. Dorothy Chen-Maynard, Director	Dr. Frank Rincón, Director
Mr. Robert Gardner, Treasurer	Mr. Phillip Savage III, Director
Dr. Louis Fernández, Director	Dr. Edward Teyber, President
Dr. William Aguilar, Director	

Members Absent:

Mr. Stephen Saleson, Director
Mr. Robert Fullerton, Vice President
Mr. Haiwei Chen, Director

Others Present:

Ms. Debbie Burns, General Manager
Ms. Lisa Iannolo, Finance Manager
Dr. Jeff Thompson, Associate Provost, Research
Ms. Cara-Marie Pham, Administrative Assistant

Actions taken by the Board on the agenda items are attached. The meeting adjourned at 6:14 p.m.

Secretary

Agenda Item A – Board Member Photographs

Board Member photographs were taken.

Agenda Item B – Call to Order/Introductions

Board President Teyber called the meeting to order at 4:00 p.m. A quorum was declared. The following guests were present: Dr. Jeff Thompson, Associate Provost, Research.

Agenda Item C – Welcoming Remarks

President Karnig provided an update on University activities:

- Dr. Karnig began by expressing that the campus is excited for the coming of the observatory on the peak of Little Badger Hill located on the north side of the campus. A special thanks to the Murillo family for donating a very generous amount of money to help with the construction. The observatory will be a state-of-the-art research and teaching center to serve K-16 education, research, and the community. The observatory will be the first of its kind to serve area schools and the community with a twin tower facility for both solar and lunar viewing. As Dr. William Aguilar pointed out, he would not be surprised if it helped to define the University.
- Dr. Karnig was also pleased to update the Board on the renovation of the Performing Arts Building. This will include a five hundred (500) seat theatre. The County of San Bernardino has kindly contributed \$500,000.00 toward this project.
- In addition, the CSUSB campus is planning to expand the nursing program. This will include doubling the size of the Health Center.
- With regard to the California State budget, Dr. Karnig expressed that there is not yet a budget set for July 1st. There are several scenarios of how much the budget will be impacted, ranging from a one million dollar (\$1,000,000) cut to more than a three million dollar (\$3,000,000) cut. There is a plan being formulated for each possibility. Dr. Karnig stressed the importance of the statewide special election on May 19, 2009. During this election, there will be seven propositions that will determine the outcome of how the state budget will be addressed.

Agenda Item D - Approval of Minutes from December 4, 2008 Directors Meeting (Action)

Recommendation: It is recommended that the Board approve the minutes of the December 4, 2008, Board of Directors meeting.

Board Action: The minutes of the December 4, 2008, Board of Directors meeting were approved as distributed. (Carson/Chen-Maynard/Unanimous)

Agenda Item E – Approval of Policy Changes (Action)

1) Disallowance Reserve Policy for Sponsored Programs

Recommendation: It is recommended that the Board of Directors approve the changes to the Disallowance Reserve Policy for Sponsored Programs. The Sponsored Programs Committee is recommending an increase in the reserve amount goal and that the authorization requirements for disbursement from this fund are amended. It is recommended that the Board approve these policy revisions. The amended Policy would become effective immediately.

Background: The current and proposed policies were given out as a handout to the Board. The California State University policies and good business practices require the establishment of a disallowance reserve for Sponsored Programs. The purpose of the reserve is to ensure funds are available to cover funding agency disallowances for non-compliance with terms and conditions of a sponsored program. Board approval is required to change any existing policies.

Board Discussion: There were no additional recommended changes to what was already being proposed.

Board Action: The Board approved the recommended changes to the Disallowance Reserve Policy for Sponsored Programs. (Vasquez/Gorian/Unanimous)

2) Qualifications of Principal Investigator

Recommendation: It is recommended that the Board of Directors approve the changes to the Qualifications of Principal Investigator within the Policy for the Administration of Sponsored Programs Activity. The Sponsored Programs Committee is recommending that these policy changes also be adopted by the University. It is recommended that the Board approve these policy revisions. The amended Policy would become effective immediately.

Background: The current and proposed policies were given out as a handout to the Board. Within the Policy for the Administration of Sponsored Programs Activity are the minimum qualifications of a principal investigator. These qualifications needed to be modified to reflect changes in practice, as well as to specify the need for a formal agreement in the event a PI is not a Foundation or University employee.

Board Discussion: There was some discussion about creating an appropriate policy or procedure on how Project Director should manage their funds. Dorothy Chen-Maynard asked that once the procedures are written out it would be good to bring them to the Faculty Senate meeting for their feedback.

Board Action: The Board approved the recommended changes stating the minimum qualifications for a Principal Investigator. (Carson/Chen-Maynard/Unanimous)

3) Investment Policy Statement

Recommendation: It is recommended that the Board of Directors endorse the action of the Investment Committee to adopt a revision to the “Annual Spending” provision in the Investment Policy Statement (“IPS”) that would preclude spending from those endowments that are underwater.

Background: The current spending provision in the IPS will negatively impact those endowments that are underwater, meaning their current market value is less than their original gift amount. It is the Foundation’s desire to preserve the endowment while continuing to meet the scholarship needs of CSUSB’s students. With a unanimous vote by the Investment committee, it is recommended that the Foundation maintain the 5% spending rate, except on those endowments that are underwater. The impact would be that an estimated \$332,180 would be available for scholarships for 09/10. As of 12/31/08, scholarships awarded for this fiscal year totaled \$311,309.

The proposed policy would have the additional statement stating, “This policy pertains solely to endowments that are not underwater; in the instance of an endowment being underwater, all spending will be suspended until such time as the endowment regains positive status.”

Board Discussion: Philip Savage recommended two improvements to the policy. The first is that the spending policy should not be long term; the policy needs to be looked at often, if not every quarter. The second suggestion is that the term “underwater” be changed to a more appropriate term. There was an agreement among the Board that we should state the definition of “underwater” instead of using the term. Dr. Karnig stated that, although it should have been done three months ago, we need to be sure that Financial Aid and the Deans contact each donor on a personal level and advised of the status of their endowed scholarship fund. He indicated that some donors may prefer to add additional funds so that their scholarships will be awarded in the instance where their endowed scholarship is “underwater.”

Board Action: The Board approved the recommended changes that “Annual Spending” be reviewed frequently and pertain only to endowments that are not underwater and the term “underwater” should be defined or changed. (Carson/Chen-Maynard/Unanimous)

Agenda Item F – Election of Robert Gardner – Treasurer of Foundation (Action)

Recommendation: It is recommended that the Board endorse the Executive Committee’s recommendation to elect Robert Gardner as Treasurer of the Foundation for the California State University, San Bernardino.

Background: Former Treasurer, David DeMauro, has retired and Robert Gardner is the new VP Administration & Finance and Chief Financial Officer of the University. The VP Administration & Finance position qualifies Mr. Gardner’s ex-officio membership on the Board; however, Officers of the Board must be elected.

Board Discussion: Board approval is required to appoint members to the Board of Directors.

Board Action: The Board approved the recommendation to appoint Robert Gardner to the Board of Directors. (Carson/Chen-Maynard/Unanimous)

Agenda Item G – Approval of Disallowance Reserve Fund Expenditure (Action)

Recommendation: It is recommended that the Board approve an expenditure from the Disallowance Reserve Fund in the amount of \$310,000 to cover a START Program deficit.

Background: A disallowance reserve fund has been created to cover funding agency disallowances for non-compliance with terms and conditions of a sponsored program.

The Central Valley START Clinic was initiated by Dr. Kimberley Lakes in November 2006 with projected revenue to come from a “fee for service contract” with the Department of Behavioral Health (DBH) and cost reimbursement for start-up costs from First Five. This contract required that START bill the State Department for Mental Health for Medi-Cal qualified services based upon billable hours. The clinic provided early intervention services to at-risk children ages zero to five including neurodevelopmental assessments, mental health services, occupational therapy and speech therapy. To be successful, the clinic needed to generate a high level of billable hours which required ongoing community outreach and client referrals.

In September 2007 the Foundation became concerned about an operational deficit. When the first retroactive payments from 2006 were subsequently received, those concerns were justified. In spring 2008 it was determined that the program could not cover its operational costs within the existing business model. After a period of assessment and budget review, the program was shut down in June, 2008.

The final program loss is \$679,088.74. Of this, \$100,000 represents disallowances from DBH; the balance is an operational deficit. (The Foundation has asked DBH to waive the \$100,000 in “exchange” for transition expenses we incurred.) The Foundation is proposing that it cover \$310,000 of this deficit. The College of Social & Behavioral Sciences (to whom Ms. Lakes reported) will cover the balance and make payments to the Foundation over 4 years.

As a result of this program, the Foundation has instituted appropriate policies, practices and reporting tools for “fee for service” programs that will allow us to quickly identify potential deficits and take immediate and appropriate action.

It is recommended that the Board approve this \$310,000 expenditure from the Disallowance Reserve.

Board Discussion: The Board expressed their concern on how the Foundation can make sure this does not happen in the future with other "fee for service" programs. Debbie assured the members that they have cleaned up the process and this will not happen again. Any "fee for service" program, such as UCDD, is being watched carefully.

Board Action: The Board approved the recommendation to use the \$310,000 expenditure from the Disallowance Reserve to cover some of the deficit of the START Program. (Carson/Gardner/Unanimous)

Agenda Item H – Fundraising Activities (Informational)

Background: Dr. William Aguilar, Vice President for University Advancement, provided the committee with an update on the status of development and fundraising activities.

Dr. Aguilar reported that the challenge in fundraising is that the donors always want you to show them “what are you doing for me now?” One way to raise money for the university is to give the donors an incentive for donating. The observatory and the performing arts projects are great campaigns for raising money. Another type of gift that the campus receives is a partial or full estate gift.

Dr. Aguilar reported that the CSUSB Athletics department has had a lot of positive experiences this year. The woman’s volleyball team went to the National Championship and lost at the end by only 2 points. It was a great honor for the coach of the woman’s volleyball team to be recognized as the “Coach of the Year.” In addition, the men’s basketball team won their conference. They moved on to regional at Western Washington University, but lost to Cal Poly Pomona. With all these accomplishments and acknowledgements, the athletics department brings money and recognition to our campus. Dr. Aguilar is in hopes that one day they can provide their students with a nice athletics field.

Agenda Item I – General Manager’s Report (Information)

Background: No action required. Debbie Burns, Foundation General Manager, and Lisa Iannolo, Finance Manager, updated the Board regarding the status of Foundation operations.

Lisa Iannolo reviewed the Foundation’s income statement as of February 28, 2009, stressing the year-to-date improvement over last year. Looking to the future, the Foundation is anticipating that next year there will be marked financial improvement and the opportunity to repay a portion of the past debt for dining and bookstore operations. Lisa went on to talk about the NACUBO Study for the fiscal year ending June 30, 2008 which showed how CSUSB’s investment returns, spending rates, and other data, compare with other CSU campuses. We ranked lower than many CSU’s but this may be attributed to Financial Aid not disbursing all available scholarship awards in that fiscal year.

Debbie Burns updated the Board on the commercial operations. Sodexo is working with the Student Union to provide the campus community with longer dining hours on the weekends. They have decided to eliminate weekend dinners at Serrano Village due to lack of participation. For months, they have been providing residents dinner and there has not been a great turnout since the first day when it was free. Debbie also reported that Sodexo is changing to "a la carte" in the Commons rather than the "all you care to eat" for one price. They are in the process of changing the format at the Commons in order to make the atmosphere a lot more cozy and inviting to our clientele.

Debbie reported that Follett also has great plans to remodel the bookstore this summer. Follett has gone above and beyond to reach out to the CSUSB faculty members. They had a bumpy start when they first took over, but they are working with Jenny Zorn in Academic Personnel to improve the

textbook adoption process and their communications with faculty about this process. The bookstore is personally addressing any negative feedback that they receive. They are making an extra effort to train faculty and staff on using e-doptions (online textbook ordering) and showing them that the online tools are very user-friendly.

Debbie Burns provided an update on the Foundation's research on post retirement medical benefits, to include opting out of CalPERS. The Foundation will need to give notice to CalPERS by the end of June or beginning of July in order to obtain quotes from other possible providers. Debbie anticipates we will recommend benefit changes at the September 2009 Board of Directors Meeting.

Debbie further advised the Board that the management team was made aware that auxiliaries should have both 501(c)(3) and a subset 509(a) status of 1, 2, or 3. We have discovered that only those entities with 509(a)(3) status may FICA exempt student employees. In following up with the IRS we have been told we are a 509(a)(1). As such, the Foundation has taken steps to cease the FICA exemption for student employees. In addition, the Foundation has received a new determination letter from the IRS. We will look into amending this determination by the IRS, as appropriate.

Debbie Burns touched on an employee theft incident that was recently discovered. A police report has been filed, along with an insurance claim. Immediate actions have been taken to ensure that the opportunities for such a reoccurrence are greatly diminished.

Debbie provided the Board with information on the new Form 990 that suggests that there be greater participation by the Board in reviewing the return before it is submitted. Debbie suggested that this review take place at the Audit Committee level in the future.

Ms. Burns concluded her report stating that there is a Chancellor's Office Audit coming up in May. This occurs every three years.

Agenda Item J – Committee Reports (Informational)

Background: No action required. In lieu of committee presentations to the Board of Directors, drafts of all minutes of Foundation Standing Committees were provided with the board meeting package.

The meeting adjourned at 6:14 p.m.