



BOARD OF DIRECTORS MEETING – REGULAR  
TITAN SHOPS CONFERENCE ROOM (SENATE CHAMBERS)  
MARCH 12, 2009  
7:00 – 9:00 PM

**Present:** Bill Barrett, Ted Bremner, Raul Davis, Bill Dickerson, Diana Guerin, Bob Hall, Scott Hewitt, Zeke Luna, William Meyer, Frank Mumford, Barry Pasternack, Linda Patton, Daniel Ramsey, Juli Santos, Curtis Schlaufman, Ephraim Smith.

**Excused:** Gary Del Fium, Milton Gordon, Pam Hillman, Steve Murray, Robert Palmer, Ron Rangel.

**Guests/Staff:** Pearl Cheng, Ann Ehl, Omar Iftikhar, John Jay, Tony Lynch, Peter Poon.

I. CALL TO ORDER

Chair Bremner called the meeting to order at 7:15 p.m.

II. APPROVAL OF MINUTES

Mr. Luna moved, Prof. Pasternack seconded and motion carried unanimously to approve the minutes of the 12/11/08 Board of Directors meeting.

III. TREASURER'S REPORT

Mr. Mumford reported that the Bookstore, Food & Vending, Grants/Contracts, Other Commercial Operations and Administrative divisions' combined activities generated a net income of \$722,000 through January, 2009. The ASC has a \$174,000 positive budget variance for the fiscal year to date. The net income actuals are \$78,000 for Food/Vending; \$1,386,000 for Titan Shops; \$250,000 for Grants and Contracts; and \$462,000 for College Park. Administrative net expenditures were \$992,000.

IV. PRESIDENT'S REPORT

There was no report.

V. GRANTS & CONTRACTS REPORT

Ms. Patton reported that in dollars awarded, they are \$2M ahead of the same period last year. Recently, the US Senate passed the Omnibus Appropriations Act of 2009, a \$410B spending bill which includes three CSUF projects. CSUF chemistry professor Chris Meyer is currently serving as an NSF Rotator/Program Director. He will be making a presentation to campus about his NSF experience, funding opportunities at NSF & NIH, and how other faculty can become a Rotator and/or peer reviewer. OGC is looking forward to implementing Cayuse software, the web-based grant proposal preparation system to Grants.gov. It is the fastest, most accurate platform for preparing, reviewing, approving

and submitting federal grant applications. The system is compatible with various federal agencies and ensures a clean submission.

Prof. Hewitt said that we need to mobilize the faculty to take advantage of the stimulus funds and which would provide a great opportunity to bring in additional funds to campus. Ms. Patton agreed, saying that she is currently working with various VPs, deans, chairs and faculty to make that happen.

VI. EXECUTIVE DIRECTOR'S REPORT

Mr. Dickerson reported that our Grand Central Artist Village in Santa Ana began its 10 year anniversary celebration which will continue into April. The celebration will include sample work from many of the artists who have exhibited during the past decade. Last Friday, the Chancellor's Office auditors completed their five-week, on-site compliance audit. So far, we know of only six minor findings. At University Gables (UG), Bob Clark, Jr. has now sold three homes. However, it appears that there will be six additional homes will come on the market shortly. The Housing Authority hopes that with some 20-30 incoming tenure-track faculty, there will be renewed interest in UG homes. At Creekside, there are three homes in escrow and two more are left in inventory. And at University Heights, the unsold homes are now available for lease. With five homes recently leased, there are now 21 homes available. In a couple days, Mr. Dickerson will head to Memphis to present "Faculty-Staff Housing--A Sound Investment Despite Today's Housing Market?" at the national Association of the College Auxiliary Professionals (ACAP) conference. And lastly, Titan Shop's Chuck Kissel was recently identified in a national publication as one of the "21 under 40" rising stars in the national campus bookstores scene.

VII. RATIFICATION: CKE REMODEL INCENTIVE

Mr. Luna moved, Mr. Davis seconded and motion carried to adopt the following resolution.

**CKE Remodel Incentive**

WHEREAS, the Franchise Agreement between the Auxiliary Services Corporation (ASC) and Carl Karcher Enterprises (CKE) calls for the ASC to pay a standard royalty fee of 4.0% of sales; and

WHEREAS, the completion of a full remodel of our Carl's Jr. restaurant during Fall 2008 makes the ASC eligible for a 0.25% reduction of royalty fees paid to CKE for up to four years.

THEREFORE, BE IT RESOLVED that the Board of Directors approves and authorizes the Executive Director to enter into the attached Remodel Incentive Agreement reducing the royalties paid to CKE to 3.75% through October 8, 2012.

VIII. RESOLUTIONS

A. LINE OF CREDIT INCREASE TO HOUSING AUTHORITY

Mr. Dickerson reported that the reason for the increase in the line of credit is to ready University Heights for lease/move-in, complete the Elks Lodge and pay subcontractors who have placed liens on the project when they were not paid by

Valeo Companies. To date, the Housing Authority has paid approximately \$400k to subcontractors and other vendors to complete the University Heights project.

Prof. Pasternack moved to accept the amended resolution (see underlined portion below), Mr. Luna seconded and motion carried, with Mr. Hall abstaining, to approve the following resolution.

### **Housing Authority Line of Credit Expansion**

WHEREAS the CSU Fullerton Housing Authority (“Housing Authority”) has developed 86 affordable homes at University Gables and 42 homes at University Heights; and

WHEREAS sales at both the University Gables and University Heights have been impacted by the overall downturn in the economy; and

WHEREAS several contractors have initiated mechanic liens and litigation as a result of not having received payments due for work done at University Heights; and

WHEREAS the Elks Lodge has informed the Housing Authority that they believe the Housing Authority is liable for both construction delays and alleged defects present in their new lodge; and

WHEREAS the Housing Authority is contractually obligated to finish University Heights and correct the problems with the Elks Lodge and, in order to do so, is working with both the contractors and the Elks Lodge to settle their respective claims; and

WHEREAS these increasingly difficult sales conditions have prompted the Housing Authority to seek medium- and long-term financing as a means of addressing its overall financial problems, but, for the present, have created a temporary shortfall in cash in the amount of approximately \$500,000, in addition to the \$500,000 that was approved on 05/13/08, and \$250,000 approved on 10/18/08; and

WHEREAS the CSU Fullerton Auxiliary Services Corporation (“ASC”), has the resources to lend the Housing Authority the additional funds to cover the aforementioned cash flow shortfall.

THEREFORE, BE IT RESOLVED that the ASC Board of Directors hereby approves an increase in the line of credit available to the CSU Fullerton Housing Authority in the amount of \$500,000 (bringing the total loan to \$1,250,000) for the purpose of paying claims arising from University Heights and covering ongoing operating costs; and

BE IT FURTHER RESOLVED that such line of credit is to be repaid from the long term financing made available to the ASC through the California State University’s commercial paper program and Housing Authority’s net income; interest on the line of credit shall accrue at 0.5% above LAIF, adjusted semi-annually on January 1 and July 1 of each year; payment of interest on the line of credit may be deferred until such time as adequate funding is available from the Housing Authority to repay interest; and

BE IT FURTHER RESOLVED that the Board of Directors hereby authorizes and directs its Executive Director and officers or any of them to take all actions necessary to implement the

foregoing resolutions, including, without limitation, the executing loan documentation with the Housing Authority on the aforesaid terms.

B. FIRST CLASS VENDING

Mr. Dickerson reported that First Class Vending has been purchased four times, but has had the same principal (Richard Castle) and continues to run the vending service on campus. This will bring current the agreement which guarantees \$50,000 in annual commissions. Prof. Pasternack noted that with the university paying the utilities, we should consider charging the vending company for those costs.

VP Smith moved, AVP Barrett seconded and motion carried unanimously to adopt the following resolution.

**First Class Vending Agreement**

WHEREAS, the CSU Fullerton Auxiliary Services Corporation (“Corporation”) has been operating its vending contract on a month to month basis for some time and desires to enter into a longer term arrangement with a vending service provider; and

WHEREAS, First Class Vending Inc. (“First Class”) has been providing vending services to the Corporation for the last few years and the Corporation has been pleased with the level of service provided by First Class; and

WHEREAS, First Class has proposed entering into a two year agreement with the Corporation on terms which the Corporation deems favorable, including a guaranteed annual commission of \$50,000 per year to the Corporation.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Corporation authorizes the Executive Director to enter into a two year vending agreement with First Class Vending, Inc. in a form substantially similar to that attached.

C. STARBUCKS SUBLEASE

Mr. Dickerson noted that this resolution recommends that the Starbucks franchise lease the Mihaylo Hall space for five years, with profits to be used to repay the Mihaylo Hall loan. The sublease language was drafted by the University.

AVP Barrett moved, Mr. Schlaufman seconded and motion carried unanimously to adopt the following resolution.

**Starbucks Sublease at Mihaylo Hall**

WHEREAS, the CSU Fullerton Auxiliary Services Corporation (“Corporation”) at the request of the California State University, Fullerton (“University”) entered into an agreement with Starbucks Corporation (“Starbucks”) to allow the Corporation to operate a Starbucks store within Mihaylo Hall; and

WHEREAS, the University agreed to sublease the space within Mihaylo Hall to the Corporation for use as a Starbucks store; and

WHEREAS, the University has proposed to sublease the space for the Starbucks store on the terms and conditions contained in the attached sublease; and

WHEREAS, the Corporation is agreeable to leasing the space for the Starbucks store from the University on the terms and conditions proposed.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Corporation authorizes the Executive Director to enter into the attached Sublease with the University.

D. IRVINE CAMPUS

Mr. Dickerson said that this resolution authorizes negotiations with an Irvine property owner to enter into a lease and a letter of intent has already been signed.

Prof. Hewitt reported that after many debates, the Academic Senate passed a resolution today opposing the Irvine Spectrum sight as the new location of IRVC.

Prof. Pasternack added that a motion was made to change the resolution to defeat the site for the remainder of the year. He believes that we need to look for sites that are less costly.

AVP Barrett said that we (the University) need the ASC to be the conduit regardless of the location. The ASC is more agile in contracting with necessary contractors, owners, etc. There have been some 30 locations reviewed in the last six months; this one had the best parking arrangements (average is four parking spaces for 1000 sf of space; this location provided five parking spaces). If and when decisions are made, we need to move quickly in order to be open for the fall semester.

Prof. Guerin said that this fall, we will eliminate 2000 FTES. She noted that we're opening a larger facility while budget cuts are being made across the board; it seems a poor time to open a bigger and better facility.

VP Smith added that there were two major reasons for the Academic Senate resolution. One was the parking issue; this site has the potential to accommodate the students in a fairly new facility while offering enough parking. The second reason was the TIs (tenant improvements). This site is one of the best of many sites reviewed. The approval of the ASC resolution will allow us to negotiate. We lost the CPS site to Chapman University. He concluded by urging the board to approve this resolution.

Prof. Pasternack acknowledged the need for a satellite location to accommodate south county students who are unable to travel to the main campus due to traffic in the afternoon and evening. He suggested that other options might be to lease or purchase high school spaces or big box stores with its adequate parking.

Prof. Meyer expressed concern about entering into a new lease, saying that a lot of money has been spent at the current location which will be lost. He believes that the University would be better served in the long run to purchase property.

Prof. Hewitt noted that this resolution was for a specific site, while multiple possibilities remain. He further noted that we're still negotiating with Lennar and stated that he believes we should not be locked into one particular site with this resolution.

Mr. Dickerson asked whether this is the appropriate forum to discuss what action the University should take on this issue, as the decision to relocate the Irvine campus does not rest with the ASC. This resolution is simply an action by the ASC Board to allow further negotiation with the landlord and does not lock the campus into this proposed location. If we vote against this resolution, we put the ASC in the position of questioning the University's decision. He clarified that the ASC has been asked to continue negotiations. To vote no on this resolution would not send the right message to the University; there are other more appropriate forums for that.

AVP Barrett added that the University is out of time and needs a location to be open for fall classes at the end of August. He is "99% sure" that ASC will be asked to sign any lease/purchase documents on behalf of the University and asked whether a modified resolution be more acceptable to the ASC board.

VP Smith also added that the University's goal is to buy a facility; however, the state credit rating isn't optimal. He indicated that the campus looked at "big boxes," contacted the City of Irvine, and evaluated local school sites (which provide very limited parking). There are more facilities coming on the market, but the difficulty is that there is a very limited timeline. Although now may be the time to buy, it's also not the time to float bonds. While Chapman University had \$22M in cash, we do not. In Irvine, we have 1000 FTS which is about 2200 headcount; the peak is at 3000 headcount.

Prof. Guerin noted that there are only 311 FTES at IRVC.

Prof. Pasternack said that we have a fiduciary responsibility to the ASC. He would prefer a broader resolution that would allow the campus to look at locations other than just this specific location. AVP Barrett moved to accept the resolution as amended by Prof. Pasternack to remove the fifth "Whereas" clause and to change as underlined in the last paragraph; Mr. Sclaufman seconded and motion carried to adopt the following resolution.

#### **Authorization to Lease Space for Irvine Campus**

WHEREAS, the CSU Fullerton Auxiliary Services Corporation ("ASC") has been leasing the premises known as CSU Fullerton – Irvine Campus since June 22, 2002; and

WHEREAS, Heritage Fields El Toro LLC has informed ASC that the current lease ending June 30, 2009 will be the last due to its pending demolition; and

WHEREAS, the California State University, Fullerton (“University”) has requested that the ASC secure additional space that might serve as a suitable location for the CSU Fullerton – Irvine Campus; and

WHEREAS, the ASC and the University have agreed that they will continue to enter into a sublease arrangement in which the University will rent 100% of the leased space at a cost that, at a minimum, will reimburse the ASC for all its out of pocket costs associated with the project, including management and financing costs, if necessary; and

BE IT RESOLVED, that the Board of Directors of the CSU Fullerton Auxiliary Services Corporation authorizes its Executive Director to enter into a lease or purchase on terms acceptable to the University.

IX. REPORTS

A. REPORT

Mr. Lynch reported that the Mihaylo Hall Starbucks location has been very successful and sales have been averaging \$3,500 daily. The grand opening held last year was well received. Fresh Kitchen, the newest dining concept in the TSU, is now open with positive feedback; it is popular with CSUF President Gordon who stops by once/week. Now that the Mihaylo Hall construction has cleared, Carl’s Jr. continues to do well and sales are up by 30% over last year. However, OC Choice Catering is not doing well; sales have been down significantly. Lastly, the Humanities Plaza Building will replace the current standing trailer.

Prof. Pasternack asked why the Mihaylo Hall Starbucks profits are not listed in the monthly financial reports; Mr. Lynch replied that those profits are being used to pay back the Mihaylo Hall loan.

Prof. Pasternack asked why campus dining sales are doing so poorly. Mr. Lynch replied that Food Court sales are actually doing well, but Catering sales are down and the extra payroll in January did not help.

B. REPORT

Mr. Iftikhar reported that IT was involved in the opening of the new Starbucks at Mihaylo Hall. They worked to put in two point-of-sales registers, trained some 30 new cashiers, and implemented the Starbucks gift card program that is not used at other campus locations. Surprisingly, the gift cards are getting a lot of use; for February, there were 2800 gift card tenders, which account for 32% of sales and is second only to credit cards. This location is also selling gift cards, with other full-retail, non-campus locations referring to the CSUF Mihaylo Hall location as the store to purchase gift cards. IT is also working with the vendors on a faster integrated gift card solution to provide more efficient service.

Web sales at Titan Shops have been significant, with a 27% increase over the previous spring and text sales higher than \$1M. Orders received and processed have increased by 20%, with significant increases in used and e-book sales.

With encouragement from Frank Mumford, Mr. Iftikhar is now involved in the AOA's standing IT committee. The AOA (Auxiliary Organizations Association) is the statewide group of all auxiliaries within the CSU. This year, Mr. Iftikhar serves as vice-chair of the committee, moving up to chairman next year. Until recently, IT has been absent from AOA activity, but will network and collaborate on common challenges. Mr. Dickerson added that Titan Shops was the fourth highest in text internet sales nationwide a couple years ago. Titan Shops is doing a great job staying "ahead of the curve," and has Mr. Iftikhar to thank for his part in these positive changes.

X. OTHER BUSINESS

Prof. Meyer announced that the Theater & Dance department pamphlet distributed earlier is fresh off the press. The department recently hosted the regional American College Theater Festival, nearly sweeping the main awards of acting and directing. The CSUF Theater & Dance departments are excited to be sending students to the Kennedy Center to compete at the national American College Theater Festival later this spring.

XI. ANNOUNCEMENTS

Budget Workshop: **Tuesday 05/05/09 @ 5pm**, CP 250

Next Board Meeting: **Thursday 06/11/09**.

XII. ADJOURNMENT

Prof. Pasternack moved, AVP Barrett seconded and motion carried to adjourn the meeting at 8:45 p.m.

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*Approved by the Board of Directors, June 11, 2009.*

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Robert C. Hall, Secretary