



*The Foundation for  
California State University, San Bernardino*

## **BOARD OF DIRECTORS MEETING**

Thursday, September 20, 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 September 20, 2007, at 4:00 p.m.

#### **Members Present:**

Dr. Albert Karnig, Chairman  
Dr. William Aguilar, Director  
Dr. Dorothy Chen-Maynard, Director  
Mr. Anthony Conley, Director  
Mr. David DeMauro, Treasurer  
Dr. Louis Fernández, Director

Mr. Robert Fullerton, Vice President  
Mr. George Gorian, Director  
Mr. Rex Jackson, Director  
Dr. Frank Rincón, Director  
Dr. Edward Teyber, President  
Dr. Darleen Stoner, Director

#### **Members Absent:**

Ms. Lois Carson, Director  
Mr. Philip Savage, III, Director  
Mr. Stephan Saleson, Director

#### **Others Present:**

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

Mr. Bill Takehara, Assistant Treasurer  
Dr. Jeff Thompson, Associate Provost, Research  
Mr. Rolland Vasin, Auditor

Actions taken by the Board on the agenda items are attached. The meeting adjourned at 6:50 p.m.

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Secretary

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

President Teyber called the meeting to order at 4:20 p.m. A quorum was declared. The following guests were present: Dr. Jeff Thompson, Associate Provost for Research; and Mr. Rolland Vasin, Auditor, Vasin, Heyn and Company.

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

President Karnig provided an update on University activities:

- The University has recruited the following new administrators:
  - Spencer Freund, Vice President for Information Resources and Technology
  - Jamal Nassar, Dean, College of Social and Behavioral Sciences
  - Cesar Caballero, Dean, Pfau Library
  - Tera Bisbee, Ombuds Officer
- Programs and challenges to be addressed during the coming academic year include:
  - Solutions will be explored to mitigate challenges resulting from a recent software conversion within the Student Affairs Division which impacted student recruitment, retention, and financial aid.
  - Attention will be placed on strengthening recruitment and retention of students using technology such as expanded use of web pages, marketing the University in a more direct fashion, and looking at how we project losses and how we communicate.
  - The feasibility of expanding the University's physical presence in cities such as Ontario and Chino and offering academic programs to these communities will be explored.
  - The following new degree programs are being offered:
    - Doctorate degree in Educational Leadership
    - Bachelor of Science in computer engineering
    - Master's degrees in creative writing and fine arts
- Last year, more than \$30 million in new grants and contracts awards was raised, and a \$21 million deferred trust was received, which is the largest deferred trust ever received.
- Last year during the Winter Quarter, a team composed of representatives from the Chancellor's Office, CSU Sacramento, and Cal Poly San Luis Obispo visited the campus and provided 85 recommendations in terms of marketing the University. During the coming year, selected individuals will be reviewing and implementing some of the recommendations.

- The University's 2007/08 budget increased by more than \$14 million. All of those funds are committed to mandated increases. Half of the new funding is earmarked for salary compensation, health benefits, and retirement benefits. It will be necessary to identify \$1.7 million in the University's operating budget to meet unfunded budgetary State of California mandates. Decisions that the Foundation Board of Directors makes will become essential for providing additional resources needed by the University.

A video was shown to the Board which highlighted a number of accomplishments from the 2006/07 academic year.

### **Agenda Item D– Approval of Minutes from June 7, 2007, Directors Meeting**

**Recommendation:** It is recommended that the Board approve the minutes of the June 7, 2007, Board of Directors meeting.

**Background:** The Executive Committee recommended at its September 13, 2007, meeting to present the minutes of the June 7, 2007, Board of Directors meeting to the Board for approval.

**Board Action:** The minutes of the June 7, 2007, Board of Directors meeting were approved as distributed. (Chen-Maynard/Gorian/Unanimous)

### **Agenda Item E – Audit Report and Approval**

**Recommendation:** It is recommended that the Board approve the annual audit completed by the audit firm of Vasin, Heyn & Company.

**Background:** Each year, an independent audit examination and report is completed by a firm hired by the Foundation. The firm completes the process by using both "Governmental Accounting Standards Board" (GASB) and "Financial Accounting Standards Board" (FASB) rules. This is required by the CSU system.

The Foundation Audit Committee met with the auditor prior to the audit process to discuss with the auditor any issues they identified of importance for the auditor to review. The audit results were reviewed with the Audit Committee on September 13, 2007. The audit results will also be presented to the Board for approval.

The Executive Committee recommended at its September 13, 2007, meeting to review and approve the final annual audit report to be prepared by the audit firm of Vasin, Heyn & Company.

**Presentation:** Rolland Vasin, auditor, presented a progress report to update the Board on the status of the audit. The audit process includes a review of controls, regulations, and systems, resulting in a document to be presented to the Board for final approval. The data was received ten days ago, and all work has been completed. There are no findings, and the new PeopleSoft software appears to be

fulfilling promises in terms of efficiency. There were no significant internal control deficiencies, and no significant deviation from compliance laws and regulations. The final audit report will be completed in sufficient time for submittal to the CSU Office of the Chancellor by the September 28, 2007 deadline.

Board discussion: Prior to submittal to the Office of the Chancellor, the final audit report must be approved by the Foundation Board of Directors. **David DeMauro proposed a motion granting to the Foundation Executive Committee authority to review and approve the final audit report on behalf of the Board of Directors. Copies of the final report will be distributed to the Board. President Karnig moved to accept the recommendation. Director Chen-Maynard seconded. Approved unanimously**

Bill Takehara reported that the new PeopleSoft accounting system provides timely financial reporting, and allows the Foundation to produce fiscal reporting immediately upon starting the new fiscal year on July 1. He also acknowledged special efforts on the part of Lisa Iannolo and her accounting staff to facilitate year-end closing.

#### **Agenda Item F – PERS Health Insurance Resolution**

Recommendation: It is recommended that the Board approve the attached resolution for the employer's contribution toward PERS health insurance premiums for 2007-2008.

Background: The Foundation's Health Insurance contract with PERS must be amended annually to reflect the new employer contribution rates paid by the Foundation. It has been the policy of the Board to maintain comparability with the University, although it is not necessary that premium contributions be identical. With this resolution, the Foundation's employee contributions for FY 2007-2008 will increase by 2.5% from the 2007 rates. Overall premiums increased between 6%-10% depending upon insurance option selected. The Foundation's premium contribution will increase \$13,890 annually, growing from \$991,398 to \$1,005,287, for approximately 140 active employees and 22 retirees.

If adopted, the new rates will be effective January 1, 2008.

The Executive Committee recommended at its September 13, 2007, meeting to approve the resolution for the employer's contribution toward PERS health insurance premiums for 2007-2008.

Presentation: Deborah Burns reported that a 2.5% increase in employee health insurance contributions for 2007-2008 is recommended by actuarial studies which would allow the Foundation to maintain comparability with the State.

Board action: The Board approved the recommendation to approve the resolution to reflect a 2.5% increase in employee contributions for health insurance premiums. (Chen-Maynard/Stoner/Unanimous)

### **Agenda Item G – Standing Committee Chair Selections and Membership 07-08**

Recommendation: It is recommended that the Board approve the proposed Standing Committees for 2007-2008.

Background: Each year, the Board reviews the recommended chair and membership of the Standing Committees, as well as notice of vacancies.

The Executive Committee recommended at its September 13, 2007, meeting to approve the proposed Standing Committees for 2007-2008.

Presentation: The secretary of the Board recently resigned from the Board. Therefore, it will be necessary to identify a Board member to fill the position of secretary. The chair of the Audit Committee is also vacant. Efforts will be made to fill the vacant position with an individual who possesses a strong accounting background.

Board discussion: The Foundation Bylaws provide that membership of any standing committee with decision-making authority must be composed entirely of Board members. Therefore, all members of the Executive Committee and Investment Committee must be Board members. A change in the composition of the Foundation Board will require a revision of the Bylaws. The Executive Committee will discuss a recommendation to revise the composition of the Board of Directors.

Board action: The Board approved the recommendation to approve the proposed Standing Committees for 2007-08. (DeMauro/Gorian/Unanimous)

### **Agenda Item H – Amendment to Bylaws – Investment Committee**

Recommendation: It is recommended by the Investment Committee that the Bylaws of the Foundation for California State University, San Bernardino be modified with regard to the delegated authority of the Investment Committee.

Background: Phil Savage, Investment Committee member, discovered a conflict between the Bylaws of the Foundation and the Investment Policy as it relates to the Investment Committee's delegated authority. The current Bylaws state, in part, the following: "The Committee shall maintain the delegated authority of the Board to manage the Foundation's investment program, including the revision and compliance with the Investment Policy." The intent was to grant authority to the Investment Committee to make decision *within* the policy statement only. The recommended revision will amend this portion of the Bylaws to omit the words "the revision of" so that the amended Bylaws read, "The Committee shall maintain the delegated authority of the Board to manage the Foundation's investment program, including compliance with the Investment Policy." A copy of that section of the Bylaws is attached.

The Executive Committee recommended at its September 13, 2007, meeting to modify the Bylaws relative to the delegated authority of the Investment Committee.

Presentation: The existing Bylaws delegates to the Investment Committee authority to make revisions to the Investment Policy. The recommendation will delete the words “the revision” from the Bylaws, thereby removing authority from the Investment Committee to revise the Investment Policy. The Investment Committee will therefore have authority to comply with the Investment Policy, but revisions to the policy would require approval by the Board of Directors.

Board action: The Board approved the recommendation to modify the Bylaws of the Foundation with regard to the delegated authority of the Investment Committee. (DeMauro/Gorian/Unanimous)

### **Agenda Item I – Conflict of Interest Statement**

Recommendation: It is recommended that the Board members review, sign, and return the Conflict of Interest Statement for the period July 1, 2007, through June 30, 2008, to the Foundation Business Office by October 1, 2007.

Background: It is the Foundation’s responsibility to ensure that all Board members sign a Conflict of Interest Statement for the current year, in accordance with California Education code, sections 89906-89909.

The Executive Committee recommended at its September 13, 2007, meeting to request Board members to sign and return the Conflict of Interest Statement for the period July 1, 2007, through June 30, 2008, to the Foundation Business Office by October 1, 2007.

Board action: The Board approved the recommendation to solicit signed Conflict of Interest Statements from Board members for the period July 1, 2007, through June 30, 2008.

### **Agenda Item J – Workers’ Compensation Resolution**

Recommendation: This item was added to the Board agenda subsequent to distribution of the agenda packet. It is recommended that the Board approve the attached resolution to change the Foundation’s workers’ compensation insurance carrier to the California State University Risk Management Authority (CSURMA) AD-COMP Program.

Background: The recommendation to enroll with the CSURMA AD-COMP workers’ compensation and disability carrier will save the Foundation \$73,000 annually. A 3-year commitment is required to achieve the savings, and enrollment in the program requires Board approval. The 3-year commitment does not guarantee that the rates will remain unchanged. This group has identified areas of risk and provides employee training for those risks in an effort to mitigate risks. Premiums may increase or decrease and annual dividends may be returned to participants, depending upon how the risk is managed. CSURMA is the same workers’ compensation and disability carrier used by the CSU.

Board action: The Board approved the resolution to change the Foundation's workers' compensation insurance carrier to the CSURMA AD-COMP Program. (Chen-Maynard/Stoner/Unanimous)

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

The 6-30-07 financial reports are presented in a draft format, pending resolution of a few additional minor items. The bottom line on the income statement may change by approximately \$20,000.

The Bookstore engaged Campus Bookstore Consulting (CBC) to conduct an operational assessment of Bookstore operations. It was noted that a significant stock of accumulated inventory needed to be addressed, resulting in the Bookstore writing off \$385,000 in obsolete inventory, count adjustments, and credits not taken. In addition, accounting adjustments over a 10-year period needed to be written off at \$866,000. These financial setbacks greatly impacted the Bookstore. The net loss for FYE 6/30/07 was \$779,145. Of that loss, more than \$100,000 is depreciation and approximately \$200,000 is administrative overhead, which represents a non-cash loss. A priority goal for academic year 2007/08 is to implement strategic initiatives recommended by CBC to ensure that the Bookstore is performing at the highest possible level. CBC's report predicts that if all recommendations are implemented, the Bookstore should achieve financial success of \$345,000/year over a 5-year period in lieu of outsourcing the operation. Long-term improvements would require capital for renovation or possibly moving to a new location in the future. The Foundation will engage CBC to return in six months to conduct a follow-up review of progress, offer additional recommendations, and identify additional opportunities.

Campus copy machines continue to lose money. The copy machines lease expires in 2010. The Foundation will be examining this operation and will present recommendations to the Board on whether to continue the lease.

The convenience stores (C-stores) lost more money than was anticipated. The Bookstore is in the process of reviewing the cost of goods. It has been determined that some of the Bookstore's pricing was as much as 28% less than local convenience stores. Pricing adjustments are being made at the Bookstore and C-stores to be competitive with comparable local businesses. Surveys will be conducted every six months to assess local pricing. Should the Foundation outsource dining services, the Foundation has the option to outsource the C-stores. C-store sales increased 35%, and the C-store located near the Social and Behavioral Sciences building is the biggest performer in sales. Faculty adoption of books has increased from 23% to 34.2%. There are 23 E-text book titles available. The Bookstore is experimenting with this product in an effort to bring affordable textbooks to the students. The selections were made in cooperation with the faculty. This program will be implemented effective Winter Quarter 2008.

Dining operations lost approximately \$146,000 as a whole. The bottom line is yet to be determined but will be plus/minus \$20,000. Catering showed some improvement with increased sales and increased bottom line.

The dining outsourcing process is approximately 95% complete. The committee which was formed to explore outsourcing feasibility has recommended Sodexo as a viable outsourcing vendor. The Foundation would receive \$4 million over the life of the 10-year contract. However, there would continue to be expenses such as rent to the Student Union, a Foundation employee to administer meal plans, administrative overhead, etc. Sodexo would provide \$765,000 in capital improvements based on student surveys which identified students' dining preferences. Sodexo made a commitment to hire all Dining Services employees. A number of changes would be implemented, such as offering an all-you-care-to-eat concept in the Commons, eliminating KFC, moving Taco Bell downstairs, creating a pub atmosphere upstairs, promoting meal plans with incentives, offering mobile "food to go" carts which would serve remote campus locations, installing a C-store in student housing, and offering coffee in the Library. Details of the Sodexo agreement are in process. It would be a five-year contract with five one-year extensions. Sodexo can bring more fair trade products, and they are one of the top companies focusing on sustainability.

Board discussion:

The agreement with Sodexo should address issues such as the cost to dispose of waste and recyclables. The agreement should also request use of locally grown foods. (Stoner)

The committee should thoughtfully negotiate with the bid company to establish minimum hours and flexibility with service. (Karnig)

At the request of Board members, a balance sheet was provided with informational materials.

Endowment funds are permanently restricted for perpetuity, and only the interest on endowment funds is available for expenditures.

The Student Union café, which offers non-franchise items, achieved \$1.5 million in sales. Starbucks continues to perform well.

Commons catering increased 30% in sales.

All dining operations are experiencing challenges with recruiting and retaining student employees and part-time help. Cheryl Ruzak is teaching food handling classes for dining services employees. Additional customer service training will be arranged for commercial operations employees who work at the public counters.

Sponsored Programs Administration processed \$30 million in grants during 2006/07. Endowments totaling \$22 million produced \$2 million in indirect cost recovery.

The Foundation accomplished eight major goals during 2006/07. Details of each accomplishment are provided in the General Manager's report.

Board discussion:

It was suggested that a marketing approach be adopted that advises the campus community that items are not priced higher on campus than locally. There needs to be some communication regarding competitive pricing. (Stoner)

It was pointed out that some students prefer the convenience of stopping at local drive-through fast-food restaurants before going to class. (Chen-Maynard)

It was mentioned that it is difficult for Dining Services to purchase and store items in large quantities to achieve pricing advantages. (Chen-Maynard)

The Foundation has been exploring the option of outsourcing Dining Services to determine if cost efficiencies can be achieved. (Teyber)

We need to periodically and methodically explore options to determine when contracts expire to determine if there are more effective ways to conduct business. (Karnig)

The Bookstore and Dining Services purchase some products through a CSU consortium which provides a price break. Franchise operations represent 90% of dining business in the Student Union, and these franchises have contractual agreements with large companies. (DeMauro)

A systemwide textbook committee is looking at alternatives to bring affordable textbooks to the students. There will be a great deal more faculty awareness of the cost of textbooks and the need to offer more affordable textbook options to the students.

Textbook publishers are looking at producing custom publication of books for universities on the quarter system as an approach to lowering the cost of textbooks. (Thompson)

The Foundation's auditor is currently reviewing an actuarial study which arrived last week regarding liability for retirees. All options would represent a significant financial commitment. This potential commitment is significant among all auxiliaries throughout the CSU system. The Foundation will work collaboratively with the SU and ASI to ensure consistency in benefits among the campus auxiliaries.

Losses in the Foundation to date this year are lower than the prior year to date. Profits during summer months are typically lower than during the academic year. Utilities expenses\ in the SU dining services during this year's review period were \$26,000; this area of dining services did not use utilities during the review period in 2006. The Foundation General Manager will research the losses in SU dining services.

An internal decision was made to move revenue for vending operations into the Foundation Business Office. Vending revenues have historically been used to support administrative overhead in all operations in the Foundation Business Office.

Property in California City which was owned by the Foundation was listed for sale at \$6,000 and has been sold for \$5,000. Two 1.25 acre parcels in Earlimart, CA, are currently listed at \$11,000 each; however, there are legal issues impacting the Foundation's ability to sell the properties until a neighboring owner's "grazing rights" can be worked out.

George Gorian commended Deborah Burns on her exceptional management of the Foundation's operations.

David DeMauro provided the following report on fundraising activities on behalf of William Aguilar:

1. Dr. Kevin Hatcher has been recruited as the new Director of Athletics. \$10.9 million was raised last year. \$21 million has been raised for the current year.
2. Planned giving is a priority for Advancement Services.
3. The highest fundraising priority during fiscal year 2007/08 will be the President's academic excellence scholarships.
4. Advancement Services is working on closing the Tools for Education fundraising campaign, as well as the Observatory campaign.
5. During the coming year, fundraising efforts will also be directed to exploring support for a baseball stadium and working with retirees.

David DeMauro reported that the Foundation has a \$12,651,248 endowment with earnings at 11.63%.

Draft minutes for first quarter standing committee meetings are included in the Board meeting packets.

Anthony Conley, A.S.I. President, asked the Foundation to explore the feasibility of providing students access to fax machines on campus.

#### Palm Desert Campus

David DeMauro reported that the Palm Desert Campus (PDC) operates a vending and bookstore venue. The PDC buildings are an asset of the university which are depreciated. Monies donated for the Palm Desert Health Sciences Building which is currently under construction are reported as an asset on Foundation's books. These funds are expended as the building is constructed. This detail is reflected in the auditor's report. \$677,000 is carried annually to depreciate the buildings that are held on the books.