

AGENDA

COMMITTEE ON FINANCE

Meeting: 1:30 p.m., Tuesday, January 25, 2000
Glenn S. Dumke Conference Center

Anthony M. Vitti, Chair
Laurence K. Gould, Jr., Vice Chair
Bob Foster
Harold Goldwhite
Frederick W. Pierce IV
Ali C. Razi
Stanley T. Wang

Consent Items

Approval of Minutes of Meeting of November 16, 1999

Discussion Items

1. Status Report on the 2000/2001 Budget, *Information*
2. Private Sector Participation in the Development of Student Housing at California State University, San Marcos, *Action*
3. Private Sector Participation in the Development of Student Housing Expansion at California State University, San Bernardino, *Action*
4. Public/Private Development of Technology Park by an Auxiliary Organization at California State University, Long Beach, *Information*
5. Public Sector Participation in Parking Activities at San Diego State University, *Action*
6. CSU Annual Investment Report, *Information*

**MINUTES OF MEETING OF
COMMITTEE ON FINANCE**

**Trustees of The California State University
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

November 16, 1999

Members Present

Anthony M. Vitti, Chair
Laurence K. Gould, Vice Chair
Harold Goldwhite
William Hauck, Chairman of the Board, ex officio
Frederick W. Pierce IV
Charles B. Reed, Chancellor, ex officio
Stanley T. Wang

Members Absent

Bob Foster
Ali C. Razi

Other Trustees Present

William D. Campbell
Martha C. Fallgatter
Dee Dee Myers
Joan Otomo-Corgel
Ralph R. Pesqueira
Michael D. Stennis

Chancellor's Office Staff

David S. Spence, Executive Vice Chancellor and Chief Academic Officer
Richard P. West, Executive Vice Chancellor and Chief Financial Officer
Jackie R. McClain, Vice Chancellor, Human Resources
Douglas X. Patiño, Vice Chancellor, University Advancement
Christine Helwick, General Counsel

Trustee Anthony M. Vitti, chair, called the meeting to order at 2:34 p.m.

Approval of Minutes

The minutes of September 14, 1999, were approved.

Auxiliary Organization Financing at San Francisco State University

Trustee Vitti asked Mr. Richard P. West, executive vice chancellor and chief financial officer, to present the item. Mr. West explained the purpose of the item was to inform the board of San Francisco State University Foundation's pending acquisition of a 27-unit apartment complex directly adjacent

to the campus. The property will be used primarily for faculty rental housing. Mr. West said it will take some time to work out the existing tenant situation under the San Francisco Rental Authority Law; however, he thought the project presents a viable strategy to acquire additional land that will in turn expand the campus boundaries.

Trustee Fred Pierce asked why taxable financing was being used for the property rather than non-taxable financing. Trustee Vitti said his understanding was that most tax-exempt situations are obtainable if you have restrictive rents on a certain portion of the facility, and that there does not necessarily have to be an exempt borrowing entity involved. Mr. West agreed and said the current tax status could eventually change when the building is fully occupied by the university, rather than by non-university tenants.

Trustee Pierce inquired whether the 15-year loan contained any flexibility regarding refinancing. Mr. West said it was his understanding that refinancing could be pursued at any time.

The project will be an expenditure from the campus foundation and does not require trustee approval. It was presented for the trustees' information only.

Approval for the Issuance of the California State University Housing System Revenue Bonds, San Diego State University, Residential Suites and Residential Dining Complex

Mr. West explained the item, which calls for trustee authorization for the sale and issuance of California State University Housing System Revenue Bonds in an amount not to exceed \$40,300,000 to finance the construction of the Residential Suites and Residential Dining Complex at San Diego State University.

The project will help alleviate the tremendous need for residential housing at the San Diego campus. The project has been reviewed by an internal committee consisting of a CSU president as chair, along with several vice presidents and Chancellor's Office staff members. Mr. West noted the proposal was brought before the board in May for information and is now being recommended for approval.

Trustee Wang asked if any type of financial analysis had been done to examine the ratio of income to debt coverage. Mr. West said there is sufficient coverage of income to debt; however, he did not have the specifics at the moment, but would provide them to Trustee Wang as soon as possible.

Trustee Wang also inquired about the amount of rent to be charged to the students for this facility. Ms. Sally Roush, vice president for business and financial affairs at San Diego State University, said that the amount charged per student would vary based upon configuration and location of the suite within the building. She said the amount would vary somewhere between \$300 and \$400 dollars per month.

Trustee Vitti asked if a marketing study on occupancy rates had been performed. Ms. Roush said a study had been performed indicating a projected 90 percent occupancy rate for the first year of the project. She indicated this was a conservative estimate and that existing facilities on-campus are currently operating at the 99 percent occupancy level. Trustee Wang said he was satisfied with the information presented for now, but cautioned that it needed to be looked at again at a later date.

Trustee Vitti inquired about the potential for making a profit from the facility. Trustee Wang said it was necessary to make a profit to some degree; however, student affordability must be considered first and foremost.

Trustee Fallgatter observed that since the rates for the facility were set as a result of consultation with the Campus Fee Advisory Committee (which consists largely of students), then it is assumed that students are comfortable with the rates. She pointed out that this would indicate that the debt service coverage ratio is for the campus pool rather than the individual facility. Ms. Roush explained that the facility would not begin to cover its own costs until approximately the fifth or sixth year of operation. The deficit balance during that time would come from the balance of the University Housing Program, which is a pooled program.

The committee recommended approval of the proposed resolution (RFIN 11-99-09).

Private Sector Participation in the Development of Innovation Village, a 65-Acre Technology Park at the California State Polytechnic University, Pomona

Mr. West presented background information regarding the proposal by Cal Poly Pomona to enter into a public/private partnership for the development of a 65-acre parcel of agricultural land located on the campus. The campus has performed an extensive land-use study to explore the possibility of developing the land for use as a mixed-use technology park. He explained the trustees are being asked to review and approve the concept of the project, and to authorize the project to proceed at this time.

The proposed project would be called Innovation Village, and will be a master-planned community of technology-based enterprises, research and development facilities, corporate offices, retail shops, and possibly a housing element. The university is seeking a private sector partner to construct, design, and finance the buildings within Innovation Village. The project is intended to promote and support technology transfer and environmental design.

Trustee Fred Pierce reported that he had recently visited the site on the campus and expressed his support for the project. He congratulated those involved in its initial development for their insight in providing new business ventures to the community in the field of technology.

Trustee Wang said he thought the project was a good one, and asked if the campus had a partner in mind at this time. Mr. Edward Barnes, associate vice president, executive affairs, Cal Poly Pomona, explained that they did not have a partner at the moment. He said trustee approval of the project concept would allow the campus to begin the process of identifying a pool of potential partners.

Trustee Vitti asked if there would be one partner or several partners involved in the project. Mr. Barnes said that it is possible that they may end up working with a group rather than an individual partner, but that was an unknown factor at this time. He clarified that the intent of the proposed resolution was simply to obtain trustee approval of the concept of the project at this time, and that additional reports will be brought back to the board for review and comment as the economic and partnership details are developed.

The committee recommended approval of the proposed resolution (RFIN 11-99-10).

Annual Student Fee Report

Mr. West presented an overview of the annual student fee report. The report is brought to the board each year to inform the trustees of any changes that have been made to mandatory campus-based fees and also compares our State University Fee with those of our comparison institutions.

Mr. West noted there had been a 5 percent reduction in the State University Fee during the year. As a result of the reduction, the CSU fee is now the lowest in our comparison group, with an average student fee of approximately \$1,800 per year. Mr. West cited the significant contributions of the people of California and their commitment to investment in higher education as the primary reason for improving the affordability of attending college in California.

Trustee Wang said the report was encouraging on a systemwide level, but expressed concern with regard to the Los Angeles campus's campus-based fee adjustment amount. Mr. West explained the substantial increase was primarily a result of the student health fee at the campus going from \$0 to \$120. The majority of campuses have shifted from state funding to student fee funding for the health services fee. The Los Angeles campus had not implemented that shift until this year, resulting in the significant jump in mandatory campus-based fee adjustment.

Public Sector Participation in the Development of a Department of Justice Crime Lab at California State University, Fresno

Mr. West reviewed the item, which was presented for concept approval at the May 1999 Board of Trustees' meeting. The trustees are now being asked to approve the development program utilizing the public sector to develop, finance, construct and operate a new 36,000-square-foot crime lab facility at California State University, Fresno and to confirm the chancellor's authority to enter into agreements that will facilitate development of the project.

Dr. John D. Welty, president, California State University, Fresno, explained that this is the second building in what is planned to eventually be the Central California Science Center on the campus. The center is essentially designed to house academic facilities in the sciences and to demonstrate the application of science in a variety of differing fields. The partnership with the Department of Justice will allow the campus to provide student internships and will also provide opportunities for faculty to work with the Department of Justice staff on research projects. It will also support the campus forensics, chemistry, and criminology programs and ultimately progress toward the goal of a planned joint doctoral program with the University of California. President Welty noted the specifics of the program were outlined in detail in the agenda material.

The committee recommended approval of the proposed resolution (RFIN 11-99-11).

Adjournment

The meeting adjourned at 3:08 p.m.

BRIEF

Information Item

Agenda Item 1
January 25-26, 2000

COMMITTEE ON FINANCE

Status Report on the 2000/2001 Budget

Presentation By

Richard P. West, Executive Vice Chancellor
and Chief Financial Officer

Summary

The 2000/2001 Governor's Budget is scheduled for release in the second week of January. A summary status report on the 2000/2001 Governor's Budget will be presented, including a status report comparing the Board of Trustees' budget request with that of the Governor's Budget. Additional items of interest to the board regarding the 2000/2001 budget may also be discussed.

2000/01 Budget Plan - Governor's Budget vs BOT Budget Plan

	Governor's Budget	Board of Trustees
Mandatory Costs		
Employee Benefits	\$9,022,800	\$7,136,000
New Space	5,669,200	5,765,000
1999/2000 General Employee Compensation Increase	3,600,000	3,600,000
1999/2000 Faculty Collective Bargaining Agreement	6,800,000	6,800,000
1999/2000 Full-Year Service-based Comp. Increases	2,500,000	2,500,000
Enrollment - 4.5% Increase; 12,577 FTE Students		
Marginal Cost for Instruction	81,901,000	81,901,000
State University Grant Increase	4,390,000	4,390,000
Compensation (5% pool for all employees after July 1, 2000)	94,340,000	77,444,000
Monterey Bay	2,290,000	2,290,000
Long-Term Budget Need		
Technology	15,000,000	15,000,000
Libraries	3,000,000	3,000,000
Deferred Plant Maintenance	2,813,000	3,300,000
Subtotal, CSU Operations and Enrollment Growth	\$231,326,000	\$213,126,000
State Investments:		
CALTEACH Recruitment	\$9,000,000	
Governor's Teacher Fellowships	3,500,000	
Campus Start-Up Costs - CSU, Channel Islands		\$10,000,000
Off-Campus Center Support - Coachella Valley	380,000	380,000
CPEC Faculty Salary Lag Adj., 2% comp. pool increase		20,876,000
Total, Campus Operations/Faculty Salary Support	\$12,880,000	\$31,256,000 *
Total, 2000/01 CSU Budget Plan	\$244,206,000	\$244,382,000

* 1% of this request is funded in the Compensation line of 5% for all employees.

BRIEF

Action Item

Agenda Item 2
January 25-26, 2000

COMMITTEE ON FINANCE

Private Sector Participation in the Development of Student Housing at California State University, San Marcos

Presentation By

Alexander Gonzalez, President
California State University, San Marcos

Bradley W. Wells, Assistant Vice Chancellor
Financial Services

Summary

California State University, San Marcos is proposing to enter into a public/private partnership to finance, construct and manage on-campus student housing. The project would provide needed student housing on campus and provide the university the opportunity to enrich the campus community experience for its students.

This agenda item requests the Board of Trustees to review and approve a concept plan for the public/private partnership venture and authorize the project to proceed with the understanding that additional information will be presented to the board at key points in the process.

Recommended Action

Approval of the resolution.

ITEM

2

Agenda Item 2

January 25-26, 2000

COMMITTEE ON FINANCE

Private Sector Participation in the Development of Student Housing at California State University San Marcos

California State University, San Marcos (CSUSM) is proposing to enter into a public/private partnership, through the Request for Qualification/Request for Proposal (RFQ/RFP) process, to finance, construct and manage its first on-campus student housing project consisting of approximately 400 bed spaces. The project is expected to be completed and available for occupancy by June 2002. In its initial plans for student housing, the university will focus its efforts upon housing new freshmen, transfer students, and international students. Since the fall of 1995, when the university admitted its first freshman class, housing has been made available by master leasing apartments in a large off-campus apartment complex called University Sponsored Housing, which currently has approximately 80 resident students.

The project, to be built on a 5-7 acre campus site, would provide on-campus student housing and related parking facilities. A market demand analysis and financial feasibility study conducted by an independent research firm in the spring of 1999 demonstrated a need for as many as 600 on-campus bed spaces, in a variety of configurations, for CSUSM students by fall semester 2002. The study highlighted the increasingly tight rental market in San Diego County, with a vacancy rate of less than 1 percent in the City of San Marcos and less than 2.5 percent in North San Diego County. Market conditions have resulted in increasing rents and reduced accessibility and affordability of local housing for CSUSM students. The lack of student housing inhibits the university's ability to attract students who live beyond a reasonable commuting distance, thereby negatively affecting potential enrollment growth within its service area.

The market demand analysis and financial feasibility study also indicated that financing through the CSU Dormitory Revenue Fund Housing Program would not be financially feasible because the project is not anticipated to be self-supporting during the initial years of operation. It is expected that the private partner would assume the risk and liability in the early years and benefit from its investment in the future. Other campuses have the benefit of existing housing to subsidize new projects until they become self-sufficient. It is anticipated that the project will be financed, constructed and managed by a developer based on a minimum 30-year ground lease by the university. The university will retain oversight of the residential education program.

Benefits to the California State University, San Marcos Campus

The absence of on-campus student housing inhibits the university's ability to provide a housing and residential program that supports student success and retention and meets the needs of students. Research studies in American colleges and universities have found that resident students tend to have higher grade point averages, higher retention and graduation rates, and stronger relationships

with faculty and other members of the campus community. The university seeks to provide innovative and quality residential facilities that support a living-learning community that enhances: (1) academic success; (2) personal and leadership development; (3) responsible citizenship; (4) cross-cultural understanding; and (5) mutual respect for differences.

The Student Life Advantage

The new housing is expected to expand the parameters of student life to create a campus community with 24-hours-a-day, 7-days-a-week presence. The project will also provide housing in a very tight local rental market for students who live beyond a reasonable commuting distance, accommodate students with disabilities, and provide enhanced building security with limited access. Convenient student housing will increase student access to classes, faculty, library and academically related campus events, provide easy access to study groups, academic tutorials, and student support services, increase involvement in residential community activities and enhance residential student government and leadership programs in campus clubs, organizations and the Associated Students.

The Project

The project consists of 2-4 bedroom apartment facilities for approximately 400 undergraduate students. It is envisioned that the units will be fully furnished with options for both double and single occupancy bedrooms. The buildings will not exceed three residential floors and will include adequate surface parking. Each room will be connected to the campus computer network and each student is expected to have access to at least one data port, cable TV outlet, and one fax/modem telephone line. Upon completion, the physical facilities, grounds and administration of the project will be managed by the developer or a third-party entity. The property management company will have experience related to special needs housing, i.e., student or affordable housing. CSUSM will emphasize that this is not a typical market rate housing project, and unique skills are required to manage a residential student community. It is the intent of the university to retain oversight of the residential education program in collaboration with the property manager.

Development Procedure

On December 15, 1999, California State University, San Marcos issued a Request for Qualifications to all interested parties for the selection of developers who will be invited to participate in an RFP process. Qualifications of respondents will be evaluated based upon pre-determined criteria by a university committee. The Request for Proposals will be issued to qualified respondents subsequent to the trustee review and approval of concept plan to enter into a public/private partnership venture. Selection of the developer is expected by May 2000. The campus will return at a later meeting of the trustees for approval of its negotiated development program.

Title to the proposed campus site will continue to be held by the State of California for use of the California State University. CSUSM will enter into a long-term ground lease for the site and may utilize the CSUSM Foundation, a recognized CSU auxiliary organization, as an intermediary in this

project. Either the university through a lease, or the foundation through a sublease, would contract with the developer for financing, construction and management of the student housing project.

It is envisioned that the developer selected for this project will, with university oversight, finance, construct, and manage the on-campus student housing project, with minimal financial risk to the campus.

This project will be reviewed by the CSU Housing Proposal Review Committee before its final development program is presented to the trustees. The committee is chaired by a campus president and includes one vice president of administration/business affairs, one vice president for student affairs, and two chief housing officers. The committee has been created to review the feasibility of new housing projects and to advise campus presidents and the chancellor whether or not to proceed with a proposed project.

Summary

This request to the trustees provides a summary of the plans that will allow CSUSM, with the assistance of the private sector, to develop on-campus housing for its students. This agenda item requests the Board of Trustees to review and approve a concept plan for the public/private partnership venture and authorize the project to proceed with the understanding that additional information will be presented to the board at key points in the process.

Proposed Resolution

The following resolution is recommended for approval:

RESOLVED, By the Board of Trustees of The California State University, that the trustees:

1. Support the concept of a public/private partnership for the financing, construction and management of student housing for approximately a 400-bed student housing facility as described in this agenda item.
2. Confirm the chancellor's authority to enter into negotiations and such agreements as necessary to initiate the process for specific development programs to be considered by the campus, Office of the Chancellor, and the Board of Trustees.
3. Will consider the following action items for approval at appropriate times during the development process:
 - (a) Specific development program, including a summary of final project agreements negotiated by the campus and the developer, with the advice of the chancellor;
 - (b) Master plan revisions, as needed;
 - (c) Proposed schematic plans; and
 - (d) Environmental documents for all facilities.

BRIEF

Action Item

Agenda Item 3
January 25-26, 2000

COMMITTEE ON FINANCE

Private Sector Partnership in the Development of Student Housing Expansion at California State University, San Bernardino

Presentation By

Albert K. Karnig, President
California State University, San Bernardino

Bradley W. Wells, Assistant Vice Chancellor
Financial Services

Summary

California State University, San Bernardino proposes to enter into a public/private partnership to finance, construct, and manage an on-campus student housing project. The campus is experiencing a growing demand for housing due to the rapid increases in student enrollment. Independent market research has confirmed that the growth in demand for on-campus housing is directly linked to enrollment increases, particularly at the freshman and sophomore levels and that the campus will require additional housing to meet future demand for on-campus living.

This agenda item seeks the Board of Trustees' approval of the conceptual plan for a public/private partnership venture with the understanding that additional information will be presented to the board at key points in the process.

Recommended Action

Approval of the resolution.

ITEM

2

Agenda Item 3
January 25-26, 2000

COMMITTEE ON FINANCE

Private Sector Partnership in the Development of Student Housing Expansion at California State University, San Bernardino

California State University, San Bernardino (CSUSB) proposes to enter into a private/public partnership through a Request for Qualification/Request for Proposal process to finance, construct, and manage a student housing project on the campus that will consist of apartment-style housing of up to 600 beds. The project is expected to be completed and available for occupancy by August 2001. The development will be located directly south of existing student housing on a parcel of land that is identified on the approved campus master plan. The project also will include parking spaces conveniently located near the housing to serve student occupants. The design will be compatible with existing campus architecture and will conform to the Environmental Impact Report and the design criteria in the campus master plan.

The campus hired an independent research firm to conduct a feasibility study to quantify the demand for student housing on campus. The research firm concluded that there is a demand for additional housing on campus, that apartments are the preferred style of housing, and that the cost of new housing to students needs to be competitive with the private market. In addition, campus research indicates that two recent California housing projects and many similar projects in other states have demonstrated that public/private partnerships can deliver projects in a timely and cost-effective manner. The campus reports that over the last several years, a new industry has emerged that specializes in student housing projects on university campuses. Many developers have demonstrated proficiency in designing, constructing, and financing housing projects quickly and efficiently.

The campus conducted a cost analysis assuming the project was built using the traditional process with the project design by an architect, public bid of the design, and financing secured through the CSU Dormitory Revenue Fund Housing Program. The analysis revealed that an occupancy of greater than 91 percent would be needed to make the project fully self-sufficient. The campus would like to explore the option of a design-built project that is designed, constructed, financed, and operated by a private developer with the expectation of lower costs and less risk than with a project financed and built through the issuance of Dormitory Revenue Fund (DRF) bonds under the California State University Bond Act of 1947.

The campus is receptive to any type of financing that will provide the greatest benefit to the students. It is anticipated that a possible funding scenario may involve the issuance of bonds by the campus foundation with financial participation, as well as income and construction guarantees, by the developer. The campus will propose at a future meeting of the board a specific plan for approval of its negotiated development program and information on foundation financing or for approval to issue DRF housing bonds if partnering with a private developer is not a feasible alternative.

Project Benefits

The San Bernardino campus has experienced significant enrollment growth over the last decade, but has not expanded its student housing program since the original campus development funded

by the DRF housing program more than 27 years ago. The current campus housing inventory, slightly over 400 beds, serves an enrollment that now exceeds 14,000 headcount. It is anticipated that the new housing project will benefit the campus in several important ways. Modern housing facilities will help attract more students to campus.

The new housing project is also expected to help contribute to student development. The campus expects the new housing to permit, through economy of scale, expansion of student development activities. The campus is also expecting to be able to expand recruitment efforts in attracting strong academic students and students who will contribute toward the campus community. The new housing is expected to incorporate components to meet safety requirements, ADA accessibility, Internet access, cable TV, and other requirements and amenities important to students and their parents. The proposed project will be self-supporting, serve a severe need for additional student housing, and contribute to the academic and social development of CSUSB students.

Project

The proposed project envisions an apartment complex with flexible-use common area space for recreational, social and academic use, varied elevations of two to three stories, and space for approximately 600 students in a combination of bedrooms designed for single and double occupancy. The unit mix anticipates three- and four-bedroom fully furnished apartment units. It is expected that each room will be connected to the campus network with access to a data port, cable TV outlet, and data line. The new student housing site is just south of the existing student housing, and north of Northpark Boulevard, on the southern part of the campus. The seven-acre site is currently vacant.

Development Procedures

The campus has established a pool of qualified developers through a Request for Qualifications (RFQ) issued on August 16, 1999. Nine submittals were received and were evaluated on criteria such as qualifications of the principals, experience with similar projects, and financial stability. Six firms were qualified to proceed to the Request for Proposal phase. The proposals will be evaluated on several criteria, including design concept, quality and durability of materials, cost, financing plan, and schedule.

During the process, qualified developers will be expected to address all of the issues raised in the Student Housing Market Analysis conducted by the independent research firm, as well as marketing information which included focus group sessions with parents and students and comparison rental and occupancy rates of nearby private housing. The campus has contracted with a private consulting firm specializing in real estate development to assist with the RFQ/RFP and evaluation phases of the project. This private consulting firm is expected to provide a level of experience and expertise to assist the campus in conducting this process and with a method to manage the risk associated with such ventures.

The campus staff will conduct a comparison analysis of how partnering with a private developer compares against the traditional Dormitory Revenue Fund Housing Program approach. A cost/benefit

analysis will be used to determine which process will provide the greatest benefit to students while also controlling the operational and financial risk to the campus. The campus anticipates that the project capital, operating, and maintenance costs will be funded with revenue generated from the rental of the student housing units. The land lease is likely to be of long-term duration (at least 30 years), and the buildings and improvements will revert to the university upon expiration of the lease.

Following the RFP review and presentations by selected developers, an exclusive negotiating agreement will be entered into with the finalist and the California State University, subsequent to trustee review and approval of the private sector concept. If a public/private partnership is selected, the campus would seek approval by trustees at a future meeting of its negotiated development program.

Title to the proposed seven-acre site will continue to be held by the State of California for use of the California State University. It is anticipated that CSUSB will enter into a long-term ground lease for the site with the CSUSB Foundation, a CSU recognized auxiliary organization. In turn, the foundation will contract with the developer via a developer agreement for construction of the student housing project.

The project will be reviewed by the Housing Proposal Review Committee before the final development program is presented to the trustees. The committee is chaired by a campus president and includes one vice president of administration/business affairs, one vice president for student affairs, and two chief housing officers. The committee has been created to review the feasibility of new housing projects and to advise campus presidents and the chancellor whether or not to proceed with a proposed project.

Summary

It is requested that the trustees authorize the campus to proceed with the process to identify a private sector developer to construct additional student housing on the San Bernardino campus. The process will result in a development program that will identify the scope, schedule, and budget of the project, as well as the method in which the project will be financed.

The following resolution is recommended for approval:

RESOLVED, By the Board of Trustees of The California State University, that the trustees:

1. Support the concept of a public/private partnership for the construction of additional student housing on the San Bernardino campus as generally described in this agenda item.
2. Confirm the chancellor's authority to enter into negotiations and such agreements as necessary to initiate the process for specific development programs to be considered by the campus, Office of the Chancellor, and the Board of Trustees.

3. Will consider the following action items for approval at appropriate times during the development process:
 - a. Specific development program(s), including a summary of final project agreements negotiated by the campus and the developer, with the advice of the chancellor;
 - b. Master Plan Revisions;
 - c. Proposed schematic plans; and
 - d. Environmental documents for all facilities.

BRIEF

Information Item

Agenda Item 4
January 25-26, 2000

COMMITTEE ON FINANCE

Public/Private Development of Technology Park by an Auxiliary Organization at California State University, Long Beach

Presentation By

Robert C. Maxson, President
California State University, Long Beach

Bradley W. Wells, Assistant Vice Chancellor
Financial Services

Summary

This agenda item provides information to the Board of Trustees about a public/private Technology Park development project by the California State University, Long Beach Foundation, a recognized auxiliary organization of the CSU. No state resources have been or will be expended on the project. The project enhances CSU activities in the local community and creates a potential for generating additional resources for the CSU Long Beach campus.

ITEM

2

Agenda Item 4
January 25-26, 2000

COMMITTEE ON FINANCE

Public/Private Development of Technology Park by an Auxiliary Organization at California State University, Long Beach

Background

This agenda item is to inform the Board of Trustees of a proposed public-private partnership between a CSU Long Beach auxiliary organization and Watt Long Beach for the development of the CSULB Technology Park. The 30-acre project is located in west Long Beach on Pacific Coast Highway, between the Terminal Island Freeway and Santa Fe Avenue on land owned by the Foundation. No state resources have been or will be spent on this project.

The CSU Long Beach Foundation (the Foundation) is pursuing the development of the CSULB Technology Park as a self-funded entity, financed solely from private sources and federal and state grants. When several naval facilities were slated for closure in 1991, the city of Long Beach invited CSULB to assist efforts by the local community to recover from the loss of jobs and economic activity associated with the closures. The Foundation's proposal for a Technology Park on a 30-acre portion of the former Naval Housing Cabrillo site was selected from 12 reuse proposals by the City of Long Beach Naval Properties Reuse Committee and the City Council.

The objectives of the CSULB Technology Park are to:

1. Aid in the economic development of the City of Long Beach by creating new jobs and revenues for the local economy;
2. Provide financial returns to support the educational mission of CSULB;
3. Promote interactive educational opportunities with the local community; and
4. Provide opportunities for advancing research and training grant activity through partnerships with private industry located at the Park.

The Foundation acquired this property from the U.S. Navy in 1996 via the Navy's first Economic Development Conveyance nationwide. An Economic Development Conveyance allows local communities to acquire closed military bases for significantly less than the market value if the proposed reuse enables the local community to recover from the major economic and job losses resulting from base closures. The Foundation acquired the property valued at over \$10 million for no initial cost, with an agreement to pay the Navy approximately \$1 million plus interest from future profits (only if any profit is generated), with four annual payments beginning in 2008. This property transfer was based on independent projections that the CSULB Technology Park would generate up to 3,000 new jobs, and up to \$83 million in annual economic activity.

The Foundation has secured all required entitlements to date from the City of Long Beach, which has jurisdiction over the project. These entitlements include environmental review, establishment

of zoning, a general plan amendment, master site plan approval, and other entitlements. The Foundation has paid all development fees required to date by the city, including the plan check, utility connection, and building-permit fees.

The Foundation has already tested the market for ground leasing land directly to private industry users for development. Although interest has been expressed, the Foundation has concluded that this approach would result in a much slower absorption, since private industry users are more interested in leasing existing buildings than undeveloped land. The current demand is for light manufacturing and technology park buildings.

The pre-existing naval housing was demolished and significant infrastructure improvements were made to prepare the site for development. To date, the Foundation has secured \$5.4 million in Title IX Grant funding from the U.S. Department of Commerce, Economic Development Administration, specifically for the purpose of completing the required demolition and infrastructure work. At the request of the city of Long Beach, an existing 5,600-square-foot building has also been renovated, as the future home of the Long Beach Enterprise Center. This building will be provided at no cost to the city, who will staff and operate the first new business incubator in the renovated building. An additional 5,600-square-foot building has been renovated for office use, and a portion of the building has been leased to the Alameda Corridor Training Project. CSULB faculty and city staff are providing job skills training for over 1,100 people in the local communities impacted by the Alameda Corridor project.

The Foundation has secured \$600,000 to date in grant funds for project operating costs from the California Trade and Commerce Agency.

Current Situation

The Foundation recently conducted a competitive process to select a private industry developer since the demolition and infrastructure work is currently scheduled for completion in mid-2000. The developer will provide expertise and capital, and will assume the risk required for the development of up to approximately 400,000 square feet of for-lease technology park buildings on the site. The Request for Proposal resulted in the selection of Watt Long Beach, a division of Watt Commercial Properties, as the developer in this proposed public-private partnership. The CSULB Foundation anticipates retaining full ownership of the land and execution of a long-term ground lease for 20 net acres of the site with Watt Long Beach (five net acres are reserved for future university uses).

The terms of this proposed ground lease will include an unsubordinated base rent, a priority return, and a share of profits. Ground lease revenues will be sufficient to cover the project operating costs, repay the Navy debt, and allow for the future development of university facilities. Current market conditions indicate a very low vacancy rate in the Long Beach area for technology park buildings. For this reason, the currently planned three-phased development would begin in mid-2000, with

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build-out to be dictated by future market conditions. The Foundation also proposes to retain the flexibility to ground lease 6.6 acres of the 20 net acres of land directly to private industry companies who require ownership of their own buildings.

Summary

The proposed agreement establishes a program that will allow the California State University, Long Beach Foundation to proceed with the development of approximately 20 net acres, through a public-private partnership with Watt Long Beach. The CSULB Technology Park will support the mission of the CSULB Foundation, and the economic development goals of the City of Long Beach in recovering from the impacts of the naval facility closures.

BRIEF

Action Item

Agenda Item 5
January 25-26, 2000

COMMITTEE ON FINANCE

Public Sector Participation in Parking Activities at San Diego State University

Presentation By

Stephen L. Weber, President
San Diego State University

Bradley W. Wells, Assistant Vice Chancellor
Financial Services

Summary

This agenda requests the trustees' approval of the concept plan of public sector participation for a parking structure at San Diego State University. The parking structure is needed to mitigate parking issues during the construction of a light rail line into the campus, and to provide for future parking needs as a result of projected enrollment growth.

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Agenda Item 5
January 25-26, 2000

COMMITTEE ON FINANCE

Public Sector Participation in Parking Activities at San Diego State University

Background

San Diego State University anticipates a significant parking shortage over the next five-year period due to the projected growth in student enrollment coupled with the proposed use of campus parking lots for the staging and construction of the Mission Valley East extension of the Light Rail Transit (LRT) line. The Metropolitan Transportation Development Board (MTDB) has agreed to mitigate the LRT construction-related impacts to campus parking facilities by providing a short-term loan to construct a new 2,000 space parking structure (Parking Structure 6). The construction would involve demolition of 400 spaces in an existing surface parking lot, thus providing a net gain of approximately 1,600 spaces. This addition to the parking inventory will offset spaces lost during the four-year construction schedule of the LRT project and the spaces that may be permanently lost as a result of the LRT easement.

Aztec Shops, Ltd., a recognized auxiliary organization of the California State University, is preparing to accept a short-term loan of up to \$17,080,000 from MTDB for the purpose of constructing a 2,000-space parking structure within the next year on land to be leased from San Diego State University. The new structure must be in service by fall 2001 to coincide with the LRT construction schedule. While the university has taken the necessary steps to incrementally increase parking fee, revenue to meet additional bond financing tests contained in existing bond covenants of the trustees parking bonds, the additional financing tests will not be met until funds are received. The MTDB has therefore proposed the loan as a method of bridging this funding gap so that the structure may be started next fiscal year and completed when needed.

The university plans on leasing the parking structure from Aztec Shops beginning September 2001 and will subsequently purchase the facility subject to Trustees' review and approval of a proposal for the sale of parking revenue bonds. The university, MTDB, and Aztec Shops will negotiate and structure the details of the loan transaction in the coming months.

The trustees certified the requisite CEQA analysis and mitigation plan for Parking Structure 6 in May 1999 as part of the Aztec Walk Master Plan Environmental Impact Report. A separate item will be presented to the trustees' Committee on Campus Planning, Buildings and Grounds at this meeting requesting amendment of the 1999/2000 Nonstate Funded Capital Outlay Program to include this project. The schematic/design for this project will be submitted to the trustees for approval in March.

Project Description

The proposed Parking Structure 6 project consists of a new parking garage including ancillary parking-management and building-storage facilities, and related pedestrian, traffic and utility improvements. Parking Structure 6 is a proposed multi-level concrete shear-wall parking garage

designed to accommodate approximately 2,000 new parking spaces in the southeastern portion of the SDSU campus. Parking Structure 6 would be designed to match the size and mass of the adjacent five-level Parking Structure 3. The garage design would include two traction elevators, stair towers and internal circulation ramps. Interior design will emphasize security, natural lighting, efficient stall layout and circulation, and effective directional signage and wayfinding. Exterior finishes, landscaping and lighting will complement the adjacent Parking Structure 3 and comply with campus design standards. Vehicle access to this garage will be via one or more entrance/exit points connecting a mid-level of the garage to East Campus Drive and additional surface level entrances along the north and south sides of the structure.

Summary

This item provides the trustees with an overview of the conceptual plan for public-sector participation in parking facilities on the San Diego State University campus to facilitate the mitigation of parking issues during the construction of the Light Rail Line into the campus. In addition, the proposed plan will provide a long-term solution to parking needs at the campus.

The following resolution is recommended for approval.

RESOLVED, by the Board of Trustees of The California State University, that the Trustees:

1. Support the concept of public venture participation in the plan to construct additional parking as presented in Agenda Item 5 of the January 25-26, 2000, meeting of the trustees' Committee on Finance.
2. Confirm the chancellor's authority to enter into negotiations and such agreements as necessary to initiate the process for developing the final plan to be considered by the campus, Office of the Chancellor, and the Board of Trustees.
3. Consider the following action items for approval at appropriate times during the development process:
 - (a) Summary of final project agreements negotiated by the campus and other plan participants with the advice of the chancellor;
 - (b) Master plan revisions, as needed;
 - (c) Proposed schematic plans; and
 - (d) Environmental documents for all facilities.

BRIEF

Information Item

Agenda Item 6
January 25-26, 2000

COMMITTEE ON FINANCE

CSU Annual Investment Report

Presentation By

Bradley W. Wells, Assistant Vice Chancellor
Financial Services

Summary

In 1997 the Board of Trustees established an investment policy for the investment of funds held in California State University trust accounts. This item provides an annual investment report of activities for the funds managed under this policy.

ITEM

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Agenda Item 6
January 25-26, 2000

COMMITTEE ON FINANCE

CSU Annual Investment Report

At the January 1997 meeting, the Board of Trustees approved the creation of a centralized investment program to manage the investments of funds held in California State University trust accounts. In addition, the board approved an investment policy consistent with the authority provided in existing statutes to guide the university in administering the investment program. A copy of the investment policy is provided in Attachment A. The board also agreed that an external fund manager should be hired to invest the funds consistent with the investment policy of the Board of Trustees. The firm of Metropolitan West was hired to manage an investment program for the California State University.

This agenda item reports the results of the investment program through the period ending November 30, 1999.

Market Recap

Rising interest rates over the last year dampened bond returns. Anticipation of and reaction to the two quarter-point rate hikes levied by the Federal Reserve Board last summer erased most of the interest-rate cuts of 1998. Longer-duration spread sectors, with the exception of discount coupon 30-year mortgage securities, trailed similar duration Treasuries during this time frame. Corporate bond prices fell in July and August under the expectation of debt issuance related to the Year 2000 changeover resulting in spreading yields relative to Treasuries. While corporate bonds recovered sharply in September and October due to constrained supply, the recovery was not enough to erase the sector's earlier losses. Discount mortgage securities benefited from strong housing turnover and from declining interest-rate volatility and also from boosted mortgage-backed securities.

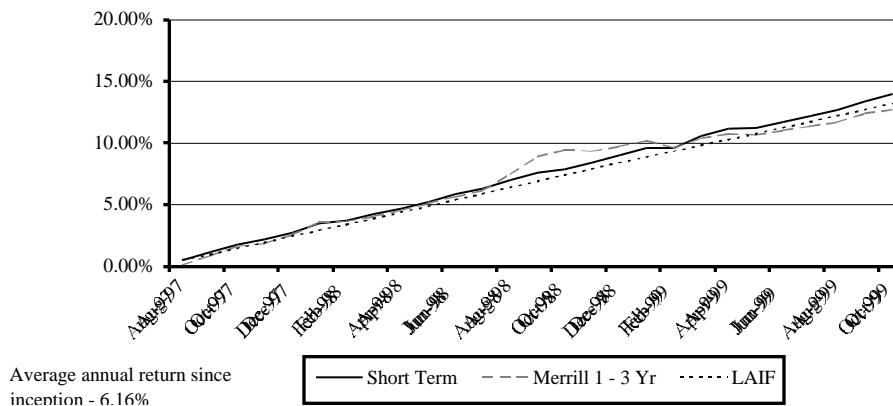
CSU Short-Term Investment Account Performance

As of November 30, 1999, the asset balance in the short-term account totaled \$113 million. The objective of the short-term account is to maximize current income consistent with the preservation of capital. Consistent with the CSU investment policy, the portfolio is restricted to U.S. Treasury securities, government agency securities, and highly rated corporate securities. State law prohibits the investment of these funds in equities. The holding by sector for the short-term account is shown below.

California State University Short-Term Account
Sector Breakdown
As of 11/30/99

Corporate Securities	55.46%
U.S. Treasuries	35.79%
U.S. Government Agencies	8.48%
Cash Fund	0.27%

The short-term account has provided an average annual return of 6.16 percent since inception of the account in August 1997. On a cumulative basis, the portfolio has exceeded the established benchmarks, which are the Merrill 3-5 year index and the Local Agency Investment Fund administered by the State of California.



The above chart depicts the performance of one account managed by Metropolitan West. The performance reflects the reinvestment of dividends and other earnings. Performance was calculated net of investment advisory fees. The Merrill 1-3 Year Index is an unmanaged index consisting of the compounded result of the cumulative daily returns of US Treasuries with maturities between 1 and 3 years. The Local Agency Investment Fund (LAIF) is a diversified managed portfolio administered by the State of California for local governments and special districts. Past performance is no guarantee of future results.

CSU Total Return Investment Account Performance

The Total Return Account, opened in August 29, 1997, has been managed to maximize long-term total return by investing in a diversified portfolio of fixed-income securities of varying maturities with an average duration of 3.75 to 5.75 years. This account is structured to outperform the Merrill 5-7 Year Treasury Index, the Short-Term account, and the Local Agency Investment Fund and, as a result, the portfolio exhibits greater volatility than the short-term account. As of November 30, 1999, the net asset value of the total return account was \$136 million.

As with the short-term account, the total return account portfolio is restricted to U.S. Treasury securities, agency securities, and highly rated corporate securities. State law prohibits the investment of these funds in equities. Holdings by sector for the total return account are shown below.

California State University Total Return Account Sector Breakdown As of 11/30/99

Corporate Securities	29.05%
U.S. Treasuries	52.44%
U.S. Government Agencies	17.90%
Cash Fund	0.61%

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The cumulative return of the total return account exceeds the Local Agency Investment Fund and is slightly below the Merrill Lynch 5-7 Year U.S. Treasury Index. For the fiscal year ending June 30, 1998, the Total Return Account had an annual return of 8.71%. For the fiscal year ended June 30, 1999, the Total Return Account's annualized return was 3.46%. Since November 1999 the total return account has under performed slightly the Merrill 5 – 7 year index on a cumulative basis beginning in August 1998. The Merrill 5-7 year index, which is comprised entirely of Treasuries, benefited from the increase demand for Treasuries prompted by the Russian debt default, among other factors. Since, January 1999 the gap between the total return and the index has closed on a cumulative earnings basis.

The California State University Investment Policy

The following investment guidelines have been developed for CSU campuses to use when investing funds.

Investment Policy Statement

The objective of the investment policy of the California State University is to obtain the best possible return commensurate with the degree of risk that the CSU is willing to assume in obtaining such return. The Board of Trustees desires to provide to each campus president the greatest possible flexibility to maximize investment opportunities. However, as agents of the trustees, campus presidents must recognize the fiduciary responsibility of the trustees to conserve and protect the assets of the portfolios and by prudent management prevent exposure to undue and unnecessary risk.

When investing campus funds, the primary objective of the campus shall be to safeguard the principal. The secondary objective shall be to meet the liquidity needs of the campus. The third objective shall be to return an acceptable yield.

Investment Authority

The California State University may invest monies held in local trust accounts under Education Code Sections 89721 and 90724 in any of the securities authorized by Government Code Section 16430 and Education Code Section 89724 listed in Section A subject to limitations described in Section B.

- A. State Treasury investment options include:
- Surplus Money Investment Fund (SMIF)
 - Local Agency Investment Fund (LAIF)
- B. Eligible securities for investment outside the State Treasury, as authorized by Government Code Section 16430 and Education Code Section 89724, include:
- Bonds, notes or obligations with principal and interest secured by the full faith and credit of the United States;
 - Bonds, notes or obligations with principal and interest guaranteed by a federal agency of the United States;
 - Bonds or warrants of any county, city, water district, utility district or school district;
 - California State bonds or bonds with principal and interest guaranteed by the full faith and credit of the State of California;

ATTACHMENT A

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- Various debt instruments issued by: (1) federal land banks, (2) Central Bank for Cooperatives, (3) Federal Home Loan Bank Bd., (4) National Mortgage Association, (5) Federal Home Loan Mortgage Corporation, and (6) Tennessee Valley Authority;
 - Commercial paper exhibiting the following qualities: (1) “prime” rated, (2) less than 180 days maturity, (3) issued by a U.S. corporation with assets exceeding \$500,000,000, (4) approved by the PMIB. Investments must not exceed 10 percent of corporation’s outstanding paper, and total investments in commercial paper cannot exceed 30 percent of an investment pool;
 - Bankers’ acceptances eligible for purchase by the Federal Reserve System;
 - Certificates of deposit (insured by FDIC, FSLIC or appropriately collateralized);
 - Investment certificates or withdrawal shares in federal or state credit unions that are doing business in California and that have their accounts insured by the National Credit Union Administration;
 - Loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration;
 - Student loan notes insured by the Guaranteed Student Loan Program;
 - Debt issued, assumed, or guaranteed by the Inter-American Development Bank, Asian Development Bank or Puerto Rican Development Bank;
 - Bonds, notes or debentures issued by U.S. corporations rated within the top three ratings of a nationally recognized rating service.
- C. In addition to the restrictions established in Government Code Section 16430, the CSU restricts the use of leverage in campus investment portfolios by limiting reverse repurchase agreements used to buy securities to no more than 20 percent of a portfolio. Furthermore, the CSU:
- Prohibits securities purchased with the proceeds of a reverse repurchase from being used as collateral for another reverse repurchase while the original reverse repurchase is outstanding;
 - Limits the maturity of each repurchase agreement to the maturity of any securities purchased with the proceeds of the repurchase (but in any event not more than one year); and
 - Limits reverse repurchase agreements to unencumbered securities already held in the portfolio.

Investment Reporting Requirements

- A. Annually, the chancellor will provide to the Board of Trustees a written statement of investment policy in addition to a report containing a detailed description of the investment securities held by all CSU campuses and the Chancellor's Office, including market values.
- B. Each campus will provide no less than quarterly to the chancellor a report containing a detailed description of the campus's investment securities, including market values. A written statement of investment policy will also be provided if it was modified since the prior submission. These quarterly reports are required:
- to be submitted to the chancellor within 30 days of the quarter's end;
 - to contain a statement with respect to compliance with the written statement of investment policy; and
 - to be made available to taxpayers upon request for a nominal charge.