

**California State University Channel Islands
SITE AUTHORITY**

**Minutes of Meeting
June 27, 2008**

The California State University Channel Islands Site Authority met on Friday, 27 June 2008. The meeting was held at the University Glen Corporate Office on the California State University Channel Islands (CSUCI) campus, 45 Rincon Drive, Suite 104-A, Camarillo.

Chair of the Site Authority Dr. Debra Farar called the meeting to order at 11:35 a.m. Following the recitation of the pledge of allegiance, the secretary gave the roll call and all members were present with the exception of Mr. R. J. Considine and Ms. Linda Parks.

Members Present:

Debra Farar, Chair
Charlotte Craven
Kathy Long
Richard Rush
Richard West

Members Absent:

R. J. Considine, Jr.
Linda Parks, Vice Chair

Others Present:

George Ashkar, CSU Chancellor's Office
Erik Blaine, CSUCI-University Glen
Kelly Cox, CSU Chancellor's Office
Joanne Coville, CSUCI
Robert Eaton, CSU Chancellor's Office
Colleen Nickles, CSU Chancellor's Office
Steven Raskovich, Counsel to the Site Authority
David Rosso, CSU Chancellor's Office
Elvyra San Juan, CSU Chancellor's Office
Elizabeth Velasco, Secretary to the Site Authority
Deborah Wylie, CSUCI

At the start of the meeting, Dr. Rush moved that action items for the Site and Financing Authority meetings be discussed first in order to maintain a quorum as Ms. Long had time constraints. Ms. Long seconded the motion and all members were in favor.

Dr. Farar called for the approval of the minutes of the 10 September 2007 meeting. Mr. West moved to approve the minutes, Dr. Rush seconded, and the motion carried with all in favor.

Dr. Blaine presented Action Item 9 regarding the 2008/09 University Glen Corporation (UGC) Budget, Leasing Budget, and 2008 Town Center Common Area Management (CAM) Budget. These budgets were developed and submitted to Chancellor's Office staff in March 2008 for review and comment. The budgets were then submitted to the UGC Board of Directors for review and comment and approved at their last meeting. Dr. Blaine then requested the approval by the Site Authority Board. Dr. Rush moved to approve the budgets, Ms. Craven seconded and the motion passed unanimously.

Moving on to Action Item 11, Election of Officers, Dr. Rush moved to nominate Supervisor Linda Parks as Chair and Mr. R.J. Considine as Vice Chair. Ms. Long seconded the motion and it passed unanimously.

Next, the board reviewed Action Item 12, Revised 2008 Calendar of Meetings. Ms. Long moved to approve the calendar, Ms. Craven seconded and the motion carried.

At 11:39 a.m., Dr. Farar suspended the Site Authority meeting in order to move to the Financing Authority meeting for review and approval of the action items on that agenda.

At 11:41a.m., Dr. Farar resumed the Site Authority meeting and called for public comments, pursuant to Government Code Section 11125.7. There being none, Dr. Farar closed the public comment period of the CSU Channel Islands Site Authority meeting.

Dr. Farar called for board member comments. Ms. Long stated how pleasing it was to meet in this new location in the new UGC office.

Next, Dr. Rush gave the President's Report. Dr. Rush remarked that this has been a very successful year for the University. The John Spoor Broome Library opened in early April with high praise from all who visited the library. In late January of this year, we broke ground for the new Martin V. Smith Center for Decision Making which will take approximately seven months to be completed. Occupancy is expected in February 2009. Also, the campus is on the verge of a major infrastructure project, and planning is underway for a new entry road, parking lot and playing fields in the near future. Because the State budget will not allow us to grow, enrollment will remain stable for the upcoming academic year.

Ms. San Juan presented Item 6, Construction Status Update and Report on Phase 2A/2B. Ms. San Juan reported first on construction activities in Phase 2A/2B Residential Project. She stated that infrastructure and rough grading were completed but, based on the significant decline of the housing market, her office did not award the vertical construction when the bid went out last

year. While the numbers were reasonable concerning the costs, staff were concerned with home sale prices that would be competing with the local housing market. Staff will reassess the sizing of the units, possibly add more town homes and reduce the square footage of larger units, in order to bring down construction costs and home sale prices. In light of the situation, it is unlikely that the request for vertical construction bids will go out this fall.

In addition, Ms. San Juan stated that the Claims Review Board recently addressed the claim which was filed by the general contractor, Fassberg, after the company defaulted on the Town Center project. The Board judged in favor of the work done by the Site Authority; however, the contractor requested mediation and the process is pending at this time.

Ms. Nickles reported on Item 7, Project Funding Status on 2A/2B. The financing for the Site Authority began in June 2001 with the infrastructure financing and continued at various times until August 2004 when \$44.5 million was issued in financing for the 2A/2B for-sale housing phase. Subsequently, the decision was made last year to put the project on hold. In January of 2007, the CSU Trustees approved refinancing much of the debt the Financing Authority had issued. What remained outstanding at that point was the \$44.5 million for-sale housing financing. Then, in August of 2007, the CSU Trustees refinanced the remaining \$44.5 million into the CSU's commercial paper program. Because we have decided to wait on Phases 2A/2B, staff decided to payoff the commercial paper. When a decision is made to move forward with Phase 2A/2B, finance staff will begin the process to reissue an appropriate amount of commercial paper for the cost of construction, which would again require CSU Board of Trustees approval. Afterwards, the financing package would then be presented to the Site Authority Board for approval.

Next, Ms. Cox presented agenda item, Item 8, Presentation of FY 2006/07 Audited Financial Statements. Ms. Cox stated that KPMG issued a clean opinion. The financial statements were presented fairly, in all material respects, and were in conformity with U.S. generally accepted accounting principles. Ms. Cox reviewed the audit report in detail touching on significant items, including net assets in real estate inventory, capital assets, as well as deferred debt issuance costs. Ms. Cox also reviewed liabilities, such as a line of credit, capitalized lease obligations, and loans payable. Next, she reviewed the income statement and reported on home sales revenue, rental income, the cost of repurchased homes, depreciation and amortization, and general, administrative and operating costs. In addition, Dr. Rush reminded the Board that the Lewis Road improvement fees have been encumbered under "Non-Operating Revenue."

Furthermore, Ms. Cox stated that KPMG had identified one material weakness during its review of the Site Authority's internal control over financial reporting, noted as observation item 2007-01 on page 28 of the report. KPMG recommended certain adjustments and reclassifications be made so that management can implement processes and controls to determine that account balances and transactions are recorded and disclosed according to standard accounting principles. Ms. Cox indicated that this is a result of a new auditing requirement called SAS 112 which establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting to management and board members. The Site Authority has developed an action plan to address the issues identified.

- Improve communication with financial service and capital planning, design and construction (CPDC) on accruals and construction retention
- Education of accounting staff on current and noncurrent classification.

The other deficiency item on the summary schedule of findings and responses is Item 2007-02: Five-Year Implementation Plan. The Board took corrective action by approving the Five-Year Implementation Plan at its previous meeting held last fall.

Dr. Blaine reported on Item 10, the University Glen Housing and Rental Update, and Financial Report. Beginning with the financial report, Dr. Blaine indicated that they are approved monthly by the University's Vice President for Finance and Administration and by the Chancellor's Office, and each month these reports are provided to the University Glen Corporation (UGC) Board of Directors for review.

Dr. Blaine then gave the housing sales and resales report. With regard to Phase IA/B/C, the Site Authority (SA) owns two homes and is in process of selling one of them. When both homes have been sold, there are two more in line to be purchased by the SA. As for homeowner to homeowner direct sales, four homes are in escrow and two homes have been sold. Also, ten letters of Intent to Sell have been received. As of this fiscal year, there have been 53 resales, which includes two homeowner to homeowner direct sales. Additionally, in 2006/07, 38 property improvement applications were reviewed by the Homeowners Advisory Council (HAC) and UGC. Most were courtyard improvements but several air conditioners were approved as well. In 2007/08, 14 property improvement applications were reviewed by HAC and UGC.

Next, Dr. Blaine reported that the Operating Agreement between the SA and UGC has recently been revised to reflect additional authority to UGC, with appropriate consultation and approval by Chancellor's Office staff, to revise restrictions within the ground sublease for potential home buyers. The revised agreement relaxes certain ground sublease restrictions, specifically that general public buyers will not be subject to involuntary resale after four and a half years of ownership, rather the timeframe will be extended to ten years. This change pertains to new home sales and resales only.

Dr. Blaine also addressed rental and leasing activity. He indicated that rental units in Phase IA/B/C are 86% occupied and 89% leased and that eleven Town Center retail spaces are leased and three are available. One food vendor is expected to open this summer and the market lessee is expected to begin construction this coming August.

Last, Dr. Blaine reported on UGC Board actions. The UGC Board elected their officers for the next year: Chair- Bill Robe, Treasurer- Joanne Coville, and Secretary- Barbara Thorpe, and appointed a new member, David Press, to replace a director whose term was up. Also, Alexandra Mitchell, the elected ASI President for next term, will serve as the UGC Board Student Director. The UGC Board approved a motion to open home sales to all categories of homebuyers at their last meeting. The Board also coordinated the annual election of the HAC membership. Two positions were available and those elected were Eric Toshalis, a CSUCI

faculty member, and Cecilia Travick-Jackson, a Cal Lutheran faculty member. David Carlson, Tiina Itkonen and Beatrice de'Oca continue to serve for an additional year.

There being no further business to discuss, the public meeting adjourned at 12:10 p.m.

APPROVED:
California State University Channel Islands Site Authority



Signed: _____
Secretary to the Site Authority

3/16/2009
Dated: _____