California State University Channel Islands
SITE AUTHORITY

Minutes of Meeting
July 7, 2003

The California State University Channel Islands Site Authority met on Monday, July 7, 2003. The meeting was held in the Administration Building, California State University Channel Islands, One University Drive, Camarillo. Chairperson Long presided and called the meeting to order at 11:40 a.m.

Members Present:

Kathy Long, Chair
R. J. (Jim) Considine, Vice Chair
Charlotte Craven
Debra S. Farar
Linda Parks
Richard Rush
Richard P. West

Others Present:

Patrick Drohan
George Dutra
Dennis Hordyk
Richard Leffingwell
Nikolai Sklaroff
Rhonda Tyacke
Elizabeth Velasco

This being Supervisor Linda Parks' first meeting, Ms. Long welcomed her to the Site Authority Board.

Roll call was given and all members were present.

Mr. West moved to approve the Minutes of the January 27, 2003 meeting and the motion was seconded by Dr. Rush. The motion was carried with one abstention from Ms. Parks.

The public comment period was opened pursuant to Government Code Section 11125.7. Chairperson Long called for comments and hearing none closed the public comment period of the CSU Channel Islands Site Authority meeting.

Item 4 of the agenda, Introduction of the new secretary, was deferred until the next meeting due to her absence. President Rush introduced CSU Channel Islands' new legal counsel, Karen Carr.

Mr. Drohan reported on the construction, planning and design status of the East Campus housing development, a five-phase development of 900 units. Phase 1 has been finished. Phase 2 of the development is making good progress and vertical construction is well underway. Phase 3 has been repackaged to include apartments from Phase 4 to meet the increased demand and bring in additional revenue. Phase 4 is scheduled for completion in fiscal year 2004/05 and Phase 5 in fiscal year 2005/06. The homes in Phases 4 and 5 will all be single-family and for-sale dwelling units.

Mr. Leffingwell reviewed Attachment A and provided a financial update and status of the bond anticipation notes. He stated that last January, the Site Authority authorized the issuance of bond anticipation notes (BAN), which were not to exceed $13M, for projects totaling almost $10M on the academic campus. The effort was to receive funds as early as possible to begin those projects, and later, take the bond anticipation notes out with permanent financing when the Library is financed. He indicated that the changes made to the East Campus Budget had a slight effect on the revenue stream, which in turn had an effect on the BAN Takeout. In late May, the CSU decided to back the financing with a lease structure to protect investors in the unlikely event that the Site Authority could not develop enough revenue to pay the total debt service necessary for the Library bonds and/or BAN Takeout. The bond anticipation notes were finally structured in June and sold in July, then are callable on December 1, 2003, and reach maturity on June 30, 2004. He added that the bonds are callable early should there be any problems with the Library construction bids. If we do not receive a successful library bid, we have until June 30, 2004 to repay those notes.

Mr. Sklaroff, with Citigroup Global Markets Inc., provided further clarification on the financing and payment options. Copies of the CSUCI Financing Authority Bond Anticipation Notes Series 2003 were made available for those present.

Dr. Rush commented on his meeting with Lord Norman Foster in London last week, and noted Foster is committed to the project and wants to be involved in the construction process.

Mr. Leffingwell reviewed Attachment B, CSUCI East Campus Financing Structure and Financial Plan. He summarized the financing plan flowchart and spreadsheets. The chart displays the revenue sources by type with corresponding debt obligations over several decades. He also commented on cash-flow and bond covenant issues.

Mr. Sklaroff discussed the East Campus revenues and the challenge of the financing plan. The challenge is that the University has tremendous need to build facilities now, but the revenue stream generated by the East Campus does not come as quickly as necessary to finance facilities needed. The financing team has carefully structured the financial plan to create lower debt service in the first years to allow the revenues to accumulate. The

next financing will be to cover the construction costs of all remaining rental units and the Town Center. Mr. Sklaroff explained that tax-exempt financing, which is cheaper, is available for rental units and taxable borrowing is used for commercial facilities.

Mr. Leffingwell added that they are also planning Phase 3, which will require Site Authority approval of the financing plan at a September 15th meeting.

Dr. Rush responded to a question about the University's need for facilities by indicating that there is a tremendous need for facilities such as student housing, the Martin V. Smith business building, and courtyard restoration particularly in the northwest side of the campus. He added that the new Science Building will be ready for occupancy in ten days. Also, administrative offices will be relocated to the North Quad in late November 2003. In light of all these facilities projects, Dr. Rush believes that the current line of available revenue is not sufficient to meet the demand.

Moving to Item 8 on the agenda, Ms. Long asked for legal counsel's opinion on the Grand Jury report (Attachment C). Ms. Carr stated that it was her determination that the Grand Jury did not have jurisdiction to investigate the Site Authority because it is a State agency, and as a State agency its sovereignty should be recognized. Therefore, the Site Authority is not required to respond to the report.

Mr. Dutra presented the staff response, an informational report provided for the Site Authority. He explained that the Grand Jury report contained 19 findings and 5 recommendations. Staff reviewed the report and disagree with many of the findings. Staff have specifically addressed each of the findings and recommendations. Mr. Dutra also expressed the University's commitment to fire and life safety, which are a top priority. He mentioned the University has met fire and life safety requirements for the housing development as well.

Dr. Rush discussed emergency response times. Taking the route that is currently the shortest, the fire department could be here in as little as 7.45 minutes to respond to an emergency on campus. However, when Lewis Road is widened and the new campus entry road is finished time should be shortened to about five minutes. Various other road improvements were discussed by Ms. Long and Mr. Dutra.

Ms. Parks asked if the University could provide a facility for the fire department which could in turn provide the staffing. Dr. Rush stated the University could do so, however, the university could not pay the $1.2M the fire department seeks for salaries and operating costs. Dr. Rush explained that the problem involves two issues, cost and the authority for coverage. It is the University's position based on reading State law that the Fire District is responsible to provide fire service for the campus.

Ms. Long also expressed her concerns about fire and life safety on campus. Ms. Long stated that a decision is necessary on whether the staff response should be submitted to the Grand Jury. Ms. Carr advised that the Site Authority write a letter to the Grand Jury respectfully stating that the Site Authority, as a State agency, is a sovereign entity and

that it will not respond to their report. Ms. Craven motioned to receive and file the report given by the staff and direct a letter be written to the Grand Jury in accordance with counsel's recommendation. Mr. West confirmed that the motion would make the staff response to the findings public information and, therefore, available to all. The motion was seconded by Mr. Considine.

Ms. Long clarified that the response to the Grand Jury should include that there was a discussion of the Grand Jury report by the Site Authority, that their concerns were formally acknowledged, that University staff is requested to provide to the Site Authority updates on providing safety and protective services on this campus, that staff will continue to work on the issues raised during this discussion, and that this discussion of fire and life safety be reflected in the minutes of this meeting. The motion before the Board then carried unanimously.

Moving to Item 9, Mr. Hordyk presented the Audited Financial Statement for FY 2001-02 and management letter (Attachment D). The financial statement was approved, as presented, upon a motion by Mr. Considine, seconded by Dr. Rush and carried unanimously.

The change in the next meeting date to September 15, 2003 was approved upon a motion by Mr. West, seconded by Mr. Considine and carried unanimously.

Dr. Rush made some final comments on the East Campus Housing and expressed how pleased he is with the development. He also shared some of the University's newest publications.

There being no further business to come before the Board, the meeting was adjourned at 12:45 p.m.

APPROVED:
California State University Channel Islands Site Authority

Signed: Elizabeth Velasco Dated: 12/8/03