



SONOMA STATE UNIVERSITY Academic Foundation, Inc.

Board of Director's Meeting

MINUTES – March 6, 2009

I. Call to order. Armiñana determined that a quorum was present and opened the meeting.

(Refer to Record of Attendance for March 6, 2009)

- ❖ Approval of the December 12, 2008 Board Minutes:
 - Two revisions were made to the minutes: to reflect the correct firm for David Bjornstrom and to change Armiñana's status to absent at the last meeting. Approved unanimously as amended.

II. University President's Report

Armiñana discussed the current fiscal year budget of the University and the status of the State budget.

- ❖ In 08/09, the CSU received \$97.6M in reductions. SSU's share of this is approximately \$2.1M. If mandatory costs are added to this figure the cut grows to around \$3.1M.
- ❖ The State Budget is facing an extraordinary deficit and the recently signed budget looks to fill this through tax increases, borrowing, budget reductions, and Federal Economic Stimulus Package funding. It is not yet clear what effect the Stimulus Package will have on the CSU budget. The State may also have to resolve a substantial additional deficit by the time of the May budget revision.
- ❖ Andrea Neves asked how enrollment and class sizes are being affected. Armiñana stated that the campus was over-enrolled in 08/09 as a result of higher average unit loads and an increase in transfer students. Class sizes will increase but to a limit due to limited space availability.
- ❖ Liz Thach asked why there has not been a State push for distance education. Armiñana responded that generally CSU faculty are highly reluctant toward that type of engagement in the curriculum and both training and technical ability are needed. It also requires proper infrastructure and high short-term costs. He recognized, however, that national studies have shown success in the use of distance learning.



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III. Vice President for University Development's Report

(See March 6, 2009 Agenda packet for these documents)

Patricia McNeill stated that our development efforts have not been immune to the economic circumstances facing all of us. Comparing the first half year of this year to last, fundraising is down about 66%, although giving for academic use has increased about 13%. So far the number of donors is up 6% from last year. SSU has typically high giving for its size due to large gifts but this also means the total amounts received are more volatile from year to year. The charitable foundation of a major financial institution recently provided \$250,000 for the GMC and another \$500,000 has been granted for the GMC from the Koret Foundation.

Armiñana mentioned that many donor pledges have been unfulfilled, delayed, or re-shaped due to the state of the economy and losses in financial portfolios.

McNeill discussed the details of the "Measuring CSU Advancement" presentation that compared SSU to other CSU campuses in the Group II category for 2007/08. The report looks at campus development productivity.

Group II campuses typically have the following characteristics: (1) between 5,000 and 10,000 individual donors (2) between 10 and 20 full-time professional fundraisers, and (3) between \$25M and \$50M in endowment market value.

SSU does meet the third criteria in terms of endowment value but differs in the other two areas with approximately 2,000, versus 5,000-10,000, individual donors and 3 full-time professional fundraisers versus 10 to 20 for other Group II CSU campuses.

SSU ranks very well in areas such as the cost to raise a dollar, net return on investment, gift commitments compared to State General Fund, and gift commitments raised per FTE fundraiser.

Robin Draper discussed a meeting in San Francisco with donors and mentioned that there has been a wide range of response from donors in terms of how the economy is affecting them. The development team is continuing to foster growth of involvement from the donors with SSU. McNeill announced that Draper will be retiring in July as she plans to move to Florida with her family.



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McNeill mentioned that the Neves Social Justice Lecture Series will be continuing this year with a speech by Julian Bond, Chairman of the National Association for the Advancement of Colored People (NAACP). Bond, a leader in the modern American civil rights movement, will speak on campus on Friday, March 20. Neves invited and encouraged all Board members to attend.

IV. Chief Operating Officer's Report

(See March 6, 2009 Agenda packet for these documents)

Foundation GMC Interim Loan / Auxiliary Revenue Bond

Schlereth stated that the Foundation interim loan supported by pledges and secured by letters of credit has been repaid, with no need to utilize the letters of credit. Schlereth thanked the Board and the Foundation staff for their work on this item. Now that this item is off the books of the Foundation, all future fundraising for the GMC will be unrestricted.

V. Chief Financial Officer's Report

(See March 6, 2009 Agenda packet for these documents)

Schlereth stated that Coate has been assigned to the CSU system four days a week on a special assignment to work on creating a common financial system for the entire CSU system. This will require a substantial commitment from Coate for at least the next six months. Armiñana added that the CSU has also demanded a lot of time from Schlereth's schedule to assist in system-wide projects. Schlereth will serve as acting Chief Financial Officer of the Foundation during this interim period.

Finance Committee Report

Schlereth announced and welcomed Michael Sullivan as a new member of the Finance Committee.

Schlereth indicated that the performance of the endowment has resulted in making a recommendation for distribution of funds difficult and in turn creates challenges for areas relying on these funds. He added that as campus CFO he is attempting to advise a campus strategy for keeping these funds whole and for communicating such a strategy to the deans and main endowment distribution recipients. Approximately 30% of the distribution is made to scholarship



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accounts. A full report will be made in June for determining how the endowment distribution for 2009/10 will be made.

VI. 2008 NACUBO Endowment Study Results

(See March 6, 2009 Agenda packet for these documents)

Ian Hannah provided a PowerPoint presentation offering the main results of the 2008 National Association of College and University Business Officers (NACUBO) Endowment Study. The 2008 survey represented 791 endowments, including all 23 CSU campuses as well as the CSU Chancellor's Office.

The data provided a comparison of the SSUAF endowment pool to the results of the other CSU campuses and the average survey participant, as of 6/30/08. The total SSUAF Endowment market value of \$35.6M, ranks eighth highest amongst the CSU campuses and third highest in endowment dollars per FTES.

The pooled endowment with the Commonfund posted a one year return of -3.9%, which compares to the CSU system equal weighted average return of -3.1% and the NACUBO equal weighted average return of -3.0% for similar sized endowments (\$25M to \$50M).

On 6/30/08, the asset allocation was 57.7% Equity, 15.2% Fixed Income, 10.4% Real Estate, 11.0% Hedge Funds and 5.7% in other investments (primarily Commodities). When compared to NACUBO participants and CSU campuses in the \$25M to \$50M range, SSUAF has a greater allocation to Real Estate, while committing a smaller portion to Fixed Income.

A follow-up survey was jointly conducted by NACUBO and Commonfund in order to measure endowment performance from 7/1/08 to 11/30/08 due to the recent downturn in the financial markets. The average investment return during this period for the \$25M to \$50M category was -23.1%. SSUAF experienced a similar return during this period.

For next year's study, the NACUBO Endowment Study will be merging with the Commonfund Benchmarks Study in order to combine resources and create a single, comprehensive annual study of higher education endowments. The NACUBO-Commonfund Study of Endowments (NCSE) will cover fiscal year ending 6/30/09 and be released in January 2010.



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VII. Uniform Prudent Management of Institutional Funds Act (UPMIFA)

(See March 6, 2009 Agenda packet for these documents)

Hannah provided a PowerPoint presentation reviewing the various provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This Act effects charitable organization endowments in the CSU, including the SSUAF. With the enactment of CA Senate Bill 1329, UPMIFA has become effective in CA on 1/1/09 and replaces the provisions in the 1972 version, UMIFA.

UPMIFA includes a few provisions which represent significant changes. The elimination of the concept of historic dollar value makes the need for a floor on spending unnecessary. Additional specific considerations are now to be factored into decision making relating to prudent investing as well as spending. New modification rules provide increased flexibility in terms of releasing or modifying restrictions on endowments.

Neves asked how this information would be passed along to donors. Hannah responded that the SSUAF Investment Policy will require updating and some changes may need to be made to SSU's gift agreements to reference current state law. McNeill added that she is still awaiting additional guidance on this item from the CSU Chancellor's Office.

VIII. Action Items

Schlereth explained that the Moore case settled in late December 2008 based on a decision of the California Appeals Court. Sonoma State University received approximately \$450,000 as part of the initial distribution from the Moore Charitable Trust and an additional approximately \$40,000 for the first annual distribution from the Trust. SSU will receive annual distributions for nine subsequent years. The value of the annual distributions should be somewhat similar in value but will vary each year depending on the Trust's asset value each year-end. Coate added that the amount appropriated to SSU represents approximately 15% of the funds remaining after legal and other fees.



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Schlereth moved and Wally Lowry seconded a motion to disperse the funds received from the Moore Trust for discretionary use by the University President.

Herm Benedetti asked what the limitations would be on the use of these funds if allocated on a discretionary basis to the President. Armiñana responded that they are to be used for the benefit of the University. Schlereth added that discretionary funds could be used for purposes that the University's Operating Budget does not allow, such as for public relations activities, fundraising activities or student scholarships. The University currently has very few discretionary funds and thus a protocol has not yet been set as to how these funds would be spent. Irv Rothenberg asked if Moore was specific in how these funds could be used by the beneficiaries. Coate responded that following a review by SSUAF Counsel, all of the distributed funds from the Moore Trust to the SSUAF could be treated as discretionary.

The Board unanimously accepted the motion to disperse all funds received from the Moore Trust for discretionary use by the University President; no objections or abstentions.

Motion: Approval of use of Moore Trust Gift

Action: Unanimously approved

IX. New Business

No new business was discussed.

Meeting adjourned at 2:00 p.m.

Minutes Approved by:
Letitia Coate
Chief Financial Officer, SSUAF

Minutes Prepared by:
Ian Hannah
University Associate Treasurer, SSU



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		<i>First</i>	<i>Last</i>	<i>In Attendance</i>
1	Dr.	Ruben	Armiñana	Present
2	Ms.	Patricia	McNeill	Present
3	Mr.	Laurence	Furukawa-Schlereth	Present
4	Ms.	Letitia	Coate	Present
5	Ms.	Jeannette	Anglin	Present
6	Mr.	Herm	Benedetti	Present
7	Mr.	Sanford	Bressick	Absent
8	Dr.	Barbara	Butler	Present
9	Dr.	Jean Bee	Chan	Present
10	Ms.	Anita	Christmas	Absent
11	Mr.	Dan	Condron	Present
12	Dr.	Carmen	Finley	Present
13	Mr.	Tom	Gillespie	Present – tele.
14	Ms.	Rachel	Hersh	Absent
15	Dr.	Alan	Johnson	Present
16	Mr.	Dan	Lanahan	Absent
17	Mr.	Dan	Libarle	Present
18	Dr.	Wallace	Lowry	Present
19	Dr.	Andrea	Neves	Present
20	Ms.	Delphine	Newman	Absent
21	Dr.	Eduardo	Ochoa	Absent
22	Mr.	Randy	Pennington	Absent
23	Mr.	Jim	Perez	Absent
24	Dr.	Saeid	Rahimi	Present
25	Ms.	Beth	Robertson	Present
26	Mr.	Irwin S.	Rothenberg	Present
27	Dr.	Robert	Schultz	Present
28	Mr.	Michael	Sullivan	Present
29	Dr.	Liz	Thach	Present
30	Mr.	Michael	Troy	Absent

Members Present 21
 Members Absent 9
 Board Quorum 12 *Article II, Section 1(a), Bylaws*



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Staff/Guests Present:

Ms. Robin Draper – *Associate Vice President for Development, SSU*

Mr. Ian Hannah – *University Associate Treasurer, SSU*

Mr. Bill Ingels – *University Treasurer, SSU*

Ms Amanda Visser – *Deputy Controller for Auxiliary and Foundation Accounting*