

**THE UNIVERSITY CORPORATION
Executive Committee
October 9, 2014**

A meeting of The University Corporation Executive Committee was called to order by Chair, Dianne F. Harrison at 3:04 p.m. on Thursday, October 9, 2014 in University Hall Room 250, California State University, Northridge. A quorum was present.

MEMBERS PRESENT: Dianne F. Harrison, Michael Spagna, Sonia Vaswani, Ben Yaspelkis

MEMBERS ABSENT: Jennifer Matos

STAFF PRESENT: Heather Cairns, Elizabeth Corrigan, Susan Dickman, Rick Evans, John Griffin, Elizabeth Kioussis, Georg Jahn, Michael Lennon, Linda Turner

OTHERS PRESENT: Rich Barnett, Robert Carlson, Scott Perez

ITEM #1 APPROVAL OF MAY 7, 2014 EXECUTIVE COMMITTEE MINUTES

MSP (Yaspelkis/Vaswani): That the minutes of the May 7, 2014 Executive Committee meeting be approved as circulated.

ITEM #2 NORTHERN TRUST

Executive Director, Rick Evans introduced Rich Barnett of Northern Trust. Mr. Barnett distributed and reviewed the investment report for the year ended June 30, 2014. Long-term investments earned 14.5% before fees for the year. The short-term pool earned 2.66%.

(Mr. Barnett left.)

ITEM #3 POURING RIGHTS

Mr. Evans reported that the request for proposal process had been completed; both Pepsi and Coca-Cola submitted significant proposals. He introduced Michael Lennon, Associate Director of Retail Operations.

Mr. Lennon advised that contracts from other campuses were reviewed prior to developing the bid document. Both bids were better than the current contract, with the Pepsi proposal being significantly stronger.

CFO John Griffin provided a comparison of the two proposals. The total ten-year consideration from Pepsi would be \$4.5 million, compared to Coca-Cola's \$3.7 million.

Program & Marketing Manager, Susan Dickman overviewed the marketing support available from Pepsi.

MSP (Spagna/Vaswani): To recommend that The University Corporation Board of Directors approve entering into a ten-year pouring rights agreement with the Pepsi Bottling Group, said contract to commence January 1, 2015 and to incorporate all items included in the Pepsi proposal;

that the Board authorize The University Corporation Executive Director or his designee to finalize and execute the pouring rights agreement and any required documents related thereto.

ITEM #4 REAL ESTATE FUND

A. REPORT ON ACQUISITION

Linda Turner, Associate Director of Real Estate, reported on the Corporation's July, 2014 acquisition of another College Court Townhome unit. The Corporation now owns 33 of the 36 units in the complex. The 1850 square-foot townhome was purchased for \$425,000 and will require some minor repairs. The purchase depleted the Real Estate Fund.

B. RELENISHMENT

Mr. Griffin advised that \$500,000 was transferred from the Undesignated General Reserve to the Real Estate Reserve on July 1, 2014, per the Board's approval. This enabled the Corporation to purchase the additional College Court unit. Mr. Griffin reviewed the schedule of reserves. The Corporation projects sufficient cash will be generated through November to permit a transfer of \$600,000 into the Real Estate Reserve as a partial replenishment.

MSP (Yaspelkis/Vaswani): To recommend That The University Corporation Board of Directors approve the transfer of \$600,000 from net cash generated into the Real Estate Reserve.

ITEM #5 CHANCELLOR'S OFFICE AUDIT OF SPONSORED PROGRAMS - UPDATE

Mr. Evans stated that all audit findings have been cleared. He asked Director of Sponsored Programs, Georg Jahn to report.

Mr. Jahn advised that the audit included both pre- and post-award administration. Audit findings were cleared in cooperation with the university. The six minor findings were easily resolved. Those related to sub-recipient monitoring, cost sharing, and additional employment required extensive effort, close collaboration with various CSUN departments, and substantial procedural changes. All changes have been successfully implemented.

ITEM #6 RESEARCH & SPONSORED PROJECTS – AWARDS AND EXPENDITURE REPORTS (APRIL, MAY, JUNE, JULY, AUGUST 2014)

The information was received. Mr. Jahn noted that FY 13/14 was better than budget and the indirect cost recovery rate exceeded prior year. The transfer to campus was 47% over budget. Scott Perez, Director of the university's Office of Research and Sponsored Projects added that proposals are slightly behind compared to this time last year.

ITEM #7 FINANCIAL STATEMENTS AND AUDIT COMMITTEE UPDATE

Mr. Evans reported that 2013/14 performance was \$635,000 better than budget. Higher than expected enrollment helped to reduce only marginally the anticipated decrease in bookstore commissions. Mr.

Griffin reviewed the balance sheet and noted the increase in total assets. Investments earned 12.67% for the year.

Mr. Griffin reported on the September 12 meeting of the Audit Committee. There were no findings on either the financial statements or the Sponsored Programs A-133 report. The audit committee discussed the need to conduct a search for another audit firm to comply with a new Chancellor's Office requirement that auxiliary auditors also have government accounting experience. Mr. Evans added that all five campus auxiliaries will coordinate on the process.

ITEM #8 FRAUD PREVENTION OVERSIGHT

The Executive Committee serves as the Fraud Prevention Oversight Committee.

Elizabeth Corrigan, Associate Director of Campus Dining reported on two events since the last meeting. In the first, video cameras captured an employee transferring funds from conference participants' dining cards onto her MataMoney. The employee was terminated and police were notified. Tighter controls and policies were put in place. Unspent balances cannot be transferred to another card and deposits onto cards are checked daily for anomalies. 2) At the Valley Performing Arts Center, \$200 was lost from concessions and not found. Cash handling procedures have been tightened.

(Ben Yaspelkis left.)

ITEM #9 ANNOUNCEMENTS

Potential Acquisition of Commercial Property. Mr. Evans stated that an item had come up after the agenda had been set, however it was important to bring it to the executive committee's attention, as it will potentially be brought to the full Board in November. Mr. Evans explained that last March, the university had approached the Corporation about possibly acquiring real estate for the university's use. At the time, a Reseda Blvd. office building was available, but the owner decided to pull it off the market. He recently contacted the Corporation to see if there was interest in the property. If the Corporation pursues this, it would be to assist the university in meeting some of its growing space needs. The building is near the campus and would give the university a Reseda Blvd. presence, which would be advantageous for some CSUN programs with a strong community focus. This is only the second time in several years that such a property has become available and the first time that the price appears to be fair. Based on initial discussions, management believes that a financing plan can be structured that results in reasonable rent for the campus and cash neutrality for the Corporation.

Mr. Evans asked Linda Turner to provide additional details. Ms. Turner advised that the property address is 9324 Reseda Blvd. The building is approximately 11,000 square feet and sits on a 16,000 square foot lot that includes 39 parking spaces. It was listed last spring for \$3,040,000. Ms. Turner added that no similar property has sold in the area over the last two years. Based on the price per square foot of the larger and smaller properties that have sold, the building is reasonably priced. Last March, before the property was taken off the market, Corporation management had a conference call with the Advisory Committee on University Real Estate; the committee supported the potential acquisition. At that time, university administrators indicated that some of the groups that might occupy the building included Viscom/Pioneer Tech, Web Team, LA Clean Tech, and the Alumni Association.

Corporation Legal Counsel, Robert Carlson reported that he has represented the property owner for many years, and that earlier in the week, the owner contacted him to see if the university might be interested in acquiring the building for \$3 million in a private sale. The owner indicated that the current tenant was seeking other space and would vacate the building. The owner is willing to close in May 2015 to give the Corporation and the university time to complete all due diligence and receive the required approvals. To be able to enter the building to do the necessary inspections, the Corporation would have to provide a non-binding letter of intent to the owner by mid-October.

Ms. Turner added that a conference call will be scheduled with the Advisory Committee on University Real Estate to review the current information and receive input. If the Board approves the purchase, Legal Counsel will present a formal offer to the seller in November. The Corporation and the university will begin the due diligence process in order to meet deadlines for Chancellor's Office approvals.

Mr. Griffin reviewed CSU financing scenarios and indicated that tenant improvements, estimated at \$400,000, would be the university's responsibility.

There being no further business, the meeting adjourned at 4:24 p.m.

Respectfully submitted,



Michael Spagna, Recording Secretary