

California State University, East Bay Foundation, Inc.
Board of Directors
March 9, 2006
2:30 p.m.
Minutes

PRESENT

Dr. Norma Rees, Director
Mr. Richard Metz, Director
Dr. James Kelly, Director
Dr. Nan Chico, Director
Mr. Robert Sakai, Director
Dr. David Stronck, Director
Mr. James Anderson, Director
Mr. Ruel Cabarles, Director

ABSENT

Dr. Sonjia Redmond, Director
Mr. Thomas Hird, Director
Mr. Steven Cox, Director

STAFF

Dr. Curt Robinson
Ms. LaTanya Bellow
Ms. Marilyn Stager
Ms. Cynthia Vinson

GUEST

Proxy for Dr. Sonjia Redmond,
Director - Mr. Dave Travis

I. Call to Order

President Rees called the meeting to order at 2:30 p.m. with a quorum present.

II. Approval of Agenda

M/S/P (Metz/Stronck) The Agenda be approved as presented.

III. Consent Calendar

- A. Minutes of November 3, 2005
- B. Quarterly Investment Report
- C. Quarterly Financial Report-December 31, 2005

M/S/P (Chico/Stronck) The consent calendar be approved as presented.

IV. Committee Meeting

A. Executive Committee Report

1. Meeting of December 9, 2005

Dr. Rees reported that the Executive Committee met and acted on the following items: To discontinue collecting funds for the Medical 125 Account from

employees who were no longer eligible for post retirement health benefits. The Committee also adopted revisions to the HRPP Manual to include the addition of a grant employee medical plan.

B. Finance and Personnel Committee Report.

1. Meeting of March 9, 2006

Mr. Metz reported that the Committee heard a presentation from Brian Sharpes of UBS who went into great detail explaining the Foundation's investment portfolio and investment policy. The investment policy was amended in several different places, they are as follows: REITs were added to Investment Equities, investment definitions numbers 4, 7, and 13 were removed and the numerical order of the policy will be adjusted. Under prohibited transactions item number (3) Futures, and (4) Options were added. Dr. Robinson explained that the committee sought definitions to clarify investment terms such as core and satellite investments.

M/S/P (Metz/Stronck) The Board accepts the recommendation of the committee and adopts the investment policy as revised by UBS.

V. New Business/Action Items

A. Investment Policy

This item was covered in the Finance and Personnel Committee report.

B. Revised Budget Fiscal Year 2005-2006

Ms. Stager explained to the Board that the Foundation's revenue is projected to be \$100,000 less than the original budget. The two big areas for the decreases are in the bookstore sales and vending. In order to maintain a balanced budget, expenses were reduced where possible. The most notable expense reduction is on the appropriated funds page. A \$100,000 reduction was made to the retiree health benefit liability line item. Ms. Stager explained that the Foundation anticipates a savings this year in the health care benefit liability, since several grant employees were transferred to the university in November 2005. Ms. Stager continued to state that the total net budget is \$3,700, which means the Foundation's budget is in balance.

M/S/P (Metz/Chico) The Revised Budget Fiscal Year 2005-2006 be accepted as presented.

C. Management Fees

Ms. Stager explained that at the Finance and Personnel Committee meeting, Mr. Metz and Mr. Anderson volunteered to serve on a subcommittee that will take a look at how the Foundation charges management fees to the campus accounts. The purpose is to review the Foundation's cost of doing business and to equitably charge fees for services used. After the analysis, Ms. Stager explained that the subcommittee will return a recommendation to the Board. The new management fee structure will become effective July 1, 2006.

Dr. Rees stated that some grants have little or no indirect cost recovery, because of the nature of the granting agency and their requirements. Dr. Rees asked whether there were any incidences where their overhead costs have been forgiven. Ms. Vinson stated the U.S. Environmental Protection Agency on a particular grant, would normally have given us 47% of salaries, wages, and benefits, our full indirect, but half of the indirect costs were negotiated away. Dr. Rees explained that there is a tremendous amount of pressure on any University's Foundation that handles grants to negotiate or forgive the overhead rate in order to improve the chances of getting the grant. Dr. Rees stated that this type of agreement should be made with the involvement of the Board or of an appropriate committee.

Ms. Vinson explained that if a sponsor will not allow indirect costs, then sometimes they will allow an administrative fee. Title IV E is the biggest grant that does not allow any indirect cost, but they will allow a small fiscal administrative fee.

D. Medical 125 Account

Dr. Robinson shared that the Executive Committee discussed the Medical 125 Account in December 2005 and since that time the Foundation has had further discussions with its attorney at Littler Mendelson. The situation is that during the restructuring of the Foundation, grant employees were no longer eligible for PERS post retirement health benefits. Some employees migrated to the university and some are still grant employees with the Foundation. Now that they are no longer eligible for post retirement health benefits, the question was asked whether they would be eligible to receive a refund of the monies they contributed to the Medical 125 Account. Mr. Metz stated that in the legal opinion from the Foundation's attorney, Nancy Ober, she stated the monies collected were part of the employee's normal contribution to their health care plan and secondly, the Foundation was restricted within the trust agreement to use the monies exclusively for the benefit of the retired employee and their dependents.

The Finance and Personnel Committee concurred with the attorney's recommendations to discontinue collecting from this group of grant employees and there will be no refund of contributions made because the trust agreement prohibits that action.

M/S/P (Metz/Stronck) To accept the recommendation from the Finance and Personnel Committee to discontinue collecting from grant employees for the Medical 125 Account and no refund of contributions made.

E. CSUEB Foundation Salary Comparisons

Dr. Robinson reported that the Foundation had a compliance audit finding from the CSU Chancellor's Office auditors, that we had not done a salary comparison to comparable positions at the university. The document before the Board for approval was a salary comparison of current Foundation positions and the CSU equivalent position. Ms. Bellow pointed out that the Foundation arrived at these ranges by using the CSU salary range effective July 1, 2005 and the Auxiliary Organization Association Salary Survey of January 1, 2006. Ms. Bellow stated that we have essentially increased the upper range of some classifications to be in line with the university and that was the requirement of our auditors. Mr. Metz explained that individual salaries will not be affected. Dr. Rees stated that everybody's salaries are in the ranges.

M/S/P (Metz/Stronck) The Foundations 2006 Salary Comparisons be accepted as presented.

VI. Information Items

A. CSURMA Insurance Renewal Update

Dr. Robinson reported that the Foundation's insurance rates have gone down, so the aggregated costs will decrease by 3.4% this next year. A copy of the letter from CSURMA explaining this year's cost is enclosed in the packet for the board.

VII. Executive Director's Report

A. Financial Services Update

Ms. Stager distributed a copy of the compliance audit finding. Ms. Stager went over the findings regarding the Foundation's Accounts Receivable Policy. Ms. Stager stated that the policy is going to change and the following procedures will be implemented: **1. Billing** - When an authorized purchaser on the account comes

into the Bookstore, they will sign the sales check and that will be the approval. The Foundation will make a journal entry and charge their account this will help our outstanding receivables from aging. 2. **Reserve for Bad Debt** - At year end, all receivables will be reviewed for collectibility. If a receivable is deemed to be uncollectible, it will be written off to bad debt expense. 3. **Late Payments** - The Foundation will assess late payment charges of ½% per month of the unpaid balance on charges outstanding 45 days or more. If an account has charges outstanding 90 days or more, the Foundation can, at the discretion of the Executive Director or Controller, elect to prohibit new charges to the account until the account is again considered to be current and in good standing.

M/S/P (Metz/Chico) The Foundation's Accounts Receivable policy be accepted as presented.

B. Campus Vending Update

The total commission earned from Golden State Vending for the fiscal year 2005-2006 year to date is \$15,104.49. The total commission earned from Pepsi Bottling Group for the fiscal year 2005-2006 year to date is \$16,465.31.

Ms. Ehrhorn explained that Pepsi believes the decline in vending is due to the decline in enrollment. Dr. Rees pointed out that the down turn of enrollment, which is about 7% seems to be smaller than the down turn in sales, so it cannot be totally due to enrollment. Ms. Ehrhorn stated that they have tried different things, like changing the mix of products, but they feel that overall it might be the negative image that vending machines represent, no matter how healthy the product. Ms. Ehrhorn stated that Pepsi is not concerned with the legislation that restricts the sales of soda or sugary type drinks on campuses because if they don't buy it on campus, they will buy it some where else. Dr. Robinson said that he had spoken to Golden State Vending and they have seen a general down turn in sales since 9/11.

C. Grants and Contracts Update

Ms. Vinson directed the Board's attention to her report on the sponsored programs for the fiscal year to date ending December 31, 2005. Most of the grants are federally funded, Project SOAR being the largest. The total amount of indirect costs earned for the year as of December 31, 2005 is \$337,039, which is \$24,889 less compared to the same time last year. The Foundation will see for the quarter ending March 31, 2006, another decline in the indirect cost. This is due to the switch to the University of certain grant employees. The Foundation does not realize its income until after we make the expenditure. Ms. Vinson stated that she is working with John Abbey, in order to get the invoicing from the University so that the Foundation can pay those invoices and realize our indirect costs. There

should be a big peak in the fourth quarter of our revenue because we will have our faculty release time and we will also have the payments for those grant employees.

Ms. Vinson recalled meeting with our program officer from the USDE for the SOAR program and they were concerned about the Foundation drawing down money consistently, because if we do not, then they think we do not need the money. Ms. Vinson commented that she hopes to have a procedure in place by the last quarter of our fiscal year, so that we draw down money more consistently.

Ms. Vinson explained that the last pages were a report on the total grants that the Foundation currently administers. The award amounts that the Foundation is fiscally responsible for total about 17 million dollars.

D. Pioneer Bookstore Update

Ms. Ehrhorn reported that a scantron vending unit has been installed in front of the Bookstore. The cost was covered primarily by Budgettext, Follett, and Nebraska Books in return for printing advertisements for Buyback on the back of the blue books. The students are very pleased with the new machine.

Dr. Rees stated that as the population living on campus begins to rise, we should seek out every opportunity to provide items that students and faculty would want. Ms Ehrhorn commented that Golden State Vending has put the products that students ask about into the vending machines in Pioneer Heights. Ms. Ehrhorn thought it would be good to do another survey.

VIII. Other Business

IX. Adjournment

M/S/P (Metz/Chico) The meeting was adjourned at 3:20 p. m.

Minutes of the CSUEB Foundation Board of Directors for the March 9, 2006 meeting were adopted on May 19, 2006.

Secretary _____ **Date** _____

Executive Director _____ **Date** _____