University Enterprises, Inc.
Board of Directors Meeting

September 26, 2013

Board Chair Alexander Gonzalez called the meeting to order at 12:16 p.m. in the Boardroom of University Enterprises at California State University, Sacramento.

Members Present: Jude Antonyappan  Staff Present: Arlette Barnard
Lisa Bates                  Craig Barth
Jeff Einhorn                Steven Davis
Crystal Ekanayake           David Earwicker
Caleb Fountain              Monica Kauppinen
Anne Fuller                 Trina Knight
Nielsen Gabriel             Cossette Leos
Alexander Gonzalez          Jim Lyons
Marti Gray                  April Parish
Mike Lee                    Angela Rader
Roseanne Lopez              Brigett Reilly
Donald Taylor               Jim Reinhart
Yan Zhou

Members Absent: Larry Cook

13-09-01  Accept the September 26, 2013 Board Meeting Agenda
          – Discussion/Action

Following discussion it was moved and seconded to accept the September 26, 2013 Board Meeting Agenda.

Motion carried. (Taylor/Zhou)

13-09-02  Approve the May 15, 2013 Board Meeting Minutes
          – Discussion/Action

Following discussion it was moved and seconded to approve the May 15, 2013 Board Meeting Minutes.

Motion carried. (Gray/Taylor)

Reports and Announcements

Jeff Stone, Russell Robertson –Macias Gini & O’Connell LLP

Jeff Stone thanked the Board for the opportunity to serve UEI. He thanked Craig Barth, Emily Chu and the staff for their excellent preparation and assistance throughout the audit process. Stone reported that the audit process went smoothly and reported on the auditor’s responsibilities under generally accepted auditing standards.

In reviewing the required annual communications, Robertson stated that UEI received a clean or unqualified opinion from MGO. Robertson stated that four accounting estimates – depreciation on capital assets, other post-employment benefit costs and unfunded obligation, pension costs and the fair market value of investments, are sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There was one finding on the amortization of loss on bond refunding. In July 2005, bonds were issued to refinance existing bonds, and as a result, a loss on bond refunding was recorded in the financial statements. According to GASB 23, the loss on bond refunding should be recognized as interest expense and amortized over the shorter life of the old debt or new debt. As part of the refinancing agreement, the redemption of the old bonds through Bank of New York Mellon was scheduled for and occurred in October, 2012. UEI management amortized the loss based on the old redemption (28 years) instead of the new redemption (7.25) years. In addition UEI elected to implement GASB 65 in 2013, resulting in deferred bond issuance costs being fully expensed rather than amortized, requiring a prior period adjustment of $1.13 million, which was included in the beginning of the year balance.

**Chair’s Report**

President Alexander Gonzalez welcomed everyone to the first Board meeting of the year and introduced new student member Nielsen Gabriel, ASI President, and new community member, Jeff Einhorn, Chief Executive Officer of NonProfits’ United. Larry Cook, Executive Vice President of AIRCO Mechanical, Inc. will also join the Board but was unable to attend the meeting.

The fall semester opened smoothly with the university’s total headcount exceeding 29,000 students with the largest entering class of freshman and transfer students (8,000). President Gonzalez reported that he attended the CSU Board of Trustees meeting where the Governor stated his proposal for a 5% increase in the CSU base operating budget for the next two years, and 4% the following two years. President Gonzalez reported that Rollin Richmond, President at Humboldt State University, will retire at the end of the 2013-14 academic year.

President Gonzalez stated the campus is experiencing more start-of-semester traffic congestion. Much of the congestion springs from greater enrollment this semester. Mike Lee, Vice President for Administration, UTAPS, and the University Police are investigating solutions to improve traffic flow.

**Executive Director’s Report**

Director Reinhart presented “The Year in Review.”
Highlights from fall 2012:

- SEIU Local 1000 Side Letter Agreement
- Rebranded Student Employment Services as the CA Intern Network
- CSUEU and Dining Services MOU executed, 9/1/12 - 8/31/15
- Goethe Trust Account Advisory Committee
- Opened “Good Eats!” in the University Union
- Renovated Round Table Pizza, Epicure Restaurant and River Front Center
- Amended Bylaws and Restated Articles of Incorporation
- Julia Morgan House listing expired - purchased adjacent house
- Copy Graphics closed
- Java City agreement & Starbucks funding approved
- Campus Dining Facebook page launched – 750+ ‘fans’
- Proposition 30 passed

Spring 2013:

- New Dining Services Director started – Steven Davis
- Approved Julia Morgan House conference center plans
- Friends of Julia Morgan House initiative
- Amended Follett bookstore agreement
- RFP - Investment Advisor – Appointed Sand Hill Global Advisors
- Early retirement of Broad Fieldhouse debt - $2.9 million

Summer/Fall 2013:

- SEIU Side Letter Agreement expired
- SEIU Contract – field of study & no displacement
- Hired Intern Network Business Development Directors
  - April Parish
  - Jim Lyons
- Completed Java City transition to UEI operations
- UEI website redesigned
- Union Well, Inc. contributed to VEBA, OWP next
- Dining Commons 1,702 meal plans
- Upper Eastside Lofts – 356 beds leased
- Full-time Central Staff – 6/2012=104 compared to 9/2013= 105

Committee Reports*
1. Executive Committee
2. Audit Committee (distributed at meeting)
3. Budget & Finance Committee (distributed at meeting)
4. Investment Committee

*All minutes for committee meetings are included in Attachment B of the September 26, 2013 Board Packet or are attached to these minutes.


**New Business**

13-09-03  **2012/2013 Audited Financial Statements – Discussion/Action**

Following a presentation by Craig Barth, the Board approved the seconded motion from the Audit Committee to accept the 2012/2013 Audited Financial Statements.

Motion carried unanimously.

13-09-04  **Election of Committee Members – Discussion/Action**

Following discussion it was moved and seconded to approve the following board member committee appointments:

- **Budget and Finance Committee** – Larry Cook, Nielsen Gabriel, Randy Sater
- **Investment Committee** – Jeff Einhorn
- **Audit Committee** – Yan Zhou
- **Personnel Committee** – Jude Antonyappan

Motion carried. (Ekanayake/Taylor)

13-09-05  **Approval of UEI Operating Agreement – Discussion/Action**

Director Reinhart informed the Board of the amendment to UEI’s Operating and Lease Agreement which gives UEI authorization from the Board of Trustee’s to provide services to Sacramento State. The Facility Lease between California State University and UEI-Food Services was removed and incorporated under a separate agreement.

Following discussion it was moved and seconded to approve UEI’s Operating Agreement.

Motion carried. (Ekanayake/Lopez)

13-09-06  **Approval of UEI Facility Lease between CSU and UEI-Food Services – Discussion/Action**

Director Reinhart stated UEI’s Facility Lease was previously part of the Operating and Lease Agreement. The following properties are being incorporated under a separate agreement:

- River Front Center
- Outpost
- Roundhouse
- Dining Commons
- Courtyard Market at the American River Courtyard
- Library Breezeway (Java City)

Following discussion it was moved and seconded to approve the Facility Lease between CSU and UEI-Food Services.

Motion carried. (Gray/Zhou)
13-09-07  **Approval to increase the construction budget for Starbucks – Discussion/Action**

Brigett Reilly, Director of Property Services, discussed the need to increase the construction budget for Starbucks by $200,000, over the approved budget of $900,000, due to unexpected fire and life safety issues related to the age of the building and change of its use.

Following discussion it was moved and seconded to approve an increase in the construction budget for Starbucks (previously approved on 9-27-12) by $200,000 to $1,100,000.

Motion Carried.  (Lee/Fountain)

13-09-08  **Approval to increase the renovation budget for the Julia Morgan House – Discussion/Action**

Reilly discussed the renovations of the Julia Morgan House. Due to additional structural and mechanical costs for the heating and cooling system, a redesign of the disabled parking stalls and the purchase of furnishings for the historical portion of the home, an additional $200,000 increase is requested over the approved budget of $400,000.

Following discussion it was moved and seconded to approve an increase in the renovation budget for the Julia Morgan House (previously approved on 3-21-13) by $200,000 to $600,000.

Motion Carried.  (Taylor/Einhorn)

**Closed Session**

13-09-09  **Personnel Issue – Evaluation of Performance (Government Code 54957)**

The committee went into Closed Session at 1:35 p.m. following President Gonzalez’ reference to agenda item 13-09-09.

13-09-10  **Real Property Negotiations Parcel No. 2940098-034-0000 (Government Code 54956.8)**

The Board remained in closed session to discuss real property negotiations, Parcel No. 294-0098-034-0000.

The Board reconvened into open session at 2:24p.m.

The Board of Directors unanimously supported a bonus for UEI’s Executive Director.

The Board of Directors approved and seconded a motion to authorize UEI’s Executive Director to negotiate and purchase Parcel #294-0098-034-0000.
Motion carried. (Taylor/Antonyappan) (Abstention – Ekanayake) (Gabriel/Bates – left prior to Closed Session)

The meeting was adjourned at 2:28 p.m.

Respectfully Submitted,

Jim Reinhart
Executive Director
University Enterprises, Inc.