



SONOMA STATE UNIVERSITY
Academic Foundation, Inc.
Board of Director's Meeting

MINUTES – March 19, 2010

- I. Call to order. President Armiñana determined that a quorum was present and opened the meeting at 12:15pm.
(Refer to Record of Attendance for March 19, 2010)

- ❖ Approval of the December 11, 2009 Board Minutes:
 - Approved unanimously.

II. Closed Session – Conference With Legal Counsel

The Board entered closed session with Olsan and Cooper joining via telephone at 12:20pm and adjourned at 1:15pm.

III. University President's Report

Armiñana discussed the following items:

- ❖ Armiñana noted that during a meeting earlier today, the Sonoma State Enterprises Board of Directors approved \$550,000 in funding to support student scholarships in the 2010/11 FY. This funding should allow the campus to award close to \$1M in total scholarships in 10/11, which would be equal to a typical year and fill a void in funding as a result of reduced endowment earnings and fundraising/donor support as a result of the depressed financial markets and struggling economy.
- ❖ Armiñana turned to Neves to discuss an upcoming presentation to be held on April 1st in Person Theatre. This event, which is co-sponsored by the Andrea Neves and Barton Evans Social Justice Lecture Series and the Heritage Lecture Series, is having educational expert Dr. Martin Carnoy as the featured speaker. He will be providing a lecture on how diversity and social justice make smart economic policy. The title of the lecture is "Educational Equity and Social Justice as Smart Economic Policy: An International Perspective." Neves invited and encouraged all Board members to attend.
- ❖ Armiñana noted that the Foundation will soon be losing Ochoa as a member of the Board as he has been selected by the White House as a nominee for the position of Assistant Secretary for Postsecondary Education (OPE). This position requires Senate confirmation but it is likely that Ochoa will be



SONOMA STATE UNIVERSITY

Academic Foundation, Inc.

Board of Director's Meeting

departing SSU sometime over the summer to take on this new position. Armiñana and the Board congratulated Ochoa for this achievement.

- ❖ Armiñana discussed the current difficult budget environment for the State and SSU. The 2010/11 budget is not expected to be finalized until after the Fall semester begins. There are currently 5 to 6 applications for every available seat in the CSU system, creating a supply problem due to enrollments reductions.
- ❖ Armiñana turned to Hannah to introduce three guests who were attending the meeting on behalf of the SSU Osher Life Long Learning Institute (OLLI) in order to observe the days' proceedings.

IV. Vice President for University Development's Report

(See March 19, 2010 Agenda packet for these documents)

Quarterly Development Report

McNeill discussed three separate documents:

McNeil referenced a document displaying fiscal year to date gift commitments in 09/10 compared to the same time period in 08/09. This year has seen fewer donations, both in quantity and total dollars received, but this is also true across the state and nationally. The figures include all donations including gifts, pledges, deferred, and endowed.

McNeill referenced a document titled Contribution Highlights, summarizing charitable gift receipts for the last three fiscal years, a breakout for 08/09 gift disbursements based on donor intent, as well as a breakout for 08/09 of gifts receipts by source of gift.

McNeill also referenced a report titled Goal Matrix Dashboard, which outlined SSU Development activities compared to set goals as well as other CSU institutions and peer groups. The charts generally showed that SSU has greater efficiency in its' fundraising than peer group and CSU averages. SSU ranks very well in areas of: cost to raise a dollar, net return on investment, and gift commitments raised per FTE fundraising professional. CSU peer groups are based on endowment size, number of fundraisers, and number of donors.

SSUAF Letterhead

Kashack passed out a new logo and letterhead for the Foundation based on designs that were developed by working with samples from various independent



SONOMA STATE UNIVERSITY
Academic Foundation, Inc.
Board of Director's Meeting

graphic designers. It was decided to make the logos and letterhead in the proper University colors and Foundation stationary would be updated accordingly.

V. Chief Operating Officer's Report

Campus Conflict of Interest Study Group

Schlereth noted that this group continues to meet in order to develop standards as it relates to Conflict of Interest for the campus Auxiliaries to adopt.

CSU Auxiliary Audit Results

Schlereth noted that no major findings came out of the CSU Auditor's report related to the Foundation.

VI. Chief Financial Officer's Report

(See March 19, 2010 Agenda packet for these documents)

Quarterly Financial Report

Coate presented a condensed report of the SSUAF financial statements as of 12/31/09. A rebound in the financial markets contributed to net assets growing by approximately \$4.1M and the Foundation's endowment assets are now about breakeven after previously being underwater.

Coate noted that the Foundation General Fund budget is currently over budget, primarily as a result of increased legal costs due to recent events. This item will be taken up in the Finance Committee in order to be sure revenues and expenses are aligned and the budget does not use fund balance.

VII. 2009 NACUBO-Commonfund Study of Endowments (NCSE) Results

(See March 19, 2010 Agenda packet for these documents)

Hannah displayed a PowerPoint presentation offering an overview of the results of the 2009 National Association of College and University Business Officers (NACUBO) and Commonfund Study of Endowments (NCSE). The 2009 study represented 842 institutions, including all 23 CSU campuses as well as the CSU Chancellor's Office.



SONOMA STATE UNIVERSITY
Academic Foundation, Inc.
Board of Director's Meeting

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 6/30/09. The total SSUAF Endowment market value of \$26.0M ranks 10th highest among the CSU campuses and 3rd highest in endowment dollars per FTES.

During an extremely challenging financial market environment, the SSUAF pooled endowment with the Commonfund posted a one year investment return of -22.7%, which compares to an average of -18.5% for similar sized endowment institutions (\$25M to \$50M). Over a 5 year period, the Foundation had a return of 2.0% vs. 2.1% for similar sized endowments. Hannah noted that the endowment has improved considerably over the first 8 months of FY 09/10, with an investment return of 14.5%. These returns continue to be hindered by the portfolio's exposure to the struggling Commercial Real Estate market through an allocation to this sector through the Commonfund.

On 6/30/09, the asset allocation of the pooled endowment was as follows: 39.4% Domestic Equity, 15.6% Fixed Income, 20.0% International Equity, 23.9% Alternatives (Hedge Funds, Real Estate, Commodities, Distressed Debt) and 1.1% in Cash/Short-Term investments. When compared to NACUBO participants in the \$25M to \$50M range, SSUAF has a greater allocation to Equities and Alternatives, while committing a smaller portion to Fixed Income and Cash.

The most commonly used spending policy across the 842 participating institutions was to use a percentage of a moving average of the endowment market value (74% of respondents).

VIII. Action Items

(See March 19, 2010 Agenda packet for these documents)

Approval of Revised SSUAF Investment Policy

Schlereth and Hannah described changes to the SSUAF Investment Policy per recommendation by the Finance Committee.

Hannah noted that the Commonfund recently provided a proposal to the Finance Committee of new asset allocation guidelines. Through review of the proposal, the Committee decided upon an allocation model which is consistent with its current growth oriented objective for the endowment while adopting suggested changes to various asset class exposures. This objective takes a long term



SONOMA STATE UNIVERSITY
Academic Foundation, Inc.
Board of Director's Meeting

approach and has a better chance of achieving intergenerational equity but allows for greater volatility in return from year to year as a result.

With this new asset allocation, Commonfund has introduced REITS, Venture Capital, Natural Resources, and TIPS to the portfolio, reduced the target weighting to Domestic Equities, Bonds, and Private Real Estate, and increased the target weighting to Emerging Markets and Hedge Funds. The Asset Class structure has also been changed to represent four separate asset class strategies (Equity, Fixed Income, Marketable Alternatives, and Real Assets).

Schlereth explained a new spending policy for the pooled endowment outlined in the revised Investment Policy. The proposed new policy would adopt a formula based on computing 4.0% of a five year rolling average of the market value of the Pooled Endowment. This method is consistent with the growth objective of the endowment and the revised asset allocation guidelines. It would also be more easily explainable to donors and is more consistent with a commonly used methodology across other institutions. Schlereth noted that he has received support from the campus Deans on this new methodology and is bringing this forward on behalf of the University. Schlereth added that the CSU Chancellor's Office also recommends a 4% payout from endowments.

Motion: Approval of revised SSUAF Investment Policy

Action: Approved. One opposition vote by Rothenburg.

IX. New Business

Schlereth announced that the campus has received the full 10 year accreditation from the Western Association of Schools and Colleges (WASC).

Meeting adjourned by Armiñana at 2:15 p.m.

Minutes Approved by:
Letitia Coate
Chief Financial Officer, SSUAF

Minutes Prepared by:
Ian Hannah
Acting University Treasurer, SSU



SONOMA STATE UNIVERSITY
Academic Foundation, Inc.
 Board of Director's Meeting

Record of Attendance
 March 19, 2010

		<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	Absent
7	Mr.	Sanford	Bressick	Absent
8	Mr.	Sam	Brown	Absent
9	Dr.	Barbara	Butler	Present
10	Dr.	Jean Bee	Chan	Absent
11	Ms.	Anita	Christmas	Present
12	Mr.	Dan	Condron	Present
13	Mr.	Nick	Curry	Absent
14	Dr.	Carmen	Finley	Present
15	Mr.	Tom	Gillespie	Absent
16	Mr.	Dan	Lanahan	Absent
17	Mr.	Dan	Libarle	Absent
18	Dr.	Wallace	Lowry	Present
19	Dr.	Andrea	Neves	Present
20	Ms.	Delphine	Newman	Present
21	Ms.	Stephanie	Norris	Absent
22	Dr.	Eduardo	Ochoa	Present
23	Mr.	Randy	Pennington	Absent
24	Mr.	Jim	Perez	Absent
25	Dr.	Saeid	Rahimi	Absent
26	Ms.	Beth	Robertson	Absent
27	Mr.	Irwin S.	Rothenberg	Present
28	Dr.	Robert	Schultz	Present
29	Mr.	Michael	Sullivan	Present (tele.)
30	Dr.	Liz	Thach	Present
31	Mr.	Michael	Troy	Absent

Members Present 17
 Members Absent 14
 Board Quorum 13 *Article II, Section 1(a), Bylaws*

Staff/Guests Present:

- Mr. Erik Greeny – *Associate Vice President for Development, SSU*
- Mr. Ian Hannah – *Acting University Treasurer, SSU*
- Ms. Susan Kashack – *Associate Vice President for Communications and Marketing, SSU*
- Mr. Jeremy Olsan – *SSUAF Counsel - Perry, Johnson, Anderson, Miller, & Moskowitz (via tele.)*
- Mr. Michael Cooper – *SSUAF Counsel - Wendel, Rosen, Black & Dean, LLP (via tele.)*
- Ms. Amanda Visser – *Deputy Controller for Auxiliaries, SSU*
- Lou Miller – *Executive Director of Osher Life Long Learning (OLLI), SSU*
- Kip Cutting - *LLI Advisory Board member and Chair of the OLLI Committee on Finance and Budgets*
- Mike Marovich - *Member of the OLLI Committee on Finance and Budgets*