

The University Corporation
San Francisco State

Room ADM 361
1600 Holloway Ave.
San Francisco, CA 94132

ucorp.sfsu.edu

BOARD OF DIRECTORS
Thursday, February 11, 2016
3:00 p.m. to 4:30 p.m.
Administration Building, ADM 552
Franciscan Shops, Inc. BOD Meeting to follow immediately thereafter
1600 Holloway Avenue, San Francisco, California

MINUTES

I. CALL TO ORDER BY THE CHAIR, Charlotte Ferretti

There being a quorum present, The University Corporation, San Francisco State (UCorp) Board of Directors was called to order by the Chair, Charlotte Ferretti, at 3:04 p.m. at San Francisco State University, Administration Building, 5th floor, ADM 560, San Francisco, CA.

Board Members Present

Charlotte Ferretti, Chair
Jo Volkert, Vice Chair
Neil Cohen
Jordan James-Harvill
Maureen Pasag (phone)
Jason Porth, Executive Director
Kal Salama
Alison Sanders, Secretary
Richard Schwanbeck
Jordan Thomas

Board Members Absent

Alvin Alvarez
Troi Carleton
Alexandra Kharmats
Philip King
Michael Potepan
Julie Taylor

SFSU/UCorp Staff Present

Ricardo Angeles, Accountant Lead
Constance Cavallas, Coordinator
Andrew Lok, Retail & Commercial Services Manager
Shae Hancock, Administrative Support Assistant
Tammie Ridgell, Director of Finance and Administration
Anthony Victoria, Director of Administrative Services

1. Approval of the Agenda

Charlotte called for a motion to approve the agenda as presented. It was moved by Jason Porth, seconded by Kal Salama, and approved unanimously.

2. Approval of the Board of Directors meeting minutes for December 10, 2015.....**Action**

Charlotte called for a motion to approve the minutes for the December 10, 2015 Board of Directors meeting as presented. It was moved by Neil Cohen, seconded by Kal Salama, and passed unanimously.

BOD Action Item: 20160211-01

II. Public Comment

No members of the public chose to offer comment.

III. **Resolution: Resolution Regarding the Merger of Franciscan Shops with and into The University Corporation, San Francisco StateAction**

WHEREAS, the University Corporation, San Francisco State ("UCorp") is an auxiliary organization of San Francisco State University that provides retail and commercial services to the university community, supports the operations of other campus auxiliary organizations, and serves as a key business partner to the university and its programs and has been determined to be exempt from federal income taxation under Internal Revenue Code ("IRC") Section 501(c)(3); and

WHEREAS, Franciscan Shops, Inc. ("Franciscan") served as an auxiliary organization of the University that operated a bookstore and various convenience stores for the benefit of the students, faculty, staff, alumni, and guests of the University and has been determined to be exempt from federal income taxation under IRC Section 501(c)(3); and

WHEREAS, Franciscan operated the San Francisco State University bookstore through June 30, 2012, at which time it ceased activity when the university vested in UCorp the duty to provide the university with a bookstore, which was achieved through contracting with a vendor for these services; and

WHEREAS, UCorp has no regular members in accordance with Section 5306 and 5310 of the California Nonprofit Public Benefit Corporation Law, and all action which would otherwise require approval by a majority of all members or approval by members shall require approval only by the Board of Directors; all rights which would otherwise vest in members are vested in the directors; and

WHEREAS, Franciscan has as its sole member within the meaning of Section 5056 of the California Nonprofit Corporation Law, UCorp; and

WHEREAS, over the course of the past three (3) years, Franciscan has not undertaken any new activities and has been in the process of winding up its previous operations; and

WHEREAS, the consolidated financial statements of UCorp reflect the assets and liabilities of Franciscan; and

WHEREAS, the Board of Directors of UCorp and Franciscan, have determined that certain of the exempt purposes of both the UCorp and Franciscan can be more effectively carried out by UCorp and, thus, deem it advisable that Franciscan merge with and into UCorp so that UCorp is the surviving nonprofit public benefit corporation, in accordance with the applicable laws of the State of California and upon the terms and subject to the conditions set forth in the Merger Agreement;

WHEREAS, the UCorp Board of Directors approved the merger as set forth above at the September 10, 2015 Board meeting;

WHEREAS, the California Secretary of State denied the merger based on two compliance issues: 1- the Merger Agreement required an additional signature from the secretary of the Board, 2- the effective date listed in the Merger Agreement was listed as prior to the Secretary of State filing date;

WHEREAS, the Merger Agreement has been updated to comply with the requirements as stated above and will be resubmitted to the California Attorney General and California Secretary of State for approval;

THEREFORE, BE IT RESOLVED that the University Corporation, SF State Board of Directors hereby approves the merger of Franciscan Shops, Inc. with and into the University Corporation, SF State, and adopts the terms and conditions set forth in the attached Merger Agreement of Franciscan Shops With and Into University Corporation, San Francisco State, and hereby authorizes its officers and employees to execute the merger agreement.

Though the merger agreement had been approved by the Chancellor's Office and the CA Attorney General, the CA Secretary of State (SOS) did not file the merger agreement based on two non-conformities: the effective date was prior to the date of filing, and an additional signature from the Secretary of the UCorp Board was required.

Based on the delayed approval from the Chancellor's Office, the Board recognized the effective date in the original merger agreement required an extension. This was addressed via an amendment to the original merger, passed by both boards via resolutions at their respective December 10, 2015 board meetings. However, the SOS could not accept an amendment to a merger agreement that had not been filed.

The merger agreement has been revised to address both issues, making the effective date the same as the filing date and adding a line for signature from the UCorp Board Secretary. The updated merger agreement will need to go through all the levels of approval again, including the Chancellor's Office and the Office of the Attorney General prior to being filed with the SOS.

Charlotte called for a motion to approve the merger agreement with the changes as indicated above. It was moved by Neil Cohen, seconded by Kal Salama, and approved unanimously.

BOD Action Item: 20160211-02

IV. **Resolution: Approval to Appoint Directors(s) to the University Corporation, SF State Board of Directors ..Action**

WHEREAS, Forest Klein and Edward Chavez, two student members of the board of the University Corporation, San Francisco State, a California non-profit public benefit corporation ("UCorp") resigned from the board, providing letters of resignation, attached herewith; and

WHEREAS, ASI provided to President Leslie Wong two nominations for students to fill these two board seats; and

WHEREAS, President Wong has approved and provided his support for, the following two new board members to fill student board member seats:

- Richard Schwanbeck
- Jordan Thomas

THEREFORE, BE IT RESOLVED, that the Board of Directors hereby adopts the recommendations as set out above, approved by President Leslie Wong, hereby appointing Richard Schwanbeck and Jordan Thomas, as members of the board of directors, with terms expiring on June 30, 2016.

Two student board members, Edward Chavez and Forest Klein, submitted resignations, stepping down from the UCorp Board. Associated Students (AS) recommended two qualified AS representatives to fill the open seats: Richard Schwanbeck and Jordan Thomas. President Wong expressed his support and approval of the recommendations.

Charlotte called for a motion to accept the recommendations from Associated Students and President Wong, as stated above. It was moved by Jo Volkert, seconded by Alison Sanders, and approved unanimously.

BOD Action Item: 20160211-03

V. **REPORT FROM THE FINANCE COMMITTEE CO-CHAIRS, Kal Salama and Philip King**

Kal Salama announced that eight proposals were received for the investment consultant RFP, released in early January. The proposals can be broken down into the following categories:

- Traditional Consultants- 2 proposals
- Mutual Fund Company- 1 proposal
- Outsourced CIO- 2 proposals
- Custodian Bank/Brokerage- 3 proposals

The finance committee will evaluate the proposals using a standardized rubric, and intend to make a recommendation to the full Board in March.

Kal also reviewed the UBS Investment Statement for the period ending December 31, 2015 highlighting a modest underperformance for the year. UCorp still has more cash holdings than usual, due to hedge fund position

liquidations which have not been re-invested. UCorp will not make any changes to the cash holdings until an investment consultant is selected via the RFP process.

VI. REPORT FROM THE DIRECTOR OF FINANCE AND ADMINISTRATION, Tammie Ridgell

1. Adoption of Fundraising Policy

UCorp received a finding from the Chancellor's Office audit for not having a fundraising events policy in place. The campus is also required to have such a policy. UCorp established a fundraising events policy adopting that of the university- UED #15-43, and additionally, will require the review of all special events projected to cost \$1,500 or more. The policy was adopted by the Executive Committee at a January meeting.

2. Resolution: Acceptance of Accounts Receivable PolicyAction

WHEREAS, The University Corporation, San Francisco State (UCorp), proposes to formalize its longstanding procedure and process for managing accounts receivables (AR);

WHEREAS, UCorp will handle collections, and allowance for doubtful accounts valuation as defined in the AR policy;

THEREFORE BE IT RESOLVED, that the Board hereby approves and adopts the attached policy, which ensures effective handling and oversight of UCorp's AR, while establishing a process for setting an allowance for doubtful accounts and/or bad debt write-off.

BE IT FURTHER RESOLVED, that the Board designates and conveys authority to the Executive Director and Director of Finance and Administration to evaluate all bad debt write-offs \$20,000 or less and present to the Board for approval all write-offs over \$20,000.

The proposed AR policy formalizes a procedure already in place. All bad-debt write-offs over \$20K, per the policy, will be presented to the board for approval. UCorp's primary customer is the University- the volume of write-offs is very low, and UCorp has never gone to collections. The procedures for handling accounts receivable for all commercial vendors are explicitly outlined in their respective subleases with UCorp. This policy was reviewed by the Finance Committee at the January 26, 2016 meeting, and comes to the Board with the committee's recommendation.

Charlotte called for a motion to approve acceptance of the Accounts Receivable Policy, as stated. It was moved by Neil Cohen, seconded by Kal Salama, and approved unanimously.

BOD Action Item: 20160211-04

3. Resolution: Acceptance of Gift Acceptance PolicyAction

WHEREAS, The University Corporation, San Francisco State (UCorp), proposes to update the existing Gift Acceptance Policy to more clearly define the types of gifts that UCorp can receive and process for special approval;

WHEREAS, nothing in this policy shall prevent San Francisco State University ("University") or the San Francisco State University Foundation ("Foundation") from accepting a gift in the name of the University or the Foundation (as per University Executive Directive 95-13), respectively, and without involvement of UCorp;

WHEREAS, UCorp will serve as a trustee for gifts and, therefore, has fiduciary duty to the donor and University to administer the assets consistent with the donor's wishes, the University's policies and generally accepted financial standards;

THEREFORE BE IT RESOLVED, that the Board hereby approves and adopts the attached policy, delegating responsibility to the Executive Director of UCorp to review and accept gifts, in consultation with the Director of Finance and Administration.

The proposed Gift Acceptance Policy expands an existing policy to include a more comprehensive list and definitions of gifts UCorp will receive and process for special approval. Per the policy, the Executive Director will bring any gifts that pose significant risk to the institution to the Executive Committee for approval.

Charlotte called for motion to accept the Gift Acceptance Policy as presented. It was moved by Neil Cohen, seconded by Jo Volkert, and passed unanimously.

BOD Action Item: 20160211-05

4. Transfer of Funds for UClub

UCorp is transferring \$100K from the President's Discretionary Fund to the UCorp general fund to be used toward the build-out of the University Club (UClub). Board approval is required for transfers over \$100K; this is an informational item.

5. Financial Reports

Tammie Ridgell presented the financial reports for the period ending December 31, 2015, focusing on the FSR unrestricted assets report.

- A steady decline continues for Grants and Contracts revenue; a 40% decrease is expected
- UCorp is predicting Program Revenue from Admin Fees to be approximately 15% shy of budget; this revenue is based on previous year activity and is difficult to predict
- Follett Commission is based on their contract, and as such is steady and predictable
- Self Operation Expenses: salary is on target; benefits have increased slightly
- Investment income shows a loss of \$470K; this will have an effect on UCorp's bottom line. Because the market is always fluctuating, whether the investment income is interpreted as a loss or gain depends on what periods you are comparing (typically quarters, but also 1 year and 5 year spans are common)
- Overall, revenue from self operations are up 17%. The Ctrl+P copy center, though down overall, is considerably higher than at this time last year

VII. REPORT FROM THE AUDIT COMMITTEE CHAIR, Alex Kharmats

1. Resolution: Acceptance of Audit Firm Recommendation Action

Tammie Ridgell presented the resolution in the absence of Alex Kharmats.

*language for this resolution was not originally included in the Board packet

WHEREAS, The University Corporation, San Francisco State (UCorp), as a public benefit nonprofit corporation, undergoes an annual audit to ensure all necessary legal compliance and procedural best practices;

WHEREAS, although Hood & Strong has produced quality audits for UCorp for the last six years, it is best practice, and in the corporation's best interest to ensure objective audit results through the process of rotating audit firms;

WHEREAS, UCorp released a Request for Proposals (RFP) and established a review committee comprised of UCorp, Associated Students, SF State Foundation, and University audit and finance representatives who, after reviewing all proposals and conducting interviews, unanimously agreed that Grant Thornton was the most qualified firm to move forward in contract with, and;

WHEREAS, the UCorp audit committee at their January 28, 2016 meeting voted to accept the RFP review committee's recommendation and move forward in requesting full Board acceptance to move forward with negotiating a contract with Grant Thornton, beginning with an audit for the current fiscal year;

THEREFORE BE IT RESOLVED, that the Board hereby approves and accepts the recommendation to allow UCorp management to move forward with the negotiation of contract with the Grant Thornton auditing firm.

UCorp released an RFP in search of an audit firm on October 30, 2015. The deadline to respond was December 11, 2015. Twelve audit firms submitted proposals. A review committee comprised of representatives from all three auxiliaries (UCorp, Associated Students, and the SF State Foundation) as well as University representative, Maureen Pasag, AVP for Fiscal Affairs, scored all proposals based on a set of established criteria. Based on the scores, the committee decided to interview two firms: Grant Thornton on January 15, 2016 and MGO on January 19, 2016, after which time the committee agreed unanimously that Grant Thornton was the firm that could best meet the needs of all three auxiliaries. The decision was reviewed and discussed at the January 28, 2016 Audit Committee meeting, and recommended for full Board approval.

Charlotte called for a motion to accept the Audit Committee's recommendation to move forward in negotiation of a contract with Grant Thornton so that the firm may begin their audit for the current fiscal year. It was moved by Neil Cohen, seconded by Jordan James-Harvill, and approved unanimously.

BOD Action Item: 20160211-06

VIII. REPORT FROM THE RETAIL AND COMMERCIAL SERVICES COMMITTEE CHAIR, Neil Cohen

Neil Cohen reported on a brainstorming session conducted at the January 5, 2016 Retail and Commercial Services Committee meeting. The committee, viewing the campus as a small city and considering all the ways in which UCorp could generate more revenue, brought great ideas to the table. The ideas ranged from "ridiculous to sublime", and included a massage parlor and a bike repair shop. The committee also considered possible locations for the services. Most ideas would likely be RFP based, though some ideas could potentially be self-operated. Staff has been assigned to determine which ideas are feasible and where they may be located. The goal is to complete a single project by the beginning of the next academic year.

IX. REPORT FROM THE DIRECTOR OF OPERATIONS, Chris Farmer

Andrew Lok, Retail and Commercial Services Manager, reported on behalf of Chris Farmer.

- iNoodles is now doing business under their originally proposed concept in the Student Center. The space has undergone modest renovation, including an equipment swap and rebranding, and is now distinguishable from the prior vendor.
- UCorp has signed a long-term, updated lease with Ike's Place. Ike's was the last vendor to sign an updated lease; all Student Center vendors are now on leases with similar terms. Despite initial obstacles in obtaining a new lease, UCorp looks forward to a more communicative vendor relationship with Ike's.
- UCorp is currently working with the Associated Students to produce an RFP for a juice bar that will be located in the Mashouf Wellness Center.
- UCorp's new marketing efforts include a new vendor guide with the location and hours of all campus vendors. It will be available in both print and digital format. Further, UCorp is revisiting the Gator Group concept, and will use the associated social media to share campus promotions and discounts.

X. REPORT FROM THE EXECUTIVE DIRECTOR, Jason Porth

Welcomes

- Jason welcomed the two new students, Jordan and Richard to the Board.
- Jason introduced UCorp's newest staff person, Ricardo Angeles. Ricardo, an SF State alumnus, began as UCorp's Accountant Lead at the start of January. He will oversee all accounting for Associated Students, and will also work on other special projects related to the SF State Foundation.

Commencement

Last year UCorp served as the University's business partner, signing all contracts that made commencement at AT&T Park possible. This year UCorp has been asked to extend its role in maintaining the funds for all activities related to commencement. The \$100 graduation application fee will not change, other than being housed with UCorp instead of Fiscal Affairs. The fee will continue to be split 80/20, for programming and diploma costs respectively. UCorp will receive a 10% accounting fee, matching the fee charged by Fiscal Affairs prior. The commencement fund will have a PI; use of the funds is to be restricted to commencement related activities only.

Savings from last year's commencement have gone toward building a reserve. Once the reserve is sufficient in size, the University may consider adjusting the graduation application fee.

UClub

President Wong has contributed \$100K toward the UClub build-out. The Academic Senate is currently working with Capital Planning and an architect to create a design for the designated Student Center space. The Academic Senate is also working on a financial plan to determine available funding sources to cover the cost of the project, including membership fees, food vendor rent, and Follett's auto-adopt incentive funding. It is anticipated that a resolution allowing UCorp to front the remaining build-out costs will be brought to the Board at the next meeting. UCorp would recoup the funds over the course of 8-10 years. UClub would be run as a revenue-neutral project; a PI would oversee the related account.

The UClub would include a lounge space as well as meeting spaces for faculty and staff; and would serve as a place to bring visiting or prospective faculty. It is also the intention of the Academic Senate to hire hospitality students to work in the UClub. The space is expected to assist in building community amongst faculty.

Jordan Thomas asked how the UClub would support students, being that the space is located in the Student Center.

Jason Porth discussed how support of faculty also supports students. Additionally, the space being used was "found space." Until recently, it was used as office space for the Bookstore- no space would be taken from students. The renovation will not use student fees, however if the UClub moves in the future, any relinquished space to students will have been upgraded at the expense of the UClub.

Holloway

The Holloway RFP Review Committee is expected to meet with the three respondent development teams in March.

Charlotte has charged a UCorp subcommittee to vet for financial feasibility of the proposals from the UCorp perspective. The committee will provide a yes or no answer as to whether the proposals meet criteria needed for UCorp to confidently move into negotiation with the teams.

This committee will meet in early March, prior to the development team presentations. The committee will also attend the development team presentations. Committee members are: Jo, Jason, Michael, and Tammie.

Director Nominations

Jason asked that the Board send any recommendations for future directors to the Nominating Committee.

Bookstore Advisory Committee

The Bookstore Advisory Committee was created in 2012 to help ensure a smooth transition with Follett's management of the campus bookstore. The committee remains active, however there are no official ties with UCorp. The Nominating Committee will consider formally including the Bookstore Advisory Committee to participate in and report to the Board, much like the Retail and Commercial Services Committee, beginning in the next fiscal year.

Bookstore

UCorp is in the third year of a five-year contract with Follett. There are three 2-year renewal options that follow. As is the trend with college bookstores, the SF State Campus Store has seen its numbers go down. However, Follett has remained a good business partner, making improvements to the bookstore processes where possible.

Follett has worked with the campus to introduce an auto-adopt program has potential to lower the cost of textbooks for students and assist in ensuring books are available for students who require additional services through the DPRC. Being that 85% of faculty use the same book as the last time they taught a course, the program automatically adopts the last text used for a course if a faculty member has not submitted an adoption by the deadline. Adoption rates on campus tend to be less than half at the deadline- incentive funds have not changed this number. Early adoption helps lower prices for students because the bookstore can begin to source used books, as well as save on shipping costs. Spring 2016 was the first semester for the auto-adopt program. The Bookstore Advisory Committee is working on reports that will measure success of the program.

Follett recently worked with UCorp to solve an issue related to material pricing. A faculty member had come to UCorp concerned that their students had been purchasing an access code for \$60 directly from the publisher, and the bookstore was charging \$90 for the same item. Follett honored the \$60 price, and refunded students who paid \$90. It was determined that Follett had no markup on the access code. As a result, they are looking to see if this issue applies to any other of their materials and will be reaching out to publishers to strengthen relationships and negotiate better pricing.

Follett is currently looking to implement an opt-out pilot program that would provide a discounted rate for all materials needed in a particular course. The faculty members who choose to participate in the program would agree to the creation of a course fee that would include all materials needed (similar to a lab fee), and guarantee timely access to the materials. Students would have the option to opt-out of the fee if they wanted to purchase the materials elsewhere. The nearly 100% opt-in rate per course would allow Follett to negotiate lower prices for the materials. The pilot will include 10-20 course that require e-books only.

Sierra Nevada

UCorp has had successful meetings with the Dean of the College of Science and Engineering in regard to the 7-acre Sierra Nevada campus and each party's responsibility in the upkeep of the space.

Committees

Jason Porth thanked the committees and committee chairs for all the additional time they dedicate to UCorp.

XI. SCHEDULE OF MEETINGS

<u>Board/Committee</u>	<u>Date</u>	<u>Time</u>	<u>Location</u>
Board of Directors	April 14, 2016	3:00 p.m. – 4:30 p.m.	ADM 552
Board of Directors	June 9, 2016	3:00 p.m. – 4:30 p.m.	ADM 552
Finance Committee	February 23, 2016	11:00 a.m. – 12:00 p.m.	ADM 361 A
Retail & Commercial Services Committee	March 7, 2016	1:00 p.m. – 2:00 p.m.	ADM 361 A
Finance Committee	March 22, 2016	11:00 a.m. – 12:00 p.m.	ADM 361 A
Retail & Commercial Services Committee	April 4, 2016	1:00 p.m. – 2:00 p.m.	ADM 361 A

XII. CALL FOR ADJOURNMENT

There being no further business to conduct, the meeting of the University Corporation, San Francisco State Board of Directors was adjourned at 4:05 p.m.

Passed and adopted on this 14 day of April 2016, by the following vote:

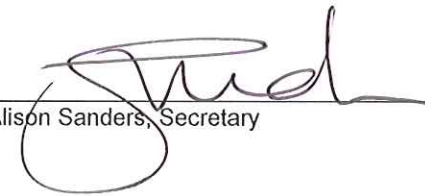
Aye: 10 No: Ø Abstain: Ø Absent: 6

Secretary Certification

The undersigned state that she is the authorized Secretary of the Corporation and certifies that on April 21 2016, at a duly called meeting of the Board of Directors' of the University Corporation, San Francisco State at which a quorum was present and acting throughout, the foregoing resolution was adopted by the votes indicated above.

Wherefore, the undersigned has executed this Certification this 21 day of April, 2016, at San Francisco State University, 1600 Holloway Ave. ADM 552 San Francisco, California.

Action Item No: 20160421-01



Alison Sanders, Secretary