

# BOARD OF DIRECTORS MEETING

Thursday, June 5, 2008 - 4:00 p.m.

Fullerton Art Museum

## 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 Fullerton Art Museum located on the campus of California State University, San Bernardino, 5500 University Parkway, San Bernardino, California, on June 5, 2008, at 4:00 p.m.

### Members Present:

Dr. Albert Karnig, Chairman  
Dr. Frank Rincón, Director  
Dr. Dorothy Chen-Maynard, Director  
Mr. Philip Savage, III, Director  
Mr. David DeMauro, Treasurer

Dr. Edward Teyber, President  
Mr. George Gorian, Director  
Dr. William Aguilar, Director  
Dr. Darleen Stoner, Director

### Members Absent:

Mr. Stephan Saleson, Director  
Mr. Anthony Conley, Director  
Ms. Lois Carson, Director

Dr. Louis Fernández, Director  
Mr. Robert Fullerton, Vice President  
Mr. Rex Jackson, Director

### Others Present:

Ms. Deborah Burns, General Manager  
Ms. Kelly Adcock, Exec. Assistant

Ms. Lisa Iannolo, Finance Manager  
Dr. Jeff Thompson, Associate Provost, Research

Actions taken by the Board on the agenda items are attached. The meeting adjourned at 6:51 p.m.

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Secretary

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

Dr. Ed Teyber announced the Fullerton Art Museum's recognition of accreditation. Both The Foundation Board of Directors and Fullerton Art Museum's Advisory Board were in attendance. Each president recognized the efforts of the museum staff and the museum's success.

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

Dr. Teyber called the meeting to order at 4:46 p.m. and a quorum was declared. The following guests were present: Dr. Jeff Thompson, Associate Provost for Research, and Howard Friedman, a board member nominee.

### **Agenda Item C – Welcoming Remarks**

President Karnig provided an update on University activities:

- There will be approximately 3,000 graduates this year. Six commencement ceremonies will take place over the next several days. These include the Main Campus graduation, the Palm Desert graduation and College of Education's Credential Recognition Ceremony. Alumna Jean Stephens, chief executive officer of RSM International, will be addressing the University's College of Business and Public Administration graduates. Two area businessmen, Neale Perkins and Larry Sharp, will receive honorary Doctorate of Humane Letters degrees.
- The University is expected to receive two significantly large grants this year. Along with the Healthy Diversity Grant from the National Institute of Health Services (NIHS), we will also be receiving the National Children's Study project. Both of these grants were largely led by the Psychology Department and their faculty members.
- In April, the University's 2008 National Model United Nations team was recognized as an Outstanding Delegation at the worldwide annual competition in New York. This year, the team of 17 students represented the Republic of the Philippines. This is the highest honor given to the team in the Model UN competition.
- Several construction projects are coming to a close. The College of Education building is expected to be completed in July. The Palm Desert Campus Health Science fundraising efforts for the building turned out to be close to \$40 million. The building is anticipated to open in the fall.
- President Karnig reviewed a CSUSB budget summary with the Board. President Karnig reviewed the Governor's Budget, along with the General Fund Budget History and the Planning Budget. In May, the governor revised the state budget, restoring \$97.6 million to the California State University system. The deficit is still approximately \$288 million in reduced funding. There was some discussion concerning the budget shortfall, and the impact it will have on University students and higher education.

**Agenda Item D – Approval of Minutes from March 20, 2008 Meeting**

**Recommendation:** It is recommended that the Board approve the minutes of the March 20, 2008, Board of Directors meeting.

**Background:** The Executive Committee recommended that minutes from the March 20, 2008, Board of Directors meeting be presented for Board approval.

**Board Action:** The minutes of the March 20, 2008, Board of Directors meeting were distributed and approved. (Unanimous)

**Agenda Item E – Appointment of Board Members for 2008-2009**

**Recommendation:** It is recommended that the Board approve the following appointments and reappointments to the Board of Directors of the Foundation for CSUSB:

Ms. Lois Carson, Community Member, to be re-appointed to a term of three years for the period 7/01/08 through 6/30/11. (*Pending acceptance*)

Mr. Haiwai Chen, Faculty Member, to be appointed to a term of two years for the period 7/01/08 through 6/30/10.

Ms. Dorothy Chen-Maynard, Faculty Member, to be re-appointed to a term of two years for the period 7/01/08 through 6/30/10.

Mr. Howard Friedman, Community Member, to be appointed to a term of three years for the period 7/01/08 through 6/30/11. (*Pending acceptance*)

Mr. Jeremy Vasquez, newly elected ASI President, to be appointed to a term of two years for the period 7/01/08 through 6/30/10.

*[Replaces ASI President, Mr. Anthony Conley, due to graduation from CSUSB]*

Mr. Robert Fullerton, Community Member, to be re-appointed to a term of three years for the period 7/01/08 through 6/30/11. (*Pending acceptance*)

**Background:** The Foundation Bylaws provide for the appointment of ex-officio Directors for the term of their qualifying office. Community directors are nominated by the University President and elected by the Board of Directors to serve three-year terms. Faculty Directors will serve two-year terms and are recommended by the Faculty Senate, nominated by the University President, and elected by the Board of Directors.

The Executive Committee recommended at its May 29, 2008 meeting to approve the proposed appointments and re-appointments to the Board of Directors.

**Board Action:** The Board approved the proposed appointments and reappointments to the Board of Directors. (DeMauro/Savage/Unanimous)

**Agenda Item F – Item Deleted**

**Background:** Ms. Burns briefly addressed the item removed from the Proposed Agenda, (approval of Internal Fund Policy), explaining that the policy draft required additional changes.

**Agenda Item G – Item Deleted**

**Background:** Ms. Burns briefly addressed the item removed from the Proposed Agenda, (approval of Trust Policy), explaining that the policy draft required additional changes.

**Agenda Item H – 2008-2009 Board and Committee Meeting Dates**

**Recommendation:** It is recommended that the Board accept the proposed dates for the 2008-2009 meetings for the Foundation Board of Directors, Executive Committee, and Standing Committees.

**Background:** It has been the practice that the Board of Directors approves the dates for the meetings of the Board of Directors, Executive Committee, and Standing Committees in advance of the next fiscal year to assist Board and Committee members with calendar management.

The Executive Committee recommended at its May 29, 2008 meeting to approve the proposed dates for 2008-2009 meetings of the Foundation Board of Directors, Executive Committee, and Standing Committees.

**Board Action:** The Board approved the proposed dates. (Chen-Maynard/Gorian/Unanimous)

**Agenda Item I – Review of the 2008-2009 Budget**

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

**Background:** Foundation staff has prepared an estimate of the revenues and expenditures for 2008/2009 budget year. The 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 May 29, 2008 meeting to approve adoption of the proposed budget for FY 2008-2009.

**Board Discussion:** Ms. Burns presented the budget for 2008-2009. Ms. Iannolo reviewed 'one-time' expenses with the Board. The proposed budget reflects figures based on the assumption of outsourcing the Bookstore operation. The Bookstore guarantees a commission of \$900,000 with this proposed budget. Sale of inventory is estimated at \$500,000, including books and general merchandise. Ms. Burns provided further clarification of the inventory scheduled to be liquidated. CBC assisted in the process of determining types of merchandise scheduled to be purchased by the contractors. Ms. Burns discussed the retail-related expenses that the Foundation would retain even with the outsourcing of dining and bookstore retail operations.

The Foundation will retain the copier lease program and all vending machine commissions. The copier lease program will expire in January 2010. Ms. Burns reported that at that time, we will only maintain service agreements on the fourteen copiers. The overall goal will be to turn a profit, since there will be no additional lease expenses. The Revenues received from Coke as well as other vending commissions are payable to the Foundation.

There was further discussion concerning the budget and new CalPERS rates. Ms. Burns advised the Board that it would be another two weeks before CalPERS would release the new rates.

Board Action: The Board approved the adoption of the proposed budget for FY 2008-2009.  
(Chen-Maynard/Teyber/Unanimous)

### **Agenda Item J - Purchase of Modular Units for Pre- and Post-Award**

Recommendation: It is recommended that the Board provide authorization for the Foundation to finance the \$795,000 construction cost for a permanent modular structure that will house the Foundation Sponsored Programs office, the Office for Academic Research, and the Office of Research and Sponsored Programs. Such loan would be financed over a 15 year period and be paid utilizing Indirect Cost Recovery funds.

Background: Last year the campus and Foundation conducted a study to examine the operations of our grant operations including the Office for Academic Research (OAR), the Office of Research and Sponsored Programs (ORSP, pre-award office), and the Foundation Sponsored Programs office (FSP, post-award office). The OAR is the office of the Associate Provost for Research who oversees all faculty and student research programs, including the grant operations. The ORSP is a state-side supported office responsible for grant development and submission of proposals. The FSP is responsible for administration of grants after they are received by the Foundation. The study concluded that this is not the time to merge the State and Foundation operations. However, to better provide service to faculty and to improve communication and coordination of programs between the three offices, it was recommended that these offices be co-located. There was no space appropriate to house the three offices. Therefore, the solution was to construct new office space. Current construction costs are running up to \$600 per square foot. The programmatic needs of the three offices require approximately 5,000 square feet, resulting in a building that could cost up to \$3 million. Because this cost is prohibitive, we have developed plans to construct a permanent, modular-built structure at a cost of approximately \$157 per square foot, totaling approximately \$795,000.

#### Capital Outlay Estimate

- 7 modules of 12' X 60' create a building of 5,040 square feet.
- At \$157/sq ft, the total cost would be \$794,000.
- If this is financed over 15 years at a rate of 8%, the annual payments would be \$91,056.
- The Foundation is working with Citizens Bank on financing options
- Annual payments would be made from Indirect Cost Recovery funds

It is recommended that the Board provide authorization for the Foundation to finance the construction of a permanent modular structure utilizing Indirect Cost Recovery funds.

Board Discussion: Dr. Thompson made a brief presentation on the modular building and its future location. There was discussion concerning indirect cost, recovery funds, which would be the source of funds for the new building. There was further discussion concerning the new office space usage. Both Mr. Savage and Dr. Rincón advised the Board that they would like to see the contract modified to reflect, "no more than 15 years."

**Board Action:** The Board approved the Foundation to finance the \$795,000 construction cost, with contract modification of no more than 15 years, for a permanent modular structure to support pre- and post-awards. (Savage/Rincon/Unanimous)

### **Agenda Item K – Resolution to Authorize Contract Negotiations with Bookstore Contractor**

**Recommendation:** It is recommended that the Board provide authorization for Debbie Burns to enter into a five-year contract with a contract management company with an effective contract date of July 1, 2008.

**Background:** Over the past 12-18 months, the Coyote Bookstore has been challenged with operational issues related to inventory and the PRISM software system. In addition, the bookstore director resigned effective January 15, 2008. As a result, the Foundation has been exploring all available bookstore management options to include leasing the bookstore to a management company.

An RFP Committee was formed earlier this year, comprised of Foundation staff, campus administrators, faculty, and students, and an RFP was issued March 4, 2008. Three contract management companies responded with serious proposals on April 15, 2008. Subsequently, the RFP Committee heard formal presentations from each of these companies, conducted site visits and reference checks, obtained clarification on each of the proposals, and received revised financial proposals from each.

At the same time, the Foundation has also reviewed the advantages and disadvantages of continued self-operation.

Based upon extensive analysis, it is the recommendation of the RFP Committee that Debbie Burns engage in contract negotiations with a contract management company. All contractors are willing to invest at least \$500,000 in capital improvements, to include interior renovations, fixtures, and exterior façade and signage. In addition, all contractors will pay commissions on gross sales, guaranteeing commissions at an amount from \$800,000-\$900,000. Other financial benefits include a technology investment in new software, hardware, and on-line capabilities, textbook scholarships, and other campus contributions.

The RFP Committee has clarified with each of the contract management companies that they will comply with all terms of the RFP, which will be written into a contract. These terms address textbook and merchandise margins, customer service, the hiring of current bookstore employees, discount policies, hours of operations, payment of utilities, and other critical issues.

More importantly, the Foundation and RFP Committee believe that a contract management company will create a bookstore that will improve services to the campus community in the areas of textbook options and affordability, technology, and quality of merchandise, while having the financial resources and flexibility to implement change as the campus environment and textbooks industry indicates that such change is necessary.

It is anticipated that the outsourcing arrangement will allow the Foundation to mitigate the risks of operating its own bookstore and present the opportunity to increase its annual earnings over self operation. Note that in the year ending 2005-2006, the bookstore had a net income of \$407,971; operational and inventory challenges have reflected significant net losses in the most recent fiscal years.

As such, the Foundation highly recommends that the Board provide authorization for Debbie Burns to enter into a five-year contract with a contract management company with an effective contract date of July 1, 2008.

**Board Discussion:** Mr. DeMauro made a brief presentation on the RFP process, and support of outsourcing the Bookstore operation. Mr. DeMauro advised the Board that he contacted several of his colleagues, who were in support of the outsourcing process. He added that universities across the country are moving towards the outsourcing of their dining and bookstore operations. Mr. DeMauro recognized Dr. Teyber and Dr. Chen-Maynard for their support and involvement with the RFP committees. Each of the companies in the RFP process has done a large volume of business worldwide, and has the resources available to accommodate the University's needs. Mr. Savage motioned for a revision be made so that Ms. Burns could not sign an agreement without Executive Committee's approval. (Karnig/Chen-Maynard/Unanimous)

**Board Action:** Subject to the approval of the Executive Committee, the Board approves the resolution to authorize Debbie Burns's negotiate and sign a contract for the lease of the Bookstore. (Unanimous)

## **INFORMATION ITEMS**

### **Agenda Item L – 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.

Dr. Rincón reported this year as being the best year the University has had, reaching \$40 million mostly through planned gifts. The University received \$1 million endowment to its Osher Lifelong Learning Institute at the CSUSB Palm Desert Campus. Other donors include Neil Perkins' annual fundraiser, and gifts from the Elsa Ochoa-Fernandez Phi Beta Delta Memorial Scholarship. There are also twenty proposals currently being reviewed. There was also a very large set of gifts made to the John M. Pfau Family Scholarship Endowment, in excess of \$12 million. The funds are designated for scholarships for high-achieving college students and the Pfau Library. Dr. Rincon reported that the number of contributors increased this year, and allowing them meet their expectations.

### **Agenda Item M – General Manager's Report**

**Background:** No action required. Debbie Burns, Foundation General Manager, will update the Board regarding the status of Foundation operations.

Ms. Burns briefly reviewed the April 30, 2008 Financial Summary, which was the most current financial available at the time of the Board of Directors meeting. There was discussion surrounding significant inventory adjustments/losses impacting the Bookstore's year-to-date profitability. The adjustments were a result of poor physical inventory oversight and corresponding write-offs for credits received but not taken; adjustments also include obsolete inventory. Ms. Iannolo briefly reviewed the balance sheet with the Board, and commented on the fact that the Foundation currently has no outside debt.

Ms. Burns provided the committee with an update on the transition to Sodexo. Sodexo will be focusing on the "all you care to eat" concept in the Commons area. Ms. Burns reviewed the Student Union dining renovation proposals with Board. Ms. Burns also advised the Board that the SBS trailer will be moved by June 30<sup>th</sup>; she suggested to the Board that we may want to consider an affordable Kiosk location.

**Agenda Item N – Committee Reports**

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

Report: No report provided